

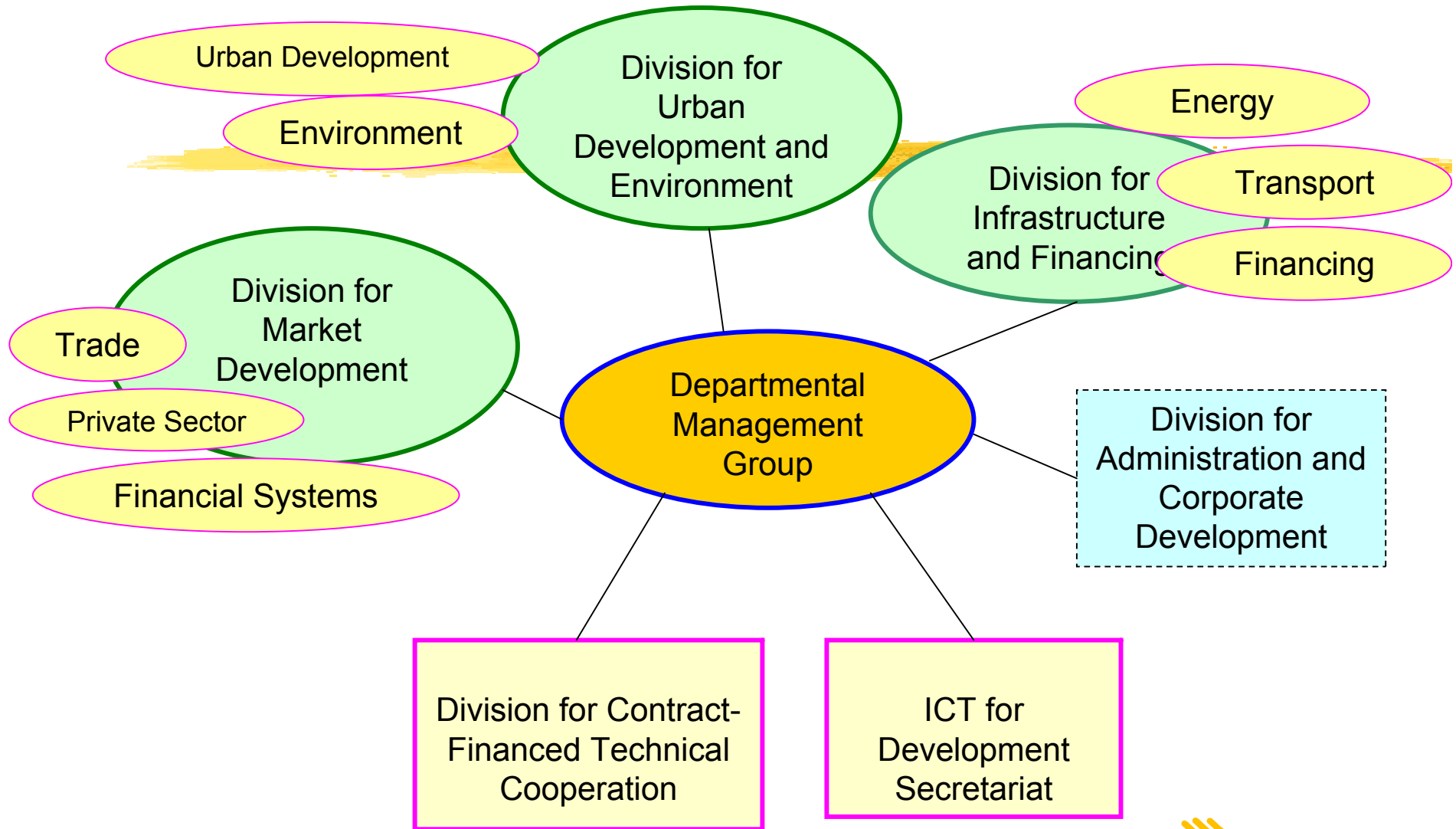
# **“Making Markets Work for the Poor” Sida’s Policy**



**MMW4P Workshop  
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**Albena Melin, Division for Market Development**

# Department for Infrastructure and Economic Cooperation, INEC



## **Robert Lucas 1988:**



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

# A process of concensus building



- ⌘ Poverty Action Programme 1996
- ⌘ "The Poverty Project": economic growth for poverty reduction
- ⌘ WDR 2000, OECD/DAC 2001, DFID 2000
- ⌘ Sida's "Perspectives on Poverty" 2002
- ⌘ the concept of "pro-poor growth"
- ⌘ POVNET and "Accelerating PPG through support for PSD"

