DFID Department for International Development

DFID & THE PRIVATE SECTOR

WORKING WITH THE PRIVATE SECTOR TO ELIMINATE POVERTY

Front cover: Signing for a loan as part of a micro-credit scheme run by a community self-help group, Kenya. Giacomo Pirozzi/Panos Pictures

Contents page: Dressmaking shop, one of a number of successful small businesses run by women in an initiative supported by the Ford Foundation, Tamil Nadu, India. Jeremy Horner/Panos Pictures

CONTENTS

Acronyms

AECF	Africa Enterprise Challenge Fund
BLCF	Business Linkages Challenge Fund
CASHE	Credit and Savings for Household Enterprise
CGAP	Consultative Group to Assist the Poor
CLIFF	Community Led Infrastructure Financing Facility
CSR	Corporate Social Responsibility
DevCo	Project Development Facility
DFID	UK Department for International Development
EAIF	Emerging Africa Infrastructure Fund
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EU	European Union
FDCF	Financial Deepening Challenge Fund
FIRST	Financial Sector Reform and Strengthening Initiative
GDP	Gross Domestic Product
GPOBA	Global Partnership on Output-Based Aid
ICF	Investment Climate Facility for Africa
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
InfraCo	Infrastructure Development Company
JCCP	Jamaica Cluster Competitiveness Programme
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
MIGA	Multilateral Investment Guarantee Agency
MMW4P	Making Markets Work for the Poor
MSEs	Micro and Small Enterprises
MSMEs	Micro, Small and Medium Enterprises
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
PPIAF	Public Private Infrastructure Advisory Facility
PPP	Public Private Partnership
SABCOHA	South African Business Coalition on HIV and AIDs
SBP	Single Business Permit
SEDF	SouthAsia Enterprise Development Facility
SUF	Slum Upgrading Facility
SMEs	Small and Medium-Sized Enterprises
SOEs	State Owned Enterprises
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organisation

1 THE PRIVATE SECTOR AND THE FIGHT AGAINST POVERTY

Selling fruit on a street corner; working on a farm; cleaning a high-rise office; selling basic medicines; operating a factory machine; repairing bicycles... The poorest people in our world are living in, and working in and sustaining a bustling, often unnoticed, private sector.

Poor people sell their labour and goods, buy their food and other services in transactions that are predominantly private. As employees and business owners, every day they negotiate the threats and opportunities of their markets, however fragile the environment may be.[1]

Nine out of ten jobs in the developing world are in the private sector.

The UK's Department for International Development (DFID) believes that improving the prospects of these millions of businesses is an essential route to eliminating poverty.

At present, a fifth of the world's population – 1.2 billion people – live in absolute poverty. Surviving each day on less than $1, they often struggle to access clean water, shelter, basic medical care and education.[2]

The focus of international development is the Millennium Development Goals (MDGs) which represent a shared commitment to work to eliminate world poverty (see Box 1). If the incomes of the poor are increased and their access to health and education services is improved, then the MDGs will be achieved. It is a startlingly simple equation: in most developing countries, increasing the income of poor households leads to better educated and healthier poor people.[3]

If we are to eliminate poverty, there must be sustainable economic growth. A 1% increase in per capita GDP generates a 1% rise in the income of the poor.[4] Growth increases poor people's incomes because it generates economic opportunities and employment.

Nine out of ten jobs in the developing world are in the private sector

THE MILLENNIUM DEVELOPMENT GOALS

The MDGs were agreed at the United Nations Millennium Summit in 2000 and represent a global commitment by 189 countries to work for the elimination of world poverty. They include a set of eight mutually reinforcing goals which seek progress by 2015, and 48 indicators against which to measure this progress.

