

The private sector and international development

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Introduction

- Quick summary of what happened after I graduated...
- Why the private sector is relevant to international development
- A market development case study from Afghanistan
- Some thoughts on how DFID is trying to engage with the private sector
- Questions and answers

Career summary

- Left Aberdeen University in 1989, and decided to become an accountant...
- Moved from accountancy into corporate finance, worked on privatisation deals in CEE
- Arthur Andersen's demise threw me into independent consultancy work, specialising in private sector development
- Now around 20 years experience, mostly working in post-conflict/fragile states

Private sector and development



The engine of growth

- Compelling logic:
 - Growth and poverty reduction clearly linked
 - Sustainable growth comes from private sector
 - Therefore support private sector led growth and poverty will be reduced
- What has actually happened?

A mixed record

- Donor driven economic growth focused development has not been a huge success:
 - Transformational economies mostly rejected donor formulae
 - MDG poverty reduction achievements dominated by China, very little to do with donors
 - Demise of the Washington consensus
- Why? Too little understanding of complex environments, too many quick fixes and too much ideological baggage

But not a lost cause

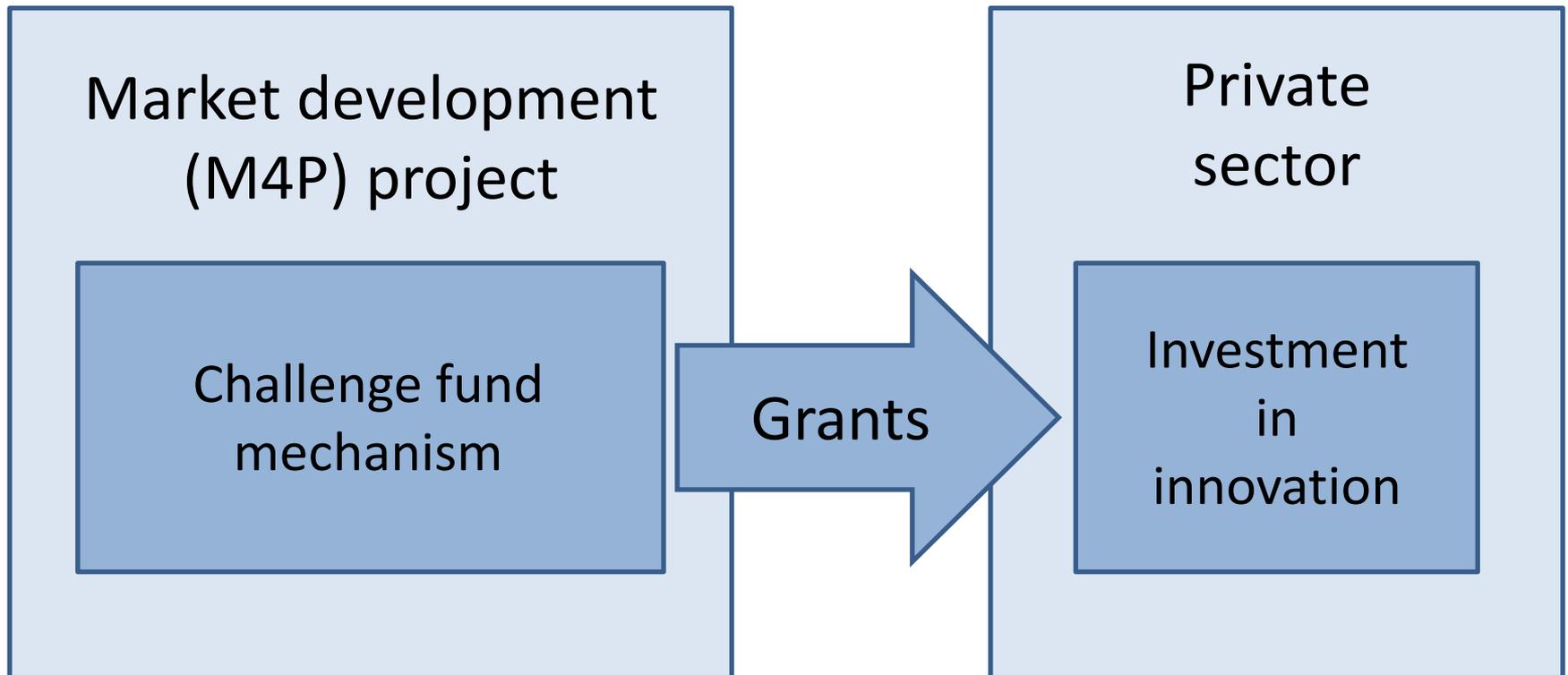
- Donor interventions can influence private sector led growth:
 - Direct investment in infrastructure
 - Providing frontier market finance
 - Creating demand for reform and providing governance expertise to those who want it
 - Encouraging inclusive growth
- But bottom up approaches face the challenge of achieving impact at scale

