

## IMPLICATIONS OF TARGET STRATEGY PAPERS FOR ENTERPRISE DEVELOPMENT DEPARTMENT

### INTRODUCTION

1. All nine TSPs are relevant to the work of Enterprise Development Department (EDD) because, to different degrees, they highlight the importance of interaction between government and the private sector, market development and enterprise growth. EDD's new strategy derives directly from the *Halving Poverty* TSP and shares the same three overriding goals - growth, security and equity. It adopts a holistic approach towards private sector development, seeking to influence the enabling environment for all segments of the private sector. This includes trade, investment and competition policy, regulation, fair trade, financial deepening, and business partnership and linkages, alongside its traditional support to small business and micro-enterprise.

2. EDD seeks new ways of working together with geographical divisions and other advisory teams as a result of this exercise. Along with the other sector groups, EDD advisors will assist DFID country offices to develop and implement CSPs using the set of TSPs as their guide.

3. Although EDD will continue to implement many sector-specific programmes, it expects to engage more in team-based inter-disciplinary programmes with enterprise development components (already well advanced in some countries). Increased policy influencing work with governments and multilateral agencies will require more extensive collaboration with other departments and advisory groups in London and overseas.

4. Advisers engaged in policy development and enabling environment work will require new skills beyond the scope of conventional, project-based TCO assignments. EDD may need to provide special training for advisors in negotiation, team work, networking and influencing, whilst still maintaining the highest quality technical specialist skills.

5. EDD already collaborates on specific programmes with Rural Livelihoods Department (sustainable livelihood approaches) Education Department (Skills for Development) and IUDD (the Africa Private Investment Financing Facility). We seek closer working relationships with Governance Department (on public-private policy, privatisation, legal and commercial justice) and HPD (HIV/AIDS and financial mechanisms for health care). Important cross-cutting themes include gender and environment.

## KEY MESSAGES

6. The importance of the private sector in the TSPs can be described in four different, but inter-linked, areas as follows:

**7. The private sector must take responsibility for business codes of conduct, gender equality, environmental protection and human rights.**

This applies to all levels of business, from transnational corporations down to micro-enterprises, foreign and domestic firms. Enterprises need encouragement to invest and operate responsibly towards their community and its environment. (*Gender, Environment, Urban, Government and Human Rights TSPs.*)

**8. We must protect poor families from economic shock.** The TSPs show how poor people in urban and rural areas must obtain livelihood and household security. Informal sector entrepreneurial activity can empower the poor and increase economic security, social capital, access to services and shelter. The supply of micro-finance, health insurance and other business development services from not-for-profit, private, semi-private or community owned ventures is critical to mitigate the insecurity of the poor. (*Halving Poverty, Urban, Education, Health, Water TSPs.*)

**9. Public service delivery in infrastructure, health, and education can be successfully subcontracted to private enterprise.** Certain TSPs advocate public-private partnerships to achieve their goals. The Urban livelihoods and Water TSPs promote private subcontractors to deliver infrastructure improvements and services. They also propose partnerships between the government, community and the private sector for better development impact (*Water, Urban, Education, Health and Government TSPs.*)

**10. The legal and regulatory environment for private sector activity must be positive.** Equitable law, ownership rights and regulation for private sector activity are important components of the *Government TSP*. This converges with issues of responsible business, gender, human rights and the environment. Establishing the right trading and competitive environment for business growth is the key to delivery of affordable and higher quality services to the poor through the private sector, and stimulating growth of the informal sector. (*Human Rights, Gender, Government, Urban, Water TSPs.*)

## IMPLICATIONS OF THE KEY MESSAGES

11. Halving Poverty: This TSP is the most central to EDD's work, incorporating its core enterprise development support to the legal and regulatory environment for private sector activity, business development services and micro-finance.

12. Since income generation and private sector growth are essential for economic and social development, many DFID country offices are likely to adopt private sector support as a central part of their programmes. EDD will support this thrust either as a component of a broad livelihoods strategy, rural or urban, or as stand-alone activity - such as micro-finance development or private sector enabling environment work. Consequently EDD may generate increased workloads and will need to collaborate closely and efficiently with other departments. EDD will continue to participate on the committee overseeing implementation of this TSP.

13. Making Government Work for Poor People: This TSP intersects strongly with EDD: *"Governance is about how the state fulfills its responsibility to the private sector....and how it requires the private sector...to fulfill its responsibility to the public good."* Building stronger links between government and the private sector is essential to ensure that this works in practice. ED and Governance Advisers and Economists will build dialogue between the private sector and government to stimulate a more favourable regulatory and legal environment for business. This applies both at the level of the macro-economy (to enhance private investment, competition, trade, privatisation, bank supervision, financial policy, and legal reform), and at the level of small and medium-scale businesses (to improve operating conditions and facilitate deregulation).

14. Meeting the Urban Challenge: EDD will place increasing emphasis on support for urban livelihoods. In particular, advisers will work alongside engineering advisers to encourage municipalities to explore partnership arrangements with communities and enterprises which link physical improvements in infrastructure with the creation of employment and small enterprise opportunities.

15. EDD will continue to support the development of The Africa Private Infrastructure Financing Facility (APIFF) to address the catastrophic market failure in African developing countries of bank finance for long-term infrastructure projects.

16. In response to the priority given in the TSP to reduce poor people's vulnerability to economic shock, EDD will support micro-level income generation, savings, insurance and credit programmes alongside other community activities. Other possible interventions could include recycling and waste management services, and communal warehousing and wholesaling of essential goods.

17. Poverty Eradication and the Empowerment of Women: EDD's support to successful, large-scale micro-finance programmes has achieved significant advances in women's economic self-determination and their status in the family. However, we have not yet developed specific gender skills and knowledge of our own in the process, nor a proper understanding of how we can further the gains in socio-economic empowerment.