The MDGs

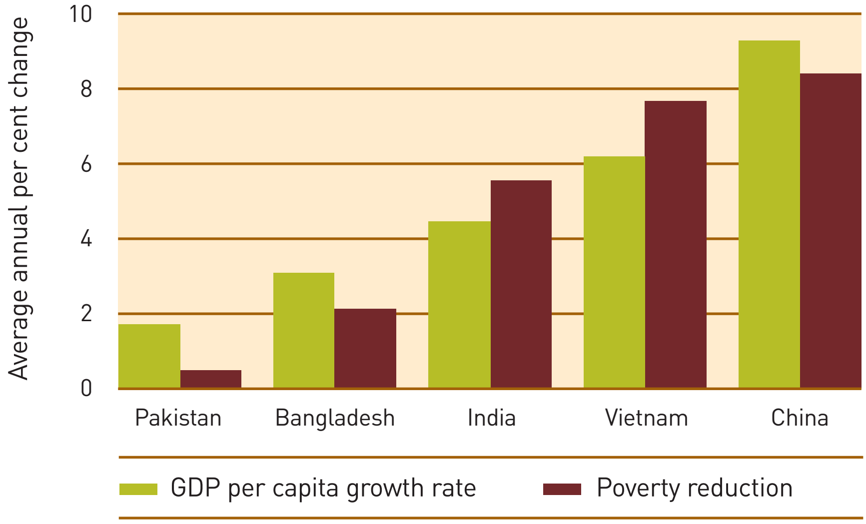
1. Eradicate extreme poverty and hunger
2. Achieve universal primary education
3. Promote gender equality and empower women
4. Reduce child mortality
5. Improve maternal health
6. Combat HIV/AIDS, malaria and other diseases
7. Ensure environmental sustainability
8. Develop a global partnership for development.

See www.un.org/millenniumgoals

Box 1

Growth and poverty reduction go together Table 1

Growth is closely associated with poverty reduction



Note: All figures for 1992-98 except Bangladesh (1992-2000) and India (1993-99)
Source: World Bank (2002d)

Countries experiencing strong growth have already achieved significant reductions in poverty

Countries experiencing strong growth have already achieved significant reductions in poverty (see Table 1) – China is one of the best examples. Here, economic growth averaging 8% has been sustained for 20 years, with the result that 400 million people have been lifted out of poverty.[5] And with growth comes improved tax revenue for Governments, which can then improve public provision of essential services.

For DFID, helping developing countries create the conditions which can nurture and sustain economic growth is a clear priority – and the development of the private sector is central to this.

Mark Henly/Panos Pictures

Small enterprises flourish as the economy grows. Loading coal brickets, Hunan, China

2 GROWTH, JOBS, SERVICES

Why the private sector is vital for eliminating poverty

Private businesses are at the heart of economic success. Private investment, and the increases in productivity it generates, drives sustainable growth.[6] A study of 84 countries from 1960-2000 found that increased productivity accounted for 41% of economic growth[7] (see Figure 1).

