



Mainstreaming Governance in M4P Projects

Synthesis of the e-discussion of SDC's e+i network from 17 September to 5 October 2012

Introduction

The discussion on mainstreaming governance in Making Markets Work for the Poor (M4P) projects was the third e-discussion of SDC's e+i Network in 2012¹. It followed a discussion on Women Economic Empowerment that was organised in cooperation with the M4P Hub and a discussion on M4P and Rural Advisory Services (RAS) in cooperation with SDC's RAS Network.

Addressing governance issues in M4P projects proves to be in an early stage and only a few regions and projects have tackled the issue explicitly. One team that has proven to be a thought leader within SDC is the Cooperation Office South Caucasus, which has produced some guiding documents for M4P projects implemented in the region. Examples of projects that actively tackle governance aspects were also brought forward from Bangladesh and the occupied Palestinian territory.

There was no broad consensus between the participants. The following synthesis tries to find a red thread in the very diverse voices that contributed to this e-discussion, illustrating some of the points with quotes and examples from the participants. Many questions remain open after the discussion and need to be tackled in other fora.

Mains discussion points:

'Governance' needs to be clearly framed. To begin the discussion about the improved integration of governance in M4P projects, an important aspect is how governance is framed, within and outside SDC. There is a very wide span of perceptions what governance includes and how wide the range of M4P projects should and can cover the diverse aspects of governance.

M4P is a valid framework for including governance aspects. Being a systemic approach looking for the root causes of market constraints, governance aspects should come naturally to the attention of M4P project teams when they analyse the project's context. Literature on value chain governance and the use of systemic approaches supplements existing documentation on the M4P approach.

More guidance is needed for M4P projects in relation to governance. Although generally accepted as sufficient framework for private sector and pro-poor market development, many practitioners expressed the need for more concrete guidance on how to tackle governance aspects in their work. Some participants expressed that the five good governance principles² used by SDC are not well adapted to private sector development.

Projects have been using the five good governance principles and developed questions to guide the projects' work. Some participants voiced the concern that using the five principle would not add value to M4P projects but just label what they have been doing anyway. Due to the credo of M4P to look for causes instead of symptoms, governance aspects would naturally be discovered if they present significant causes for a dysfunction of the market system. The principles can, nevertheless, ease the communication between project implementers and SDC by building the base for a common language on governance mainstreaming. The principles should, however, not deter the practitioners to take a systemic look at the markets, including other aspects of possible market failures, and ask the right questions.

¹ An input paper on mainstreaming governance in M4P was prepared by the facilitators: http://www.sdc-employment-income.ch/en/Home/Making_Markets_Work_for_the_Poor/document.php?itemID=9853&langID=1

² Accountability, participation, non-discrimination, efficiency, transparency.

Framing 'governance'

An important starting point of the discussion about the integration of governance in M4P projects is how governance is framed, within and outside SDC.

"SDC's guidance on governance centres on the primary relationship between a government and its citizens. The five good governance principles – which are all generic – are given definitional clarity and depth by this government-to-citizen relationship." (David Elliott)

"The principles guiding SDC in its commitment to fight poverty see poverty as discrimination, obstacles and exclusion in 'participating in the formulation and decision-making stages of the social, political and economic transformation processes'. Therefore Gender and Governance have been defined as TTs [Transversal Topics] by SDC." (Sophia Svanadze)

There is a very wide span of perceptions what governance includes and to what extent M4P projects can cover the diverse aspects of governance. Participants mentioned the following areas as needing more involvement by or more guidance for M4P projects. This is neither complete nor illustrating a consensus among participants. It intends to illustrate the range of aspects that are considered as relevant parts of governance by individual participants.

- Corporate governance
- International industry standards and their enforcement
- Infrastructure development
- Education and training policies
- Role of the civil society (consumer demand, citizen pressure, and international 'watchdog' organisations)
- Relationship between market actors, civil society, and the government bodies
- Commitment and responsibility of market actors for their roles in market development

Participants criticised that social dynamics and political economy aspects that clearly influence the functioning of the market system are not explicitly tackled by the guiding documents of the M4P approach.