# 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



# The policy process

- ⌘ Three evaluations
- ⌘ GD's response
- ⌘ an engaged steering group
- ⌘ strong response during consultations
- ⌘ the reaction from MoFA
- ⌘ 17/10/2003



# “Making Markets work for the poor”

## ⌘ *The policy:*

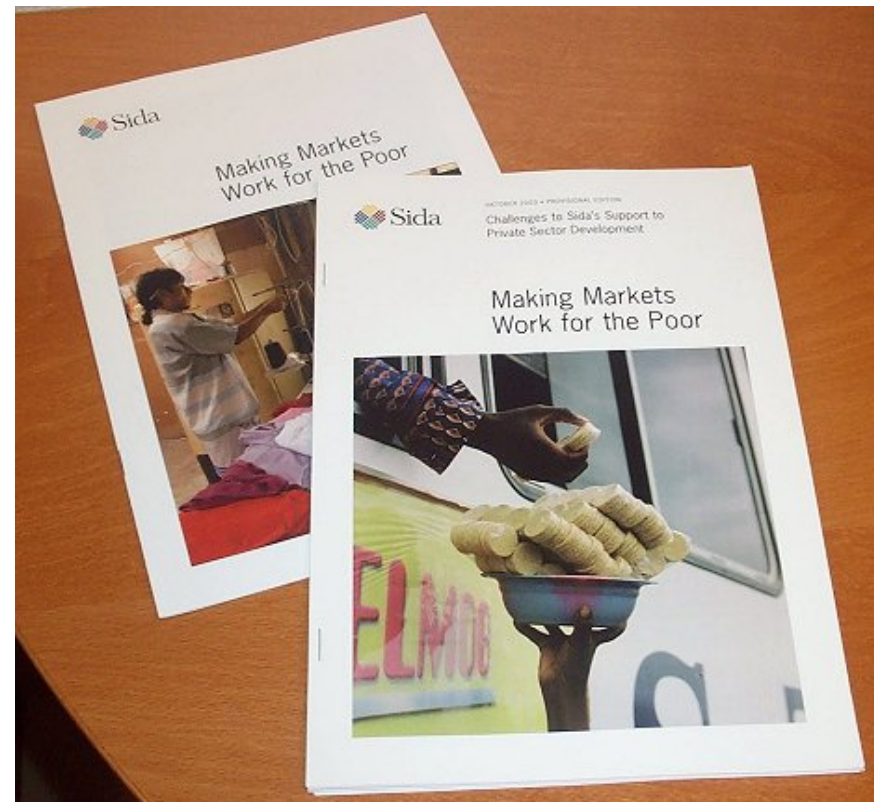
“Policy Guidelines for Sida’s Support to Private Sector Development”

## ⌘ *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'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".

# Some cross departmental examples

- ⌘ to develop legal systems which facilitate PSD (DESA)
- ⌘ public-private partnerships for better education and health services (DESO)
- ⌘ market integration: a key to a better rural life (NATUR)
- ⌘ dynamic innovation systems: a growth factor in poor countries? (SAREC)
- ⌘ better housing through capital market development (UUM)

# What's new?

(3)

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

# **Making markets work for the Poor: from theory to practice?**



- ⌘ agricultural marketing in Niassa
- ⌘ the text book market in Tanzania
- ⌘ rural telecom services in Bangladesh
- ⌘ business development services in Bangladesh
- ⌘ private radio stations in Uganda
- ⌘ EPOPA – fair trade and ecological small scale production for export