Private sector investment reduces poverty Figure 1

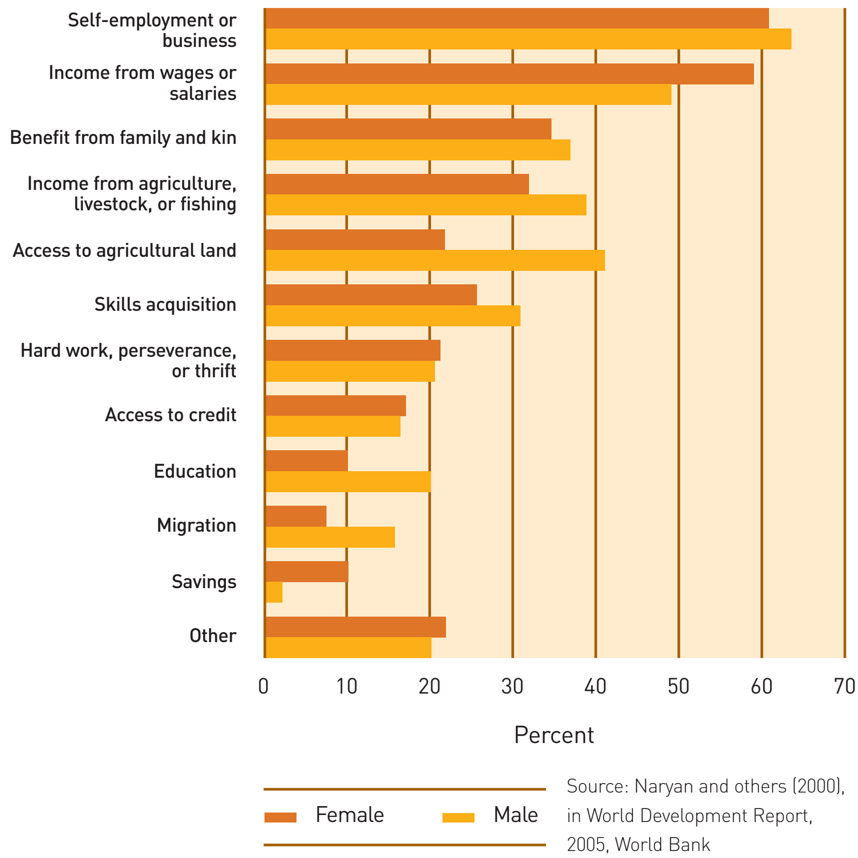
Poor people believe that having a job (whether self employed or waged) is the quickest and surest way to escape being poor (see Table 2). And, with limited budgets, governments in developing countries are looking to the private sector to generate the jobs which will reduce poverty – and to help supply the services the poor need to improve their quality of life.

The private sector is a major provider of essential services to poor people in developing countries. The local private sector in particular can play a key role in reaching out to disadvantaged areas. Poor households purchase health care from private health providers and pharmacies; they buy clean water from privately run water points;

> The private sector is a major provider of essential services to poor people

Working to escape poverty Table 2

Views of 60,000 poor people on their best prospects for escaping poverty



Source: Naryan and others (2000), in World Development Report, 2005, World Bank

they buy agricultural inputs, such as seeds and fertilisers from private businesses; they use privately provided transport services and they buy children's day care from private providers.

These are usually micro or small, informal or semi-informal businesses. However, ineffective markets and the lack of bargaining power of poor people means that these products and services may be overpriced and of poor quality. Supply is often unreliable and unevenly distributed.

Giacomo Pirozzi/Panos Pictures

Women's group making palm oil soap for sale at local markets, Sierra Leone

3 WHO MAKES UP THE PRIVATE SECTOR IN DEVELOPING COUNTRIES?

In most developing countries – the private sector is made up mainly of small businesses. While foreign investment is important, the majority of investment in developing countries comes from domestic sources. Most **Micro and Small Enterprises (MSEs)** operate informally, outside the official regulated systems. Many are highly transient, their owners moving from one business to another, often in farm or trade-based activities. Many MSEs are owned by women, providing essential income to poor households.

Informal businesses account for over half the economic activity in many developing countries.[8] This informality brings some short-term benefits, but often prevents such businesses from accessing resources, information and markets, and undermines their incentive to invest in the skills of their employees.

Formal registered businesses such as local companies, state-owned enterprises, and international corporations, are typically a significant part of the private sector in developing countries. Other institutional forms, such as co-operatives and credit unions, can be important players in particular sectors such as agriculture, retail, and financial services.[9]

Small and Medium-sized Enterprises (SMEs) are often considered the heart of a developing country's entrepreneurship – the source of most of its new employment and productive investment, and the basis for its growth and elimination of poverty. While there is a lively debate about the economic potential of SMEs[10], there is no doubt that SMEs face severe constraints which affect them more seriously than larger businesses. They operate in business environments where there are unnecessary costs, numerous procedural barriers, and little access to resources, finance and services. These constraints limit their potential to invest, innovate, and improve productivity.