Market development case study



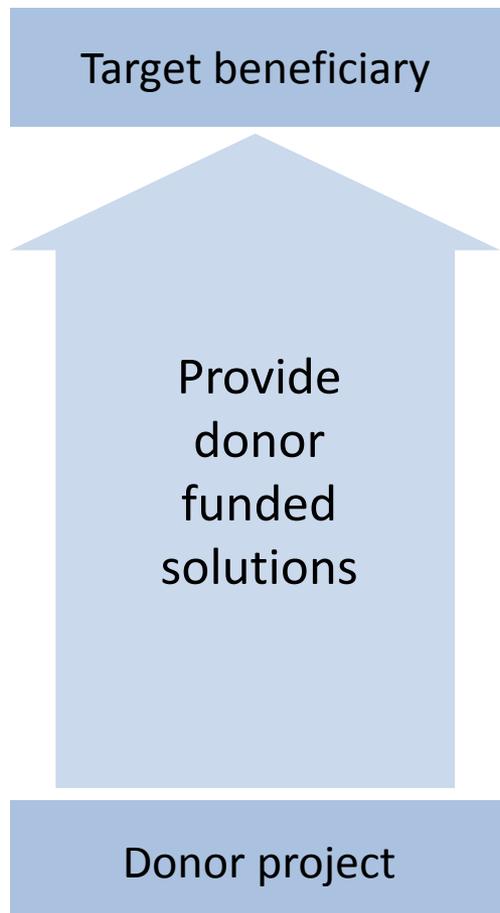
Afghanistan Business Innovation Fund

- Objective: To deliver measurable, value adding benefit to poor men and women through sustainable market change



What is market development?