"Somehow going through the M4P guides one sometimes has the impression that it should always be possible to find 'win-win' situations and that market forces are benign at bottom" (Roel Hakemulder)

For some participants it was not obvious where exactly in the M4P framework governance plays a role.

"One point that also could be discussed here refers to the fields of application of governance in M4P. Is it just the rules & norms sphere, frame conditions, business environment and the like? I rather believe governance goes beyond that and is of particular relevance and importance precisely in the inter-sections of rules & norms, core market and support functions." (Richard Kohli)

The relevance of the intersection between the three levels of market system analysis was supported by other participants and complemented by the importance of looking at the relationships between the actors instead of just their individual role in the system.

"Many of the previous discussions focus on the roles of specific actors (from private and public sectors and civil society) in governance. Another question is how M4P projects can work to change the relationships between these actors. For example previous discussions on employment have noted the weaknesses of private sector voluntary regulation initiatives, and also the failure of the public sector to properly regulate in some contexts. Is there an added value to working on relationships between public, private and civil actors on issues such as employment (in line with the ILO tripartite vision) or the governance of value chains?" (Sophia Svanadze and Julian Walker)

Another aspect that participants discussed more in depth was the close connection between framing governance, and framing poverty and which the consequences of these framings on how we approach market development projects in general, and their relation to governance in particular. No consensus could, however, be found on this point.

"If poverty is defined as only lack of income, then this would imply promoting governance arrangements which increase poor women and men's control over market arrangements through which income is distributed (eg. negotiating price or wages). But if poverty is defined in line with SDC's (as well as many other development agencies) definition of poverty (considering exclusion and disempowerment as critical contributing factors) there may be additional implications." (Sophia Svanadze and Julian Walker)

"While some may not like lack of income as a definition of poverty it has the great advantage of being relatively simple and transparent and, most of all, it is the definition which poor people themselves understand and relate to. (...) If we think of poverty as being concerned with 'lack of income earning opportunities and the capacity to respond to these', we have a definition that states not only what we need to ultimately achieve (higher incomes) but also what we need to achieve more immediately through our work – improved opportunities and the capacity to respond to these." (Alan Gibson)

"I begin to think that addressing farmers as 'poor' is counterproductive. Rather I think they are viable business partners for large investments with a potentially huge commercial profit in the future. (...) There needs to be no diversity of motivation between a 'private entrepreneur' and 'poor farmer'. Quite the contrary. (...) Addressing these farmers as 'poor people' separately from private entrepreneurs doesn't get us anywhere down that track. Addressing them as business partners on the other hand triggers a dynamic that is highly exciting." (Ueli Scheuermeier)

M4P is a valid framework for including governance aspects

By focusing on the wider market system, the M4P approach is seen as well equipped to incorporate governance concerns.

"In a nutshell: M4P has it all for fully including governance. Why? Because it's a systemic approach. How possibly could we analyze and understand stakeholders and their transactions and interactions in market systems (all 3 spheres of the donut) without asking governance questions?" (Richard Kohli)

Additional to the M4P guidance documents published by DFID and SDC³, there is a host of literature emerging that focuses on certain aspects of governance in private sector development. Explicitly mentioned by the participants was the literature around value chain governance⁴ and a recent publication by DFID on using systems approaches in its Business Enabling Environment programmes⁵.

As a systemic approach, one of the particular strengths of M4P is its search for root causes and, hence, the ability to include aspects that lie outside the pure market sphere if they are connected to it.

"Systemic analysis, among other things, means asking the right questions regarding what is happening in transactions and interactions among actors, it also means asking questions about power relations, who is setting the agenda and who is preventing topics to be set on the agenda." (Richard Kohli)

Additionally to being systemic, the M4P approach also refrains from defining a specific set of values to be followed, but remains flexible and adaptable in this regard.

Better guidance is needed for M4P projects

Although generally accepted as sufficient framework for private sector and pro-poor market development, many practitioners expressed the need for more concrete guidance on how to tackle governance aspects in their work.