Informal businesses account for over half the economic activity in many developing countries

PRINCIPLES, CHALLENGES AND RISKS 4

How DFID approaches private sector development

The private sector is the engine of growth which benefits the poor by providing economic opportunities and increasing access to essential services. But while private sector development is an important focus for DFID, using public funds to work with private businesses in developing and emerging economies raises important questions:

Might the support of DFID and other donors crowd out viable businesses?

Might allocating resources to favour one business inadvertently penalise others, disadvantaging viable businesses and distorting the market?

Might using public funds to support the private provision of basic services reduce the capacity of public providers to do so, or reduce provision for poorer markets?

To address these questions DFID follows a series of guiding principles in designing and implementing its programmes:

1 **DFID acts as a catalyst and facilitator, rather than intervening directly in market operations.** This minimises market distortions, emphasises market-based business, and ensures local ownership and long-term sustainable impact.

2 **DFID recognises that partnership is the best approach to development** – which means working closely with other donors, international finance institutions, developing country Governments, NGOs and of course the private sector. Collaboration with these players increases the effectiveness of each stakeholder's resources (see Box 2).

We work with a range of multilateral institutions (such as the World Bank Group, International Monetary Fund, Regional Development Banks, European Union and United Nations) and

MAKING MARKETS WORK FOR THE POOR: *Intervention in the value chain of a fertilizer company: Faruq Fertilizer Ltd*

DFID is one of several donors supporting the International Finance Corporation (IFC) managed SouthAsia Enterprise Development Facility (SEDF) which increases the efficiency of SMEs. A key component focuses on assisting poor farmers increase their productivity sustainably. SEDF has been working with a commercial provider of organic fertilizer which has been proven to significantly increase yields and lower costs of production. SEDF has assisted Faruq to increase sales of its products through training of dealers, improvements to packaging, participating in trade fairs and using advertising. As a result of these interventions, which began in July 2004, sales of fertilizers increased from 27 to 110 tons, and outreach increased from 1135 to 4580 farmers. This has resulted in an estimated decrease in the cost of cultivation of 30-40%. The market at the rural level between fertilizer dealers and farmers is functioning well.

See www. sedf.org

Box 2

maintain an active dialogue either through the UK's position as a shareholder in these organisations, or through joint programmes and projects. DFID works with the World Bank's private sector arms International Finance Corporation (IFC) and Multilateral Investment Guarantee Facility (MIGA) to encourage private investment in poor countries. In 2004, IFC's overall investment commitment towards the private sector accounted for $23.5 billion, while MIGA's new guarantees for foreign investors in developing countries reached $1.1 billion. Alongside their direct lending and insurance operations, IFC and MIGA also provide substantial technical assistance in promoting private sector capacity in developing countries. The UK has a commitment of £18.7 billion (€26.7 billion) to the European Investment Bank (EIB), and around £2.7 billion (€3.92 billion) invested in the regional development banks (African Development Bank, Inter-American Development Bank, Asian Development Bank, Caribbean Development Bank and European Bank for Reconstruction and Development). All regional development banks play an important role in promoting private sector development in their respective regions of operation (see Box 3). In all institutions DFID uses its role as shareholder and investor to improve the development impact of their operations.

We also engage at the policy level to promote a coherent approach to achieving the MDGs, and to enhance the sharing of knowledge and experience of multilaterals in private sector development. An illustration of this is DFID's close work with the World Bank team responsible for the World Development Report 2005[11] through contributing much of the background research. The Financial Times said the 2005 World Development Report, is '...among the most important the World Bank has ever produced'.

Heldur Netocny/Panos Pictures

Villagers carry tubing for water supply to their village in the mountains, Pokghara region, Nepal

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT: *Supporting Micro and Small Enterprises*

The EBRD was created to support the transition to market economy in Eastern Europe and the former Soviet Union. 80% of the Bank's investments are now in private sector projects. Since 1991 the EBRD has invested nearly €4 billion in support of small businesses. In 2003 EBRD expanded its Micro and Small Enterprise Finance Facility to Tajikistan, the poorest country in the region. By mid-2005, 3,500 micro loans, ranging from $50 to $20,000, had been provided through four local banks. The facility has also helped build the capacity of local banks to serve the MSE sector in the future.