# How to introduce the new PSD-policy?



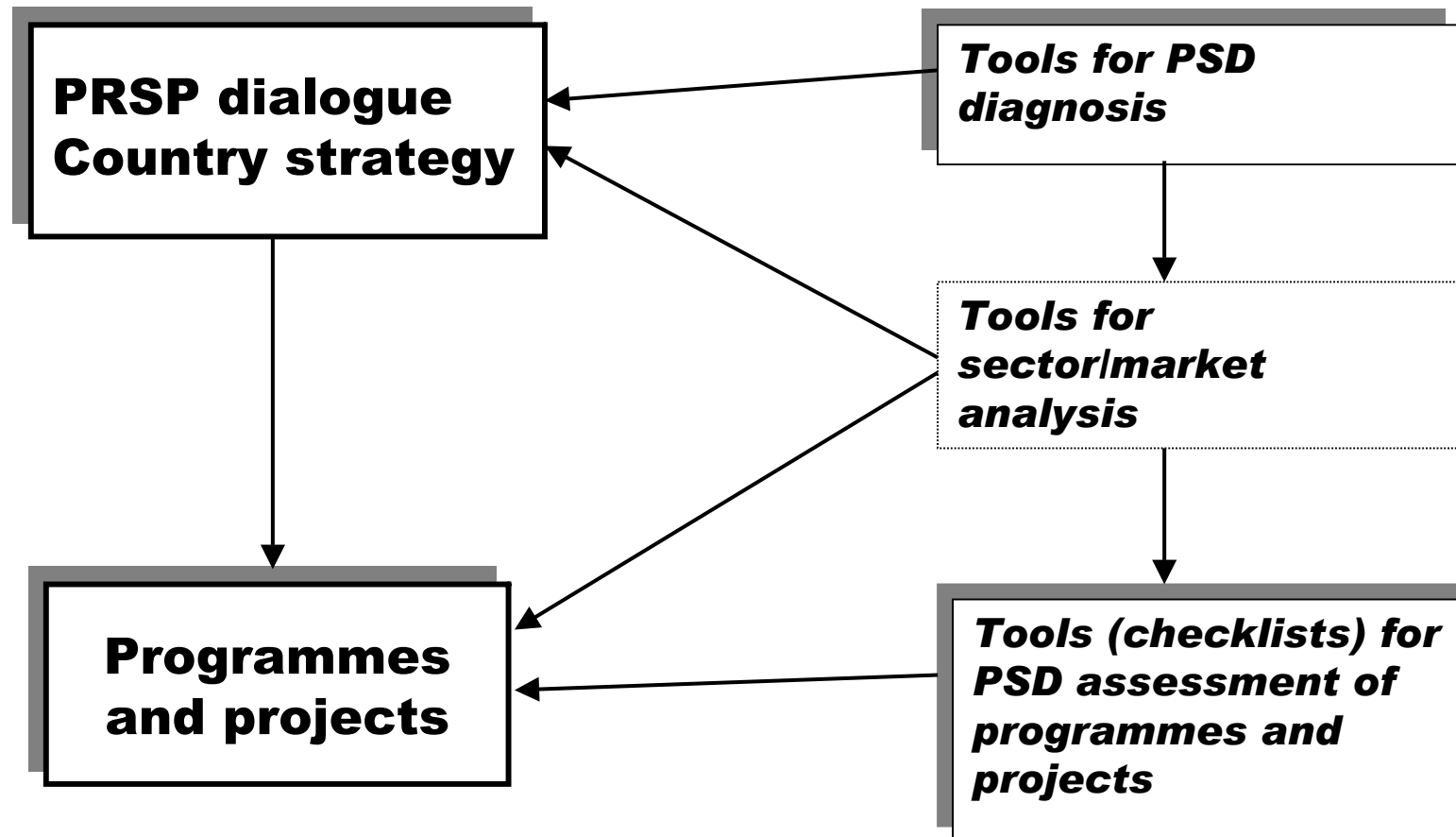
- ⌘ Mainstreaming the pro-poor growth/PSD vision
- ⌘ Strengthen the growth/PSD dimension in PRSP-dialogues, country strategies and country program follow-up
- ⌘ Strengthen the PSD advisor role
- ⌘ Create links to international policy networks
- ⌘ Active review of the PSD portfolio
- ⌘ Broad-based competence development
- ⌘ Develop PSD-themes in various areas of Sida operations

# Special challenges



- ⌘ to apply a cross-sector approach in practise
- ⌘ to find efficient channels for support to market development important for poor peoples' livelihoods; especially agriculture and the informal economy
- ⌘ to develop partnerships with the Swedish private sector and Swedish labour market organisations (GA; LMD)

# Towards a PSD Toolbox



# PSD - ToolBox



- ⌘ PSD Assessment Check-List
- ⌘ - to support field/HQ
- ⌘ - complement Sida at Work etc..
- ⌘ - links : poverty reduction – growth – market – PSD
- ⌘ - "living document"
- ⌘ - PSD Diagnosis (forth coming)
- ⌘ - Intranet (Methodological support)

