

**“Making Markets Work for the Poor”
Sida Experiences of BDS**

**BDS Seminar Chiang Mai, Thailand
27 September to
1 October 2004**

Per Dans, Sida

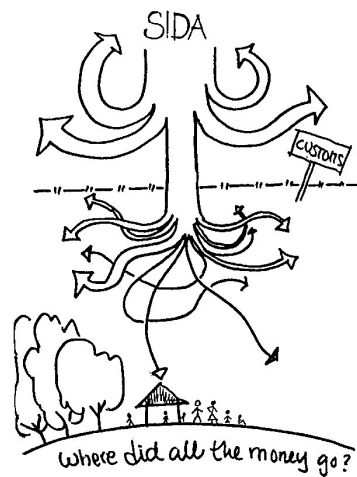
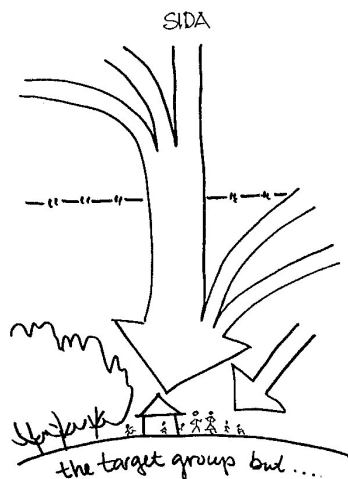


Robert Lucas 1988:

**"Once one starts to think
about economic growth, it
is hard to think about
anything else"**



Where did all the money go?



 Sida

Pro-poor growth

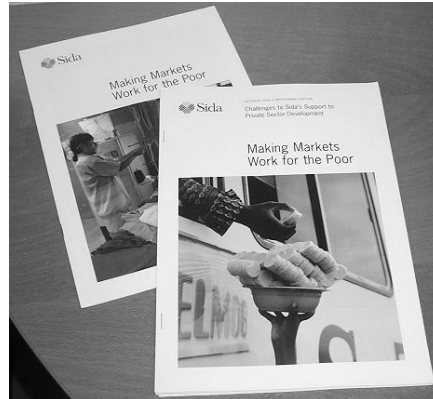
- ⌘ "pro-poor growth": a cornerstone in poverty reduction
- ⌘ a matter not only of the level but also the pattern of economic growth
- ⌘ the poor as economic actors
- ⌘ not only economic dimensions
- ⌘ the key: markets working to the benefit of the poor



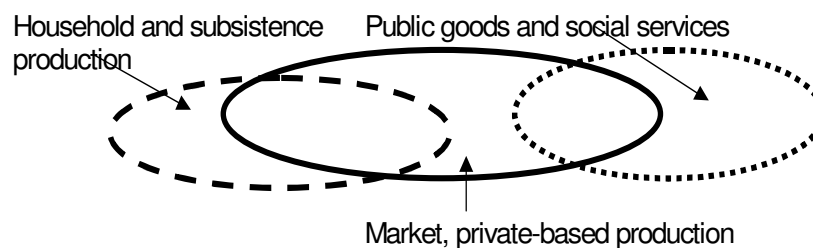
 Sida

“Making Markets work for the poor”

- ⌘ **The policy:**
“Policy Guidelines for Sida’s Support to Private Sector Development”
- ⌘ **The background:**
“Making Markets work for the Poor: Challenges for Sida’s Support to Private Sector Development”
- ⌘ **The pamphlet:**
“Making Markets work for the Poor”



What is PSD (Private Sector Development)?



What's new? (1)

- ⌘ Before: Support to PSD was regarded as something completely different from "normal" development assistance
- ⌘ Today: PSD is seen as one of several tools for poverty reduction
- ⌘ Implications: PSD issues must become integrated into the PRSP dialogue and in country strategies



What's new? (2)

- ⌘ Before: PSD was looked upon as a "sector"
- ⌘ Today: PSD is an issue for all departments within Sida
- ⌘ Implications: New integrated approaches are needed. The PSD message must be "mainstreamed".