"Through our practical work with Economic Development and Employment (EDE) portfolio in the South Caucasus, we observed that existing M4P guidelines leaves space for different interpretation of ways to address governance issues." (Sophia Svanadze)

M4P's systemic perspective is seen as one of the areas where the available guidance is least specific. In order to have a better access to governance, some participants suggested to include or adapt analysis tools like the political economy analysis⁶ for their use in M4P.

"What would be extremely helpful is a clearer guidance on what systemic analysis actually means with a smart list of relevant guiding questions. In this regard the current guideline is not very vocal." (Richard Kohli)

"PEA (Political Economy Analysis) seems a useful approach or tool, but it needs more specific application to M4P." (James Keddie)

"So far, I haven't seen any explicit governance assessments or political economy analyses in M4P fact finding or scoping exercises, at least in those I am aware of. However, these are extremely powerful tools which are generally applied in democratization, municipal support or decentralization programmes." (Richard Kohli)

One participant pointed out that some projects by other donors are already using the political economy analysis to complement their analysis framework.

Other participants point to the need for participatory approaches in order to reach a deeper understanding of the underlying constraints of shortcomings in the market system.

³ Find DFID's and SDC's guidance documents on the SDC e+i shareweb: http://www.sdc-employment-income.ch/en/Home/Making_Markets_Work_for_the_Poor/Resources_on_the_M4P_approach?navID=4441&langID=1&searchString=guidance+document&searchCategory=4440&searchOrderDir=DESC

⁴ Martin Dietz (2012): "Value Chain Governance that Benefits the Poor". Working Paper. Helvetas Swiss Intercooperation. http://www.sdc-employment-income.ch/en/Home/Making_Markets_Work_for_the_Poor/document.php?itemID=9854&langID=1

⁵ Miguel Laric (2012): "Systems Change in the Business Enabling Environment" Investment Climate Practice Note. DFID. <http://www.businessenvironment.org/dyn/be/docs/detail2/234/6>

⁶ Description of Political Economy Analysis by OECD: <http://www.oecd.org/dac/governanceanddevelopment/politiceconomyanalysis.htm>

"Heavily involve politically savvy local professionals in project design, to get underneath the surface and interpret what is really driving the behaviour of powerful stakeholders. This may be particularly useful where key power relationships are highly informal and there are few primary data sources." (James Keddie)

Too much analysis, however, can also block a project in its progress and the direct involvement of the project team to get a 'feel' for the system can be crucial as well.

"There isn't one singular political economy 'system' to start with. So no one political economy analysis will prove sufficient. One needs to be informed, engaged, a facilitator in the full and true meaning of the M4P sense....!" (David Elliott)

Hence, the M4P approach is currently only as systemic as the user makes it by asking the right questions during the analysis, engaging in the system and using the right principles for the intervention design. A big factor for the successful integration of governance aspects, thus, is the capacity of the people working in the project and their capability to integrate a systemic perspective into the project.

The five good governance principles applied in M4P projects

Some participants expressed that the five good governance principles of SDC are not well adapted to private sector development.

"For private sector programmes, value chain or otherwise, the primary relationship, the core of the market system, is more usually business-to-business. Taking this as the primary relationship would require re-looking at the interpretation and definition of the generic good governance principles, which would lead to different types of examples, indicators and intervention guidance." (David Elliott)

David Elliott shared one example of an M4P project in the former Soviet Union that explicitly used the five good governance principles to illustrate their activities in the governance domain. He presented the following table, describing the situation of a meat market the project was focusing on:

Issue / Problem	Good Governance Principles	Intervention Focus
Male dominated culture at the market (e.g. only communal place is a smoke filled bar). Women find intimidating. No separate female toilets.	<ul style="list-style-type: none"> • Participation (women don't want to go) • Non-discrimination (sexual intimidation) 	Working with local authorities (for co-investment and PR) and the livestock market in support of: <ul style="list-style-type: none"> • Building a female toilet block • Building a covered communal area for women • Active culture related communications / PR
Prior to sale, animals must be inspected and certificates issued by a public veterinary (who is happy to oblige for a fee – whilst infected animals are passed into the food chain)	<ul style="list-style-type: none"> • Efficiency (transaction costs) • Accountability (money talks) 	Working with Agriculture and Public Health Ministry offices locally to: <ul style="list-style-type: none"> • Improve skills / change culture of public veterinaries • Tell farmers of their rights • Establish complaints procedure
Further away from urban livestock market the poorer the villages. Farmers walk few animals to market. Cows lose weight, and farmers lose value.	<ul style="list-style-type: none"> • Efficiency (monetary losses) • Participation (poorer farmers = poor deal) 	Working with local animal transport providers and remote communities in support of: <ul style="list-style-type: none"> • Organising farmers to coordinate trips to market and pool animals to fill a truck • Help transport providers to know and link with these communities.
Buyers treat first with larger farmers selling more animals. As the day goes on, smaller farmers are left. They need to get home before dark. Prices drop.	<ul style="list-style-type: none"> • Transparency (unclear pricing) • Participation (poorer farmers = poor deal) 	Working with livestock market to: <ul style="list-style-type: none"> • Computerise transactions (paper based now, as market takes a commission on sales) • Put trades (volumes and prices) on computer screens which all can see (helping smaller farmers to negotiate better)

In connection with this example, Elliott asked the question whether the five principles were used in the project only to give the activities they were already doing the label of governance activities or whether the use of the five principles really helped the project to think through the underlying 'nature' of the issue? In other words, does the use of the five good governance principles add value to M4P projects?

Due to the credo of M4P to look for causes instead of symptoms, governance aspects would naturally be discovered if they present significant causes for a dysfunction of the market system. Tim Steward, the former manager of the presented project, put it this way:

"The examples highlighted stemmed from rigorous analysis of the market and political economy that revealed the systemic weaknesses and key agents/actors involved. (...) The challenges for me lay not only in the analysis of the political economy and "governance" of the market and designing interventions, but in communicating to and convincing our donor that this was actually governance mainstreaming." (Tim Steward)

Hence, the five principles of good governance could be used to form the basis of a common language of communicating about governance in M4P projects. However, as Tim Steward adds:

"I found the 5 principals as they are still currently expressed not to be particularly helpful from a market development perspective as they relate mainly to "government" and their interactions. (...) Hence, the definitions provided in the SDC guidance (as outlined in the discussion paper) need to be broadened to encompass language more applicable to governance as it relates to markets." (Tim Steward)

Some ideas on how the principles could be used in the context of market development were presented.

"SDC's 5 governance principles are: efficiency, transparency, accountability, non-discrimination and participation. Quite obvious that efficiency in doing business always matters and, non-discrimination, as well as participation, lies within the very purpose of M4P. But what about transparency and accountability? Well, transparency is often tackled by making business transactions smoother working (e.g. making market information available to small and poor producers and the like). But accountability? Who is actually accountable to whom? At this point, I think we should start having a deeper look into things like corporate social responsibility, global corporate governance systems, standards, etc." (Richard Kohli)

The principles should, however, not deter the practitioners to take a systemic look at the markets, including other aspects of possible market failures, and ask the right questions.

"The good governance principles are important but as a facilitator, key questions to ask would be- a) why the current system exists; b) who has the incentive to change the system; c) why will they do it; d) how will it impact the local norms/traditions; etc. In order to ensure a sustainable change in the market system, we should focus on how the services are used and paid for at present and who will use and pay for it in the future. I think just having good governance principles ticked off during intervention design will not lead to sustainable outcomes." (Fouzia Nasreen)

Thanks to all contributors

The facilitation team thanks participants of the e-discussion for their valuable contributions (in chronological order):

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Martin Dietz, Helvetas Swiss Intercooperation, Switzerland	Luis (Lucho) Osorio-Cortes, Practical Action Consulting, UK	Fousia Nasreen, M4C project, Bangladesh
Tim Steward, Springfield Centre, UK	Nils Rosemann, SDC, Kosovo	Zenebe Bashaw Uruguchi, Helvetas Swiss Intercooperation, Bangladesh
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Website of e+i network: <http://www.sdc-employment-income.ch>

Website of e+i network PSD Discussion Group: <http://dgroups.org/sdc/privatesectordevelopment>