# **PSD assessment of programmes and projects**

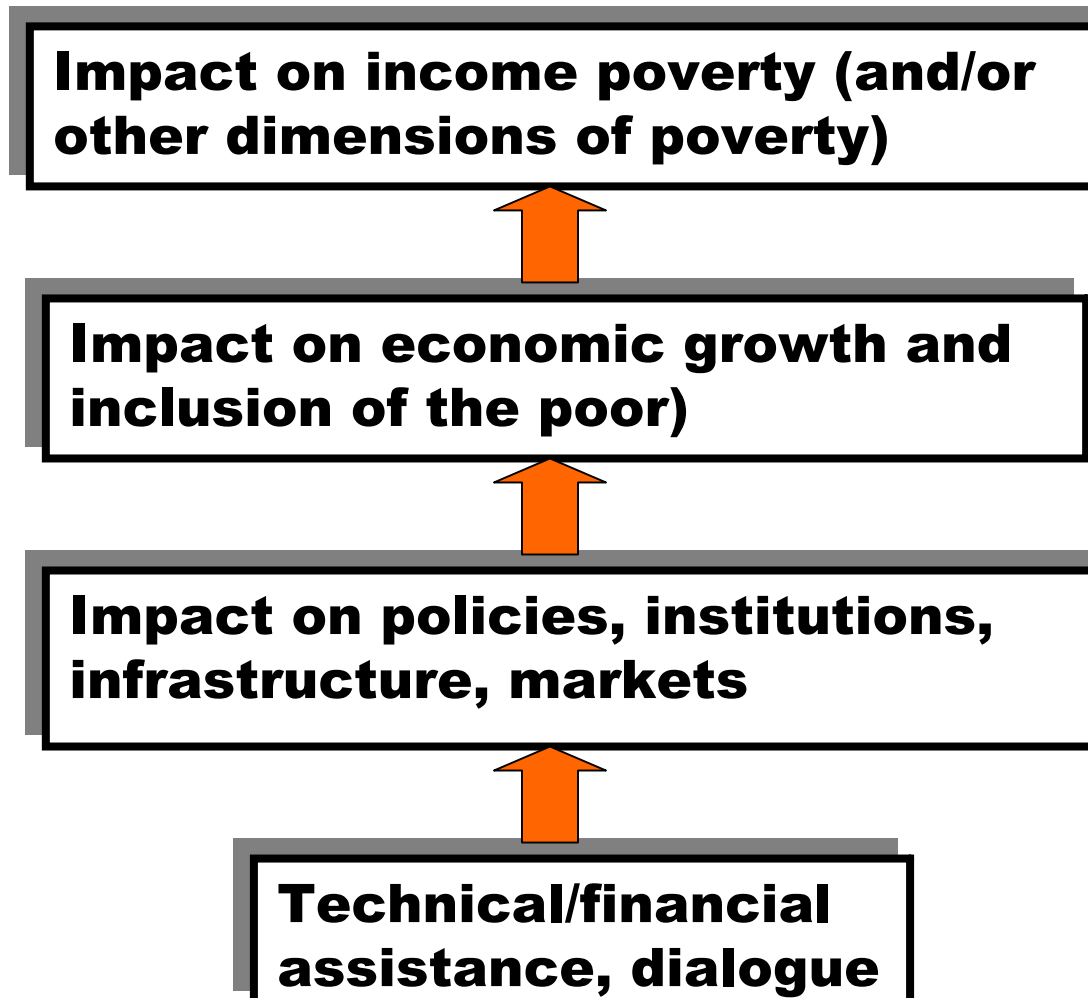


The main issue:

How do we operationalise the  
“Poverty Analysis” in growth and PSD  
oriented projects?

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# Poverty analysis in growth and PSD-oriented projects



# PSD assessment of programmes and projects



- ⌘ Growth and poverty linkages
- ⌘ The functioning of markets
- ⌘ Labour market and social dimensions
- ⌘ Direct support to firms
- ⌘ Reforms of public services and infrastructure
- ⌘ Economic analysis and financial sustainability
- ⌘ The process of change and the role of donor support

# Recent activities



- ⌘ Action Plan for operationalising the PSD/MMW4P policy, November 2004
- ⌘ Pilot induction course for Sida staff on Growth and Poverty launched 27 Jan. 2005 – “Markets on the conditions of the poor”
- ⌘ Market Day – 17 Feb. 2005
- ⌘ Book on “Markets for the Poor”, planned for March 2005