What's new? (3)

- ⌘ Before: PSD often involved direct support to firms
- ⌘ Today: Main focus on establishing conditions for well functioning markets
- ⌘ Implications: We need to work in a flexible way from macro to micro levels of an economy



Creating an enabling environment

<u>International level:</u>	Global markets Technology and innovations FDI and international trade agreements
<u>Macro level:</u>	Peace and political stability Legal framework Macro economic policies
<u>Meso level:</u>	Infrastructure Capital markets Human resources Labour markets
<u>Micro level:</u>	Formal Informal
	Enterprises and private sector organisations Self-employed and micro enterprises

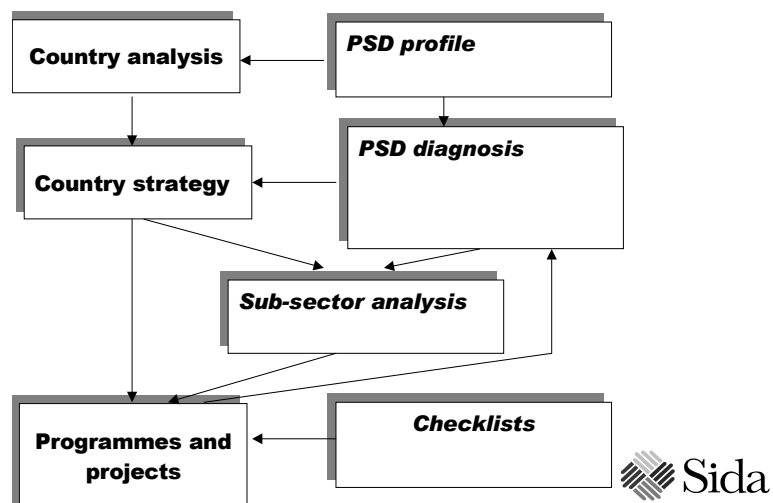


PSD support at the micro level

- ⌘ Assess each potential PSD intervention as to its **leverage effect** on the business environment
- ⌘ Avoid obvious **market distortions** by focusing on industrial or business sectors
- ⌘ Avoid **subsidies** of capital to commercial operators, unless there are very clear cases of positive externalities
- ⌘ Review carefully **direct PSD support**, which risks retarding and preventing development of markets
- ⌘ Be restrictive in direct forms of PSD support bypassing **domestic organisational structures**



Diagnostic instruments



Characteristics of BDS market development

- ⌘ Focus on markets – “subject”
- ⌘ View clients as customers
- ⌘ Market transaction relationship
- ⌘ Greater potential for sustainability – more limited use of subsidies
- ⌘ Work with many – preferably private – providers
- ⌘ Roles: distinction between market facilitator and BDS providers
- ⌘ Clear exit strategy
- ⌘ Intervention focus on addressing market constraints



Why support BDS?

- ⌘ Eradicating poverty
- ⌘ Economic pro-poor growth
- ⌘ Market as engine of growth
- ⌘ Right of income



How BDS?

- ⌘ “Inclusive” market development
- ⌘ Innovation systems development
- ⌘ Local partners
- ⌘ Exit strategy



What BDS?

- ⌘ Start and Improve Your Business (SIYB)
(South/East/West Africa, Sri Lanka, Vietnam,
West Bank/Gaza etc...)
- ⌘ Expand Your Business (EYB)
- ⌘ Small Enterprise Media in Africa (SEMA)
(Uganda, Zambia)
- ⌘ Chamber of Commerce support (Tanzania, Sri
Lanka, Uganda, Zambia, West Bank/Gaza etc)



Challenges in BDS support

- ⌘ Impact assessments (poverty, pro-poor growth etc)
- ⌘ Exit strategies
- ⌘ Facilitators
- ⌘ Adherence to Blue Book?
- ⌘ T.A. in BDS vs administration cost
- ⌘ BDS in Weaker Markets/willingness to pay (definition, assessment, pay later?)
- ⌘ “New” areas of BDS (agri, utilities, informal economy etc...)



Facilitators

- ⌘ Difficult to find existing local facilitators
- ⌘ Project as facilitator “second best” option
- ⌘ Conflict being facilitator/service provider (separate entities?)



Positive “side effects” of BDS

- ⌘ BDS-principles useful as analysis tool in many areas - market development approach in Sida strengthened
- ⌘ BDS “proper” (BDS projects)



Thank You!

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