

iw+e

Instruments for private sector development

24 November 2009

Contents

Examples of DFID and DFID supported facilities

Innovation and risk

Flexible design and market based solutions

Section 1

Examples of DFID and DFID supported facilities

Innovation and risk

Flexible design and market based solutions

Working with the private sector to address business environment challenges

- Africa Investment Climate Facility
 - \$100 million programme to improve the business climate in Africa
 - Co-funding from international private sector
 - Private sector board selects interventions
- Afghanistan Investment Climate Facility
 - £30 million programme to improve investment climate in Afghanistan
 - Private sector board selects interventions
- Remittances and Payments Programme in Bangladesh
 - Integrated approach working with the central bank and private sector to address constraints to formal remittance flows
 - Includes challenge fund component

Risk sharing, challenge funds and accelerating pro-poor market development

- Business Linkages Challenge Fund (BLCF)
 - £17 million programme to support business linkages
 - Cost sharing grants taking projects from ‘almost’ to ‘just commercial’
 - Developing capacity and market access through value chain linkages
- Financial Deepening Challenge Fund (FDCF)
 - £15 million programme to share risk of developing financial products and services for small enterprises
- Africa Enterprise Challenge Fund (AECF) – agribusiness and finance
- Food Retail Industry Challenge Fund (FRICH) – UK supermarkets
- Responsible Garments Sector Challenge Fund – clothing sector
-

Innovation, infrastructure and clustering support

- Business Innovation Facility (BIF)
 - £3 million technical assistance facility
 - Partnerships brokering, knowledge management and other support
 - Linked to Millennium Development Goal call to action
- Private Infrastructure Development Facility (PIDG)
 - Emerging Africa Infrastructure Fund
 - Guarrantco, Devco ...
- Corridor approaches
 - North south corridor in Southern Africa
 - Beira agriculture corridor

Section two

Examples of DFID and DFID supported facilities

Innovation and risk

Flexible design and market based solutions

Risk is difficult for donors

A range of issues related to risk

- Most new businesses fail – supporting innovation is risky
- Portfolio approach – some investments fail, but others excel
- Outsource management of risk sharing funds to private sector
- Engage private sector expertise to help assess and mitigate risk
- Share risk with companies, rather than shoulder risk

Back the private sector, but do not smother it

Innovations is led by the private sector and requires flexible support

- Successful interventions are all about effective identification and selection - the careful allocation of resource
- Private sector must own initiative and drive innovation
- Link private sector partners and facilitate market relationships - but do not over-engage or divert attention from business goals
- Larger companies are easier to engage with - but most innovation comes from smaller companies

Section three

Examples of DFID and DFID supported facilities

Innovation and risk

Flexible design and market based solutions

Value chains and addressing market failure

Making Markets Work for the Poor (MMW4P) and value chain approaches

- Scatter gun or sector focused – each has a role
- Crowding-in investments and seeking systemic change
- Aid for trade models
 - Addressing a range of constraints to private sector development
 - Mobilising support behind national and regional priorities
- Market based solutions
 - Business environment
 - Business service markets
 - Financial sector development
 - Value chains

Section heading goes here

Summary

- Put the private sector at the centre of solutions
- Offer flexible support to help markets work better
- Share risk where appropriate, with ownership clearly retained by the private sector
- Cluster interventions and seek systemic change

Thank you

jack.g.newnham@uk.pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2009 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

PwC