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On (market) systems development: 'It's all about sustainability and scale, stupid!'



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All blogs

Matthias Herr and Zenebe Uraguchi aim to demystify the misconceptions on market systems development.

The year was 1992. Presidential campaign strategist of then-candidate Bill Clinton coined the phrase 'it's the economy, stupid.' The strategist, James Carville, was attempting to emphasize the importance of the struggling economy.

It's quite fitting to use the same phrase to stress what (market) systems development is and isn't. There are enthusiasms, misperceptions, claims, aversions and complexities about what it means and it doesn't. Note that we're bracketing/qualifying the term market, and there is a reason which we explain below.

Origin

The above photo, taken in Southern Ethiopia in 2011, says, 'Shame on us [Ethiopians] that we beg for aid while we've two hands and two legs, and fertile land! Let's wake up!' It's a development narrative in a small local community that also reverberates at the national and international levels.

The development industry has come under increasing scrutiny over the past decades. We hear time and again questions like: is what we do really effective? How sustainable is the change that development agencies make? And how many people

does our work really effect? Are we really addressing the root causes of underperformance, or just the symptoms?

These are legitimate questions but there are few credible answers and thoughts on the effectiveness of development aid and bilateral cooperation. Sceptics of development aid fiercely criticised past efforts to the extent that **Dambisa Moyo** and **Graham Hancock** lampooned development aid respectively as 'dead' and a 'betray of public trust' by 'the lords of poverty'. **Supporters** came to the defence saying 'not everything is too bad'.

Other development practitioners and thinkers wanted to look for better ways of addressing poverty. Building on **concepts** and decades of field experiences, they sought answers to ensure sustainability of large-scale impacts. In short, this was how systemic approach to development was borne and came to the fore.

What did these development practitioners and thinkers emphasise? They focused on approaching the challenge of development by synthesising good development practices into principles and frameworks that can guide projects and development organisations towards achieving aid effectiveness. In other words, the approach attempts to (re)define the role of development agencies from doing things by themselves in providing solutions to problems that individuals, communities, enterprises and governments encounter.

Such systemic approach contributes to a shift in thinking by asking key questions such as 'why aren't different systems in agriculture, health, education, infrastructure...' providing solutions to development challenges – from unemployment to food insecurity, poor access to services like health and education, gender disparity, environmental degradation, etc.

What it isn't

Myth 1: It's another buzzword and label in development

Not true. What is true is the approach isn't entirely new. The approach puts common sense and best practice into comprehensive frameworks and therefore makes explicit what has previously been implicit.

The terminology 'Making Markets Work for the Poor (M4P)' has long been associated with systemic approach in development. We think it's a well-intended selection but unwise use of a terminology. We encourage all development practitioners to look beyond the terminology and focus on the key messages and questions raised by the approach to have the mental flexibility to challenge our perceived norms and ideas.

As mentioned above, the approach is a synthesis of decades of development experiences; it tries to provide us a strategic framework for greater aid

effectiveness. It isn't simply a collection of tools that popped up and would lose their relevance in development after some time. It's more substantial than simple tools and methods.

Let's therefore look more closely at our work and ask ourselves if we care more about impacts beyond our temporary role, and if these impacts are more than 'islands of success'. Let's also scrutinize the works of self-proclaimed 'M4P experts' and 'M4P projects' and question how deep their knowledge and application are in terms of applying key principles and frameworks we describe below.

Myth 2: It's all about markets and the private sector

It isn't. The approach doesn't exclusively focus on markets in the economic sense, i.e. engaging and working with only private sector actors and enterprises. What is true is, the approach mainly emerged from the thematic field of private sector development and a focus on poverty reduction. Yet it isn't as such narrow; it offers all of us, irrespective of the thematic areas or domains we are in, a lens through which we can view our work and understand our role in relation to our development partners and stakeholders, including the poor and disadvantaged. It helps us think critically to become better in achieving large-scale and sustainable outcomes in economic, social and political arenas.

The use of the term market refers to 'transactions' or 'exchanges' in a very broad way. Exchange is a basic feature of human daily interaction and can have various forms: a buyer (demand) purchasing products from a small-scale farmer (supply), schools (supply) offering skills to young people (demand), a municipality (supply) providing fresh water to citizens (demand), policy makers (supply) responding to women's needs for participation (demand), communities (demand) asking for technical support (supply) in making better use of natural resources, etc. Improving transactions/interactions between different parties is at the centre of our development efforts, and depending on our thematic focus, they take on different forms and involve different types of players.

Myth 3: It's prescriptive of solutions to poverty

The approach is by no means dogmatic. It's systemic but it doesn't have ready-made solutions to the core challenges of development. It doesn't prescribe solutions (such as privatisation), but encourages us to consider solutions that work best in a given context. It's therefore pragmatic to the challenges of sustainable and scalable development impacts, which are complex and aren't easy to come by. It gives us essential frameworks and principles to guide us in our work by asking critical questions as mentioned above.