DFID has provided £1.2 million in technical assistance to this facility. This has supported the institutional strengthening of partner banks, training of loan officers, building up MSE loan portfolios and undertaking a poverty impact assessment.

See www.ebrd.com

Box 3

Rose farm workers in Ethiopia. DFID supports the Ethiopian Horticulture Producers and Exporters Association which plays a key role in the expansion of the sector

3 **DFID collaborates with private sector representatives in developing and implementing programmes.** Programmes which focus on improving the business environment are based on meaningful private sector dialogue, to ensure that priority constraints are addressed. In addition, DFID has supported programmes such as Challenge Funds (See Boxes 13,15 and 17), which allocate resources competitively, and have decision-making Boards chaired by private sector representatives.

4 **DFID recognises that strengthening the business environment impacts positively on all businesses.** A good investment environment enables micro and small entrepreneurs to expand their activities, and creates incentives for them to formalise their businesses. It encourages business to take reasonable investment risks – even hiring or training an employee can be a risky investment in an uncertain environment. Many DFID programmes, such as those focusing on competition policy reform (see Box 7), level the playing field so that the poor can more effectively participate in economic growth.

5 **DFID aims to understand the characteristics of the country in which we work.** Programmes are designed with local stakeholders and based on the needs of each country and its specific legal, cultural, political, social and financial circumstances.

6 **DFID identifies more effective routes for increasing the access of the poor to essential services.** There are no universal 'best practice' routes for working with private businesses to deliver these services. Experimenting with new approaches, such as public-private partnerships, is an important part of this process.

7 **DFID holds to the underlying principle that markets must be made to work for the poor (MMW4P[13]).** Efficient markets are critical for private sector growth. They are also the primary means through which poor people can take part in economic activity.

In developing countries, the markets in which the poor can operate, as **entrepreneurs, employees,** and **consumers**, tend to be inefficient and often disadvantage or effectively exclude the poor.[14]

As **entrepreneurs**, the poor face obstacles which prevent them from:

- Owning assets (such as land);
- Accessing finance for investment;
- Acquiring market information;
- Formalising their businesses; and
- Accessing basic infrastructure services.

As **employees**, the poor are often unable to develop new skills; and a lack of information and mobility prevents them matching their labour to the needs of the market.

As **consumers**, the buying power of poor people is weak, limiting their access to products and services.

DFID's programmes aim to remove the barriers, distortions and inefficiencies which prevent a market in a given region from meeting the needs of poor people (see Box 4). These programmes emphasise improved markets and better access to markets. By enabling poor people to participate more fully in well-functioning markets, they increase their access to jobs, business opportunities, finance, and goods and services.

Much of our broader work in DFID also contributes to pro-poor private sector growth and improved business performance. For example, **health and education programmes**[15] strengthen human capital and reduce vulnerability. Programmes which **promote good governance, macro-economic stability and security and conflict management and reduction**[16] are also crucial for business performance and investment. **Agricultural development programmes** – which increase productivity, facilitate policy reform and increase access to and ownership of land – provide significant opportunity for micro, small and medium enterprises (MSMEs).[17]

MAKING MARKETS WORK FOR THE POOR: THE FINMARK TRUST[12]

The FinMark Trust was established as an independent Trust, with DFID funding, in 2002. Its mission is to make financial markets work for the poor in South Africa, Botswana, Lesotho, Swaziland and Namibia. FinScope, just one of its successful interventions, is an extensive annual study of the markets for financial services in South Africa, Namibia and Botswana. In 2002 FinMark assessed the financial services market to discover why it is failing to meet the needs of the bulk of the population.

It discovered that a lack of information and negative perceptions had persuaded most financial institutions that the unbanked were not a profitable market. FinScope has now dispelled this myth. One leading commercial bank has re-formatted its customer segmentation model as a result of the information in FinScope. FinScope was piloted in 2002 and funded 100% by FinMark. By 2004, 80% of the costs of the third publication were funded by financial institutions.