18. In conjunction with SDD, we will therefore train EDD advisers in gender issues to translate this learning into greater gender equality in DFID's programmes. We will investigate the scope for advocacy initiatives promoting greater equality for women and better access to justice. Similarly, together with Business Partnerships Department we will work with transnational corporations to further the implementation of voluntary codes of conduct on corporate citizenship and on child rights, social and environmental issues.

19. Environmental Sustainability and Eliminating Poverty. The environmental TSP offers EDD the opportunity to improve its understanding of environmental impact and business opportunities for enterprise. To ensure that ED designs better programmes and projects, we will study how development of local industry affects the environment, raise environmental awareness amongst our partner institutions, and develop best practice environmental guidelines for EDD activity. It is also productive to seek innovative businesses ideas and opportunities from recycling, tourism and other economic sectors.

20. Human Rights for Poor People: EDD needs to use participatory techniques more extensively in order to enable people to understand and exercise their rights. Codes of conduct, improved property rights and empowerment of women are just some of the areas that cross over into EDD activity.

21. Addressing the Water Crisis: EDD has relatively limited involvement with water and sanitation programmes, but has a potential role to support enterprises whether as users, suppliers or polluters of water. There is scope in conjunction with IUDD to support initiatives that use water resources more responsibly safeguarding access for the poor to clean water, and reducing downtime collecting it.

22. On a small scale this could include introducing innovative ways of financing and charging for water in community-based schemes, and on a large scale, developing business linkages between large and small firms in water delivery.

23. *Better Health for Poor People*: Two components of this TSP are particularly relevant for EDD - health care financing and the involvement of the private sector in health care delivery. The TSP highlights the necessity of securing higher quality health services from the private sector, and to obtain greater complementarity between private and public sectors. The objective is to encourage the expansion of the private sector without undermining equity, for sustainable, quality health care. There is scope to extend EDD's existing support through the "MicroSave" project in East Africa in developing new health insurance instruments for the poor that address the devastating socio-economic impact of HIV/AIDS.

24. *Education for All*: The challenge of this TSP is to ensure that the education system delivers a skilled and employable population. EDD is collaborating with Education Department in the Skills for Development programme, to develop a coherent approach towards educating for enterprise. Although this initiative is still in its early stages, we propose to join together programmes and resources at country level by consolidating ED and Educational Advisory teams, identifying particular interventions suited to the countries concerned. The focus will be on developing enterprise awareness and skills by introducing business components into formal education curricula, and encouraging private business-to-business training. This applies especially to informal sector micro-enterprise, where financially sustainable business consulting services can be developed to improve training of trainers and upgrading of entrepreneurs' skills.

## **ACTION - SHORT TO MEDIUM TERM**

### **25. Internal Skills Development - training and redefining the way EDD works.** (*Gender, Environment, Urban, Human Rights, Water, Health TSPs*)

- Build up basic values and knowledge amongst advisers of gender, rights, environment.
- Develop a short statement of working principles and a plan for training in negotiation, influencing, team working and management skills.
- Study community development approaches in urban settings that include enterprise development as a part of broader community activity.

- Nominate an adviser as a resource person on gender and enterprise training. Examine gender implications of present projects, and multilateral agencies' gender work.

**26. Enhancing Information and Promotion of EDD Skills within DFID**  
*(Halving Poverty, Urban, Government TSPs)*

- Ensure all country offices and other advisory departments are aware of and have access to EDD's core advisory skills.
- EDD will seek to brigade advisers to country offices and other advisory departments as required.
- Complete profile of ED advisers' key professional and management competencies.

**27. Negotiation and Collaboration with Other Departments.** *(Urban, Water, Government, Education, Health and IUDD TSPs)*

- Continue development of APIFF, led by IUDD, to develop a new long-term fund with private banks to finance infrastructure development in sub-Saharan Africa.
- Collaborate with Rural Livelihoods Department and IUDD in work with the World Bank on rural - urban linkages.
- Continue with labour-based approaches to infrastructure work with the ILO/IUDD, and work with IUDD as a member of the Urban Livelihoods Working Group on supervision of low-cost production technologies with ITDG.
- Continue support to the Sustainable Livelihoods Support Office, to operationalise and mainstream the sustainable livelihoods' approach on rural diversification and rural micro-finance. Support rural livelihoods programmes in Nigeria, Pakistan and Albania.
- Investigate brigading an ED adviser to both IUDD and RLD, for which discussions have already begun.
- Collaborate with HPD to develop public private partnerships for health service delivery, develop health care finance for the poor, and extend support to developing alternative health insurance instruments to address impact of HIV/AIDS.
- HPD and EDD will investigate the feasibility of voucher systems to encourage the private sector to target the poor.

- Consolidate multi-sectoral ED and Education Advisory teams in Skills for Development interventions in countries proposed for interventions (currently Rwanda and South Africa) aiming later to incorporate this into CSPs.

- Work with the new Private Investment Policy Department and Governance Department on the enabling environment programmes for the private sector.

## **RISKS TO DELIVERY OF TSP OBJECTIVES**

**28. Country offices do not facilitate the multi-disciplinary approach, team work and livelihoods development.** EDD can do little in isolation to avoid this risk. However negotiation, patience and capacity building is needed. Additionally advisers should ensure that the geographical desks are fully involved at early stages of project development and are fully integrated members of the teams.

**29. There is not enough time to implement all the plans.** This is a risk of failure given limited human resources, over-stretched staff and an excess of DFID plans and strategies (especially with the White Paper being published towards the end of 2000). EDD is already stretched, and cannot take on too much more without further staff. However our resource centre will help to take some of this pressure, and better time management and operating efficiency will be encouraged.