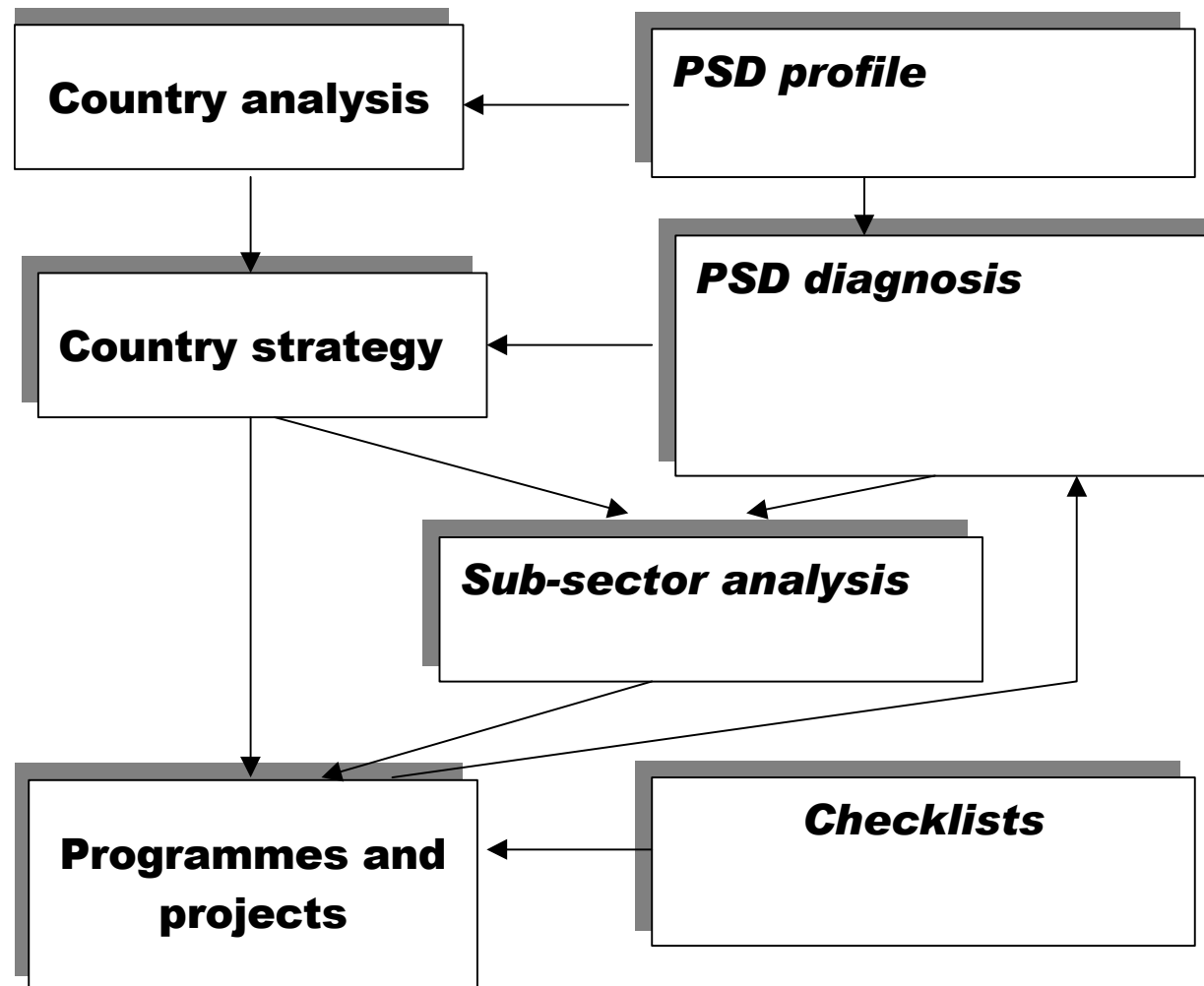
## **Amartya Sen (free interpretation)**

“To be against markets would be as odd as being against conversations between people

The right to exchange words, goods and gifts is part of normal interaction between human beings in a society.

The contribution by markets to growth comes only when the freedom of interchange (words, goods or gifts) is recognised.”

# Diagnostic instruments



# Steps to elaborate market development programmes and projects

- ⌘ Select type of product or service with a high pro-poor profile
- ⌘ Describe the market structure and trends of this product/service
- ⌘ Assess efficiency of this market (nationally or on a regional basis) from a pro-poor perspective
- ⌘ Analyse nature and cause of inefficiencies in the market
- ⌘ Discuss and analyse possible donor interventions to remedy inefficiency problems
- ⌘ Design and negotiate co-ordinated support programmes to develop well-functioning markets which are likely to benefit poor groups