See www.finmarktrust.org.za and www.finscope.co.za

Box 4

HOW DFID'S PROGRAMMES WORK 5

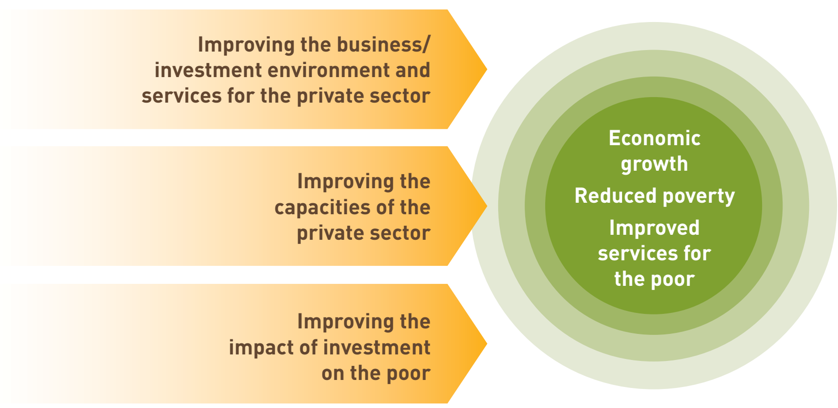
Central to our approach to private sector development is improving the environment for investment and business

In order to eliminate poverty, DFID supports programmes which are directed to improving the performance of the private sector and stimulating private investment for growth that benefits the poor (see Figure 2). Key objectives of our private sector programmes are to:

1 Improve the business and investment environment

2 Strengthen business capacity.

Implementation framework Figure 2



1 Improving the business and investment environment

Central to our approach to private sector development is improving the environment for investment and business. Countries with better business environments achieve higher levels of domestic and foreign investment.[18] Businesses in poorer countries are constrained by:

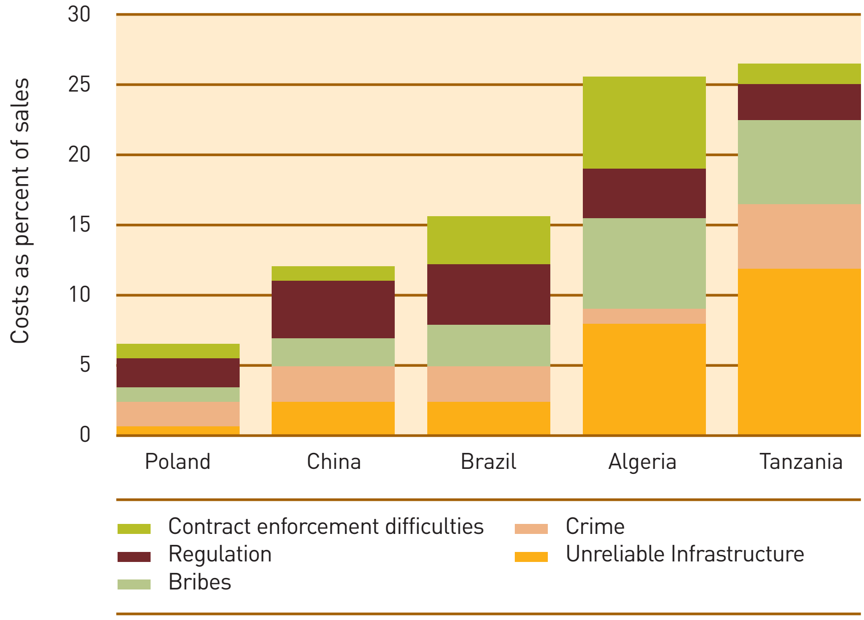
- Inappropriate regulation;
- Excessive red tape and bureaucratic delays;
- Lengthy business registration processes;
- Insecurity;

- Inefficient land tenure systems;
- Corruption;
- Opaque and inefficient commercial justice systems; and
- Inadequate infrastructure and services.[19]

Improving the business and investment environment Figure 3

How much does doing business cost? Table 3

Costs vary widely in level and composition



Source: World Bank Investment Climate Surveys. Countries chosen to illustrate range in World Development Report, 2005, World Bank.