Direct intervention approach

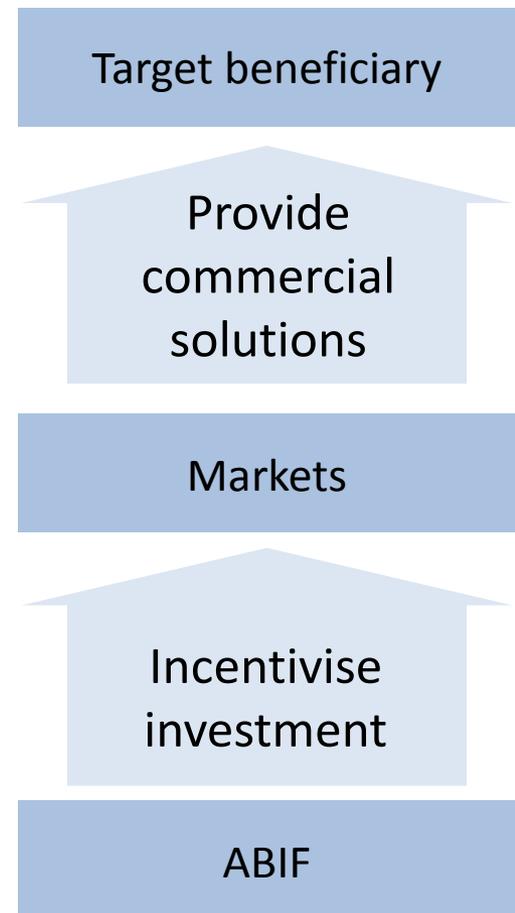


See a need

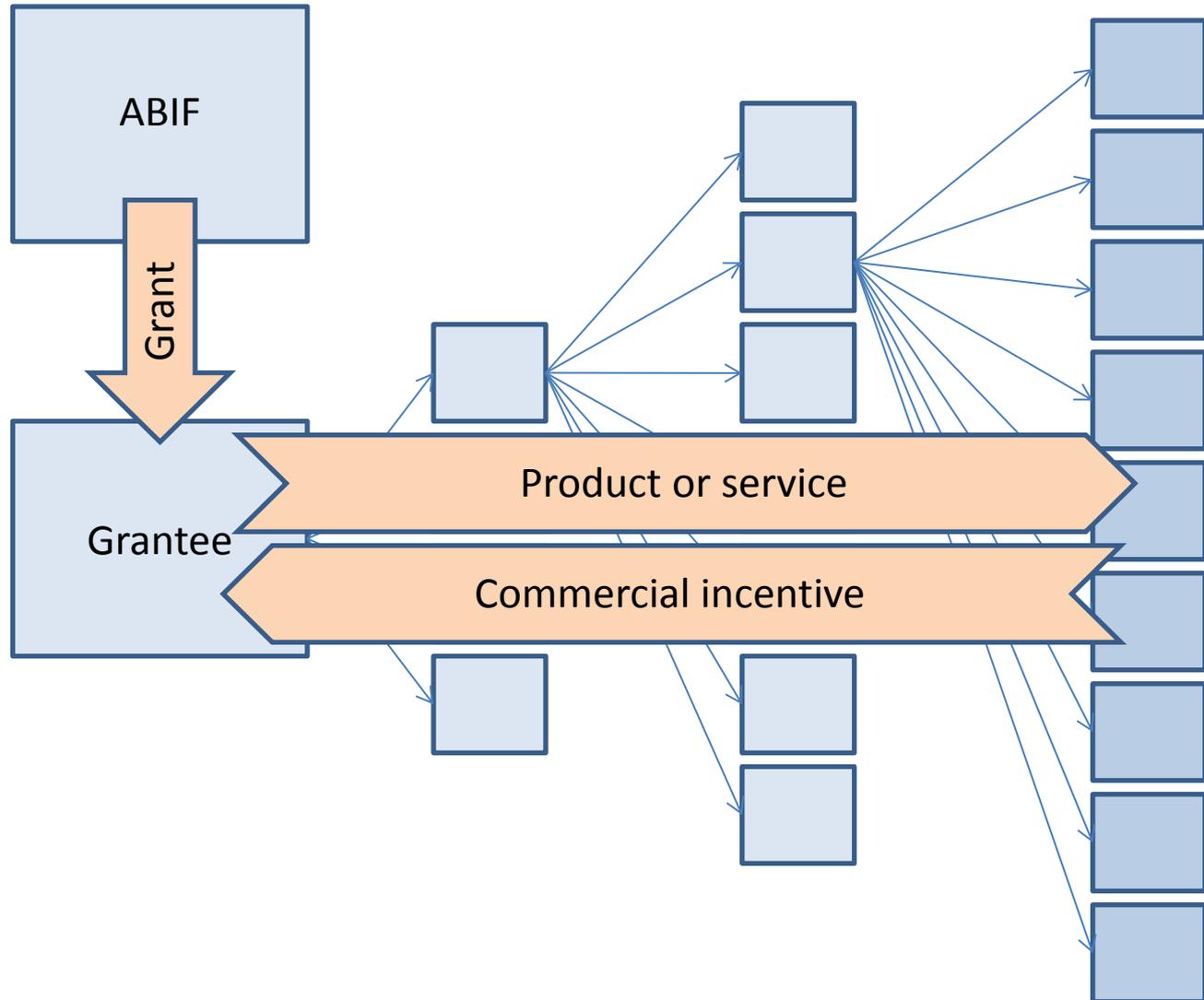
Identify constraints

Provide support

Market development approach



Achieving scale and sustainability



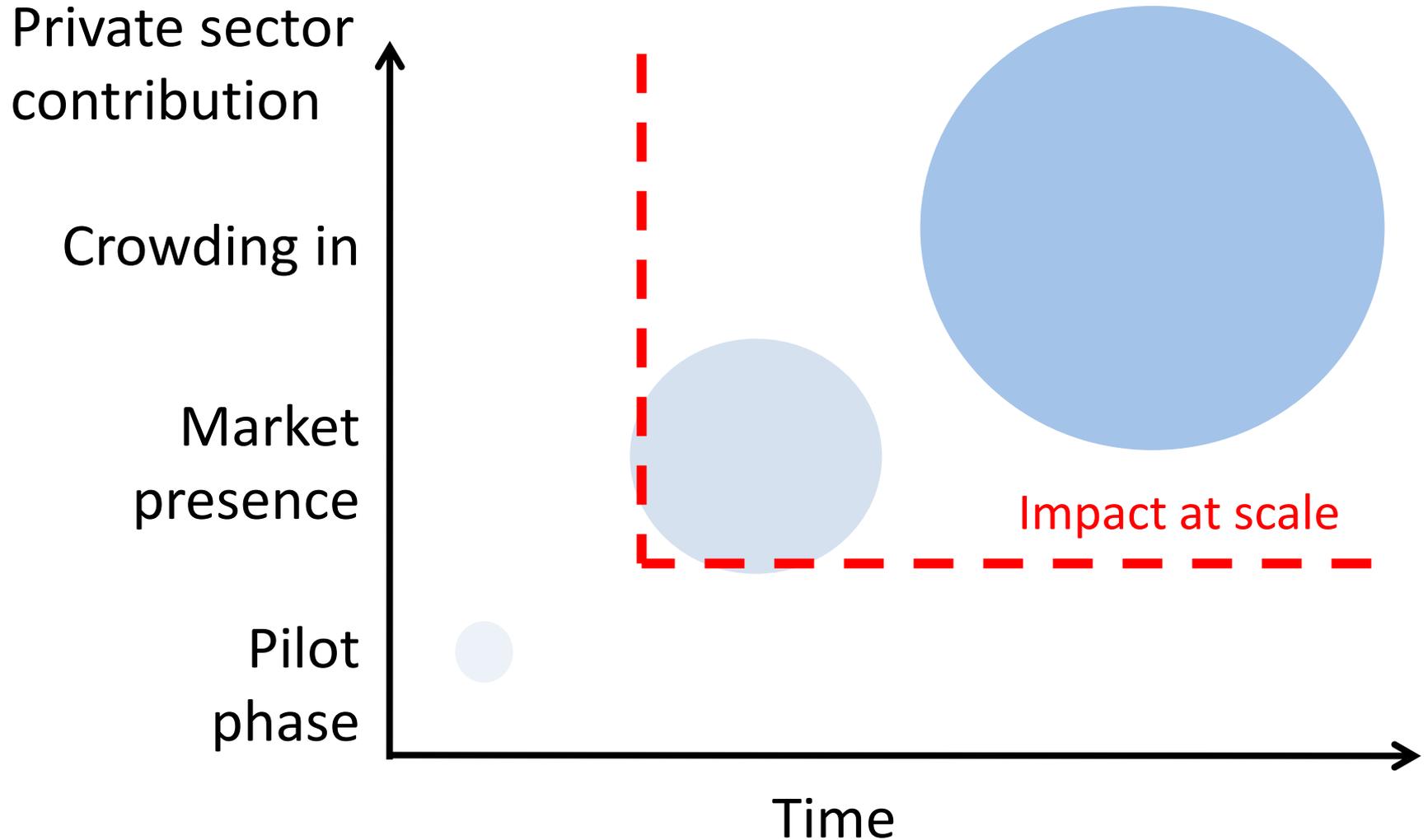
For producers: Herati Cashmere



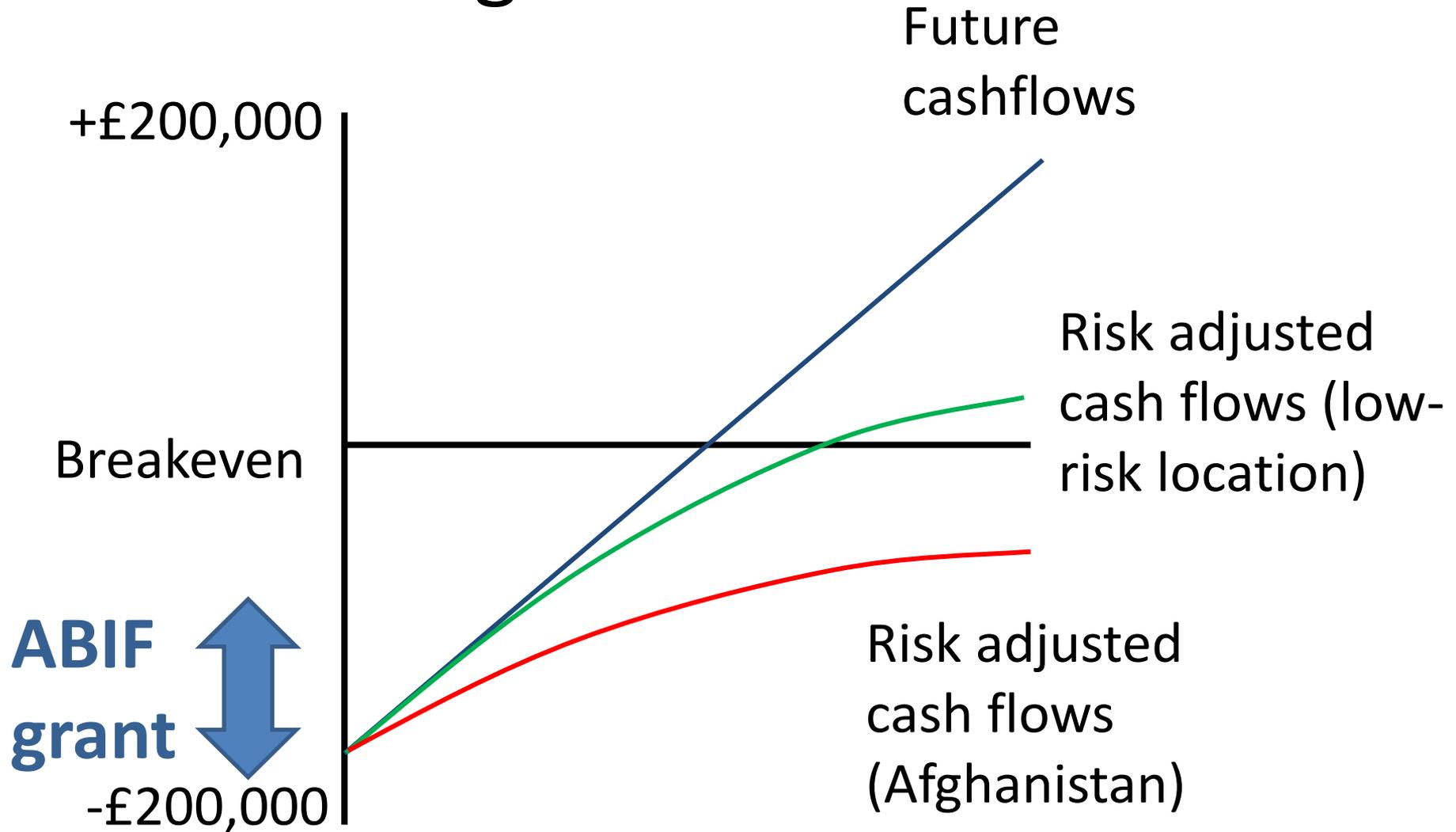
For consumers: 786 Pharmacies



Scaling up



How much grant?



Results to date

- 500 grant applications received, 50 shortlisted and 23 grants awarded
- Grant commitments of £4.1m from a grant fund of £4.6m, supporting £14.9m of total investment (more than £1m of FDI)
- More than £1m disbursed and all but one project on track to complete successfully
- But not without problems along the way!

DFID and the private sector



Heading in the right direction

- Trying to become relevant: “Aid is no substitute for self-sufficiency.”
- Building private sector development capacity and changing mind-sets within DFID
- Recognising the role that the private sector can play in development
- Recognising the power of markets to influence growth

Questions and answers