It isn't purely theoretical and abstract, either. In fact, it bases itself on concepts from development thinking tested in practice and gradually improved and distilled. It

doesn't say direct subsidy by itself is bad; it doesn't ridicule relief work; it doesn't shun all that is not economic...But it encourages to ask ourselves if we have a vision in our work and initiative, whether we critically think if 'our entry is our exit' and if our role in development is to bring impacts which are more than islands of success, i.e. having large-scale impacts beyond our initial target groups and actors.

The focus on the poor and disadvantaged doesn't also seek to patronize the target groups while excluding other partners or actors. The emphasis is on systems that encompass public and private, formal and informal players.

What it is: our understanding

We don't want to repeat ourselves by restating what we've written above on 'what it isn't'. However, we would like to briefly emphasize the core features of the approach.

A vision from the start

If you suspect that we've a vision problem here, don't tell us to go and see an ophthalmologist (eye doctor)! Our problem isn't physical, but how we see the system to continue to work better after our intervention or initiative.

If you've a vision problem, we would like to suggest taking stock of your current work and developing a realistic picture of how this will translate in the future once you're no longer there. We believe it's helpful for our work to elaborate our strategy for the system in the future unless we're interested in short-term and smaller gains.

And by the way, the approach is also not blind to ecological sustainability, a topic which our blog will take up in the coming weeks.

Our roles are temporary and facilitative

If we link our vision to our role, then it's temporary. The problem of most development projects is they become part of the system and continue doing things by themselves. We need to move to an idea of projects in development being temporary think-tanks rather than mere executioners.

In every system, there are actors and players – be it in education, health, agriculture or governance. Our role is to facilitate to bring these actors to perform their functions in improved ways. The approach provides us analytical framework to understand the incentives/will and capacities of the actors.

For this, we do need a vision of how the system that we try to improve or change will look like in the future, i.e. beyond the duration of the project. Projects don't exist in a vacuum, and they engage and work with a number actors – be it private

companies, governments, individual actors, etc. Indeed, these actors/players are the ones who must own the initiatives (e.g. business model) from the beginning and take it to the next level, through deepening and broadening the impacts. Therefore, innovative ideas generated, tested, supported and developed in the 'think-tank' should be taken further by those who are part of the different systems, and not by projects.

We're by no means suggesting that the incentives for the different actors to be engaged are only economic or monetary; there are a range of reasons why actors are (dis)interested to be part an initiative. We're also not implying that actors are 'ignorant' of the relevance of the initiative to do it by themselves. Perhaps the initiatives are risky, they (the actors) may lack information or any other reasons. The approach therefore is useful to have better understanding of why it isn't happening and what is required to change or improve the system.

Root causes and not symptoms

The approach helps us understand two key aspects of the system of our work. First, it gives us frameworks to look into the wider system (and specific functions/parts in that system) in which the target groups and individuals are embedded. Second, it guides us to understand the underlying systemic causes for underperformance/failure and not just their symptoms.

Dairy farmers in Bangladesh aren't fetching good income from their milk not because of the high temperature spoiling their milk! It's perhaps lack of access to proper storage, adequate knowledge in handling milk, lack of transport services, etc. Young people in Bosnia and Herzegovina aren't getting jobs because they aren't interested or they're lazy. There are reasons such as the difficulty of potential employers to access labour force with the right set of skills. The formal educational system often does not produce adequate skills outcomes and many private companies make significant investments into training and capacity building. The absence of a qualified labour force undermines economic growth and competitiveness and subsequently the creation of new jobs

Research and analysis is thus an essential part of our daily work; it determines our focus for intervention. The approach provides us the strategic framework to do this by continually asking 'how?' and 'why?' It helps us 'peel the onion' until we find the underlying causes that gives us leverage for relevant and meaningful contributions.

Key principles and frameworks

How do we ensure that changes and innovations we introduced remain beyond the project period and continue to evolve and adapt to changing realities? –

Sustainability

How do we ensure that as many people possible benefit from the changes and innovations we introduce to the local context? – *Scale*

The approach is strategic that helps us think about these questions in the context of our projects and organisation. It doesn't give us the answers, but rather frameworks that make critical questions more explicit and help to structure our discourse on aid effectiveness.

If we aren't prepared to answer the above questions, we continue to lament hearing the scathing statement of David Pyle written more than three decades ago:

'How many times during the last three decades of intensive development efforts has a demonstration or pilot project provided 'the answers' to a development problem? Everyone is flushed with enthusiasm and optimism. The model that proved so successful on a small-scale is expanded with the hopes of benefiting a larger portion of the population. All too often, however, impact decreases or disappears completely [once the project phases out].'

We don't have to necessarily call our projects or initiatives 'M4P'. It's, however, essential for all of us to have people with genuine commitments to critically reflect our vision and constantly remind ourselves if our roles in development will make meaningful contributions that are sustainable and large-scale. It isn't a rocket science, but hard to steadily put into practice in complex and interdependent systems that we always work.

This blog was originally posted on the [Helvetas website](#) and is republished here with kind permission.

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