REGULATORY REFORM IN KENYA

In Kenya, DFID helped the government to reduce the burden of red tape requirements on business. Two laws were identified as particularly onerous: the Registration of Names Act and the Trade Licensing Act. These laws resulted in up to 8 visits a year from officials, 'public relations' payments, some arrests and imprisonments and also a considerable administrative burden on Local Government. The Kenya Government introduced a Single Business Permit (SBP) to replace these two laws from January 2000. Today the SBP is used by almost all Local Authorities. Independent research found that the introduction of the SBP was saving an amount equal to approximately 0.08% of GDP.[21]

Box 5

THE INVESTMENT CLIMATE FACILITY FOR AFRICA

The ICF is an independent trust, which will be led and managed by the private sector to help governments and business lower the cost of doing business, and to promote a better investment climate for Africa. Due to be launched in 2006, the ICF will help bring about more business friendly policies, laws and regulations across the continent, as well as strengthen the institutions that enable these to be administered. It will also facilitate a more effective dialogue on investment climate reform between governments and the business community. The ICF will be a public-private partnership, funded by bilateral and multilateral donors, and by companies that have a long-term interest in Africa; and it will work in close partnership with African Governments and regional organisations, such as NEPAD.

See www.investmentclimatefacility.org

Box 6

These constraints (see Table 3) are particularly hard on micro, small and medium enterprises (MSMEs)[20] – and many respond by reducing their risk, limiting their investment, and/or operating informally, outside the formal legal systems.

Improving the business environment is a complex and often slow process. Not only are there many stakeholders, some with vested interests in the status quo, but improvement involves changes to policies, regulations or laws, to the attitudes and behaviour of business personnel and to the approach of public officials who enact and enforce them.

The importance of public-private dialogue

Improvements to the enabling environment to benefit business must be grounded in informed and transparent communication between businesses and Government bodies. DFID supports such dialogue by building:

- **Private sector capacity:** The private sector needs to have the capacity to understand, prioritise and articulate its needs to Government. This means moving from a system of seeking patronage and favours, to a process for identifying priority issues for broad sections of the business community. DFID helps to build this capacity in many countries including Kenya, Zambia and Bangladesh.

- **Government capacity:** Sound dialogue only takes place when Government appreciates business issues, and has the technical and management capacity to respond. DFID programmes aim to increase the awareness in Government agencies of the importance of reform (see Box 8) and as well as boosting their capacity to bring change (see Box 5).

The following are the key areas in which DFID builds the capacity of Government and private sector associations to address business environment constraints.

Reducing over-regulation and red tape

Regulations are essential for protecting business, consumers, labour, and natural resources from unfair or damaging business practises. However, in many developing countries, regulatory frameworks fail to act as a force for good, and over-regulation and complicated bureaucratic processes create unnecessary costs for business, which in turn reduce investment and growth. For instance, businesses in less developed countries face three times the administrative costs of those in rich countries, and nearly twice as many bureaucratic procedures[22].

Working with other donors, DFID supports regulatory reform programmes in countries such as Kenya (see box 5), Uganda, the

Sven Torfinn/Panos Pictures

A recently-installed phone booth integrated into a bus stop, an initiative of Kencell (Celtel), a telecommunications company specialising in mobile telephony in which CDC and the EAIF invested

Ukraine and Bangladesh[23]. DFID is also supporting the development of an Investment Climate Facility for Africa (ICF) which will help remove the obstacles to doing business in Africa. (See Box 6)

Reforming competition policy

When businesses have to compete, they try to produce better goods and services at lower prices. This benefits the consumer and encourages innovation, improvements to production processes and expansion – all of which leads to increased competitiveness. For example, where competition has been allowed in the telecoms sector, unit costs have dropped and the number of phone subscribers per capita has leapt fivefold.[24]

DFID has supported several competition law and policy projects, including the revision of Tanzania's competition law, a peer review of South Africa's competition law regime and a study of competition in Nepal (See Box 7).

Developing infrastructure

Good infrastructure is essential for economic growth and business success. World Bank Investment Climate Surveys found nearly 70% of businesses in sub-Saharan Africa, and nearly 50% of businesses in South Asia cited poor infrastructure as either a 'major or severe obstacle to the operation and growth of their business'.[25] If a business has access to up-to-date telecoms services, reliable electricity and efficient transport links it has a huge advantage over those without.[26]

Good infrastructure has a dynamic potential to change people's lives. Lack of access to clean water, sanitation, power and communications are defining characteristics of the lives of the poor. With access to essential services people can become more economically productive and livelihoods can be significantly improved.

COMPETITION POLICY: THE 7-UP PROJECT

7-Up is a research-based project funded by DFID and carried out by the Consumer Unity Trust Society of India. The project raised awareness of the importance of competition policy and improved the capacity of seven countries in South Asia and sub-Saharan Africa, to manage competition policies. The project highlighted the need for effective consumer protection, appropriate regulatory machinery, enhanced co-operation between competition authorities, and more extensive technical assistance and training for staff in competition regimes. 7-Up has created an international network of competition. Professor Frederic Jenny, Chair of the OECD Competition Committee, described the project as "....unique, and one of the most useful contributions to the evaluation of usefulness and the limits of competition law for economic development."

See the Project Report at **www.wto.org/english/forums_e/ngo_e/posp32_e.htm**

Box 7

INFORMATION CAN BRING ABOUT CHANGE

As part of the China Project Development Facility (funded by DFID and other donors, and managed by the IFC), an Administrative Costs Survey in December 2002 helped open local government's eyes to the constraints SMEs face, and to identify key areas where reform would make a significant difference. As a result of the Survey, the Municipality of Chengdu has:

- abolished 13 fees;
- set up a one stop shop 'Administrative Service Centre'; and
- instituted an investor complaints mechanism.

See www.cpdf.org

Box 8

PRIVATE SECTOR INFRASTRUCTURE

Where Governments in developing countries wish to involve the private sector in financing and managing the provision of infrastructure services, they, and the would-be private operators and financiers, commonly encounter severe constraints. DFID supports a number of international multi-donor facilities to overcome these constraints.

An inappropriate enabling environment. The Private Public Infrastructure Advisory Facility (PPIAF) assists developing country governments and other public bodies to improve the policies, laws, regulations and institutions that allow them to better to harness private participation in infrastructure where they wish to do so.

High up-front costs of project development. DevCo and InfraCo are programmes aimed at reducing the cost and risk of project development to facilitate private sector investment in infrastructure. The Slum Upgrading Facility (SUF), established in 2004, supports project development at the municipal level, helping local authorities, local operators and financial institutions come together in projects to extend services in slums.

A shortage of long-term debt and difficulties in accessing credit. The Emerging Africa Infrastructure Fund (EAIF) provides long-term debt finance for private sector funded infrastructure projects, and GuarantCo aims to reduce project risk by providing guarantees for local currency finance. A number of DFID supported country-led reform initiatives aim to improve the creditworthiness of public enterprises and utilities.

Poor public capacity to negotiate and implement private sector infrastructure projects. The Local Capacity Technical Assistance Facility provides grants for building local capacity alongside projects funded by a group of donors through the Private Infrastructure Development Group. Strengthening public capacity to deal with the private sector is also the focus of the PPIAF and SUF programmes.

Continued on page 19

Box 9

Not only are infrastructure services essential for private enterprises to function and flourish and to improve livelihoods, but there is also considerable scope for the involvement of the private sector in the delivery of such services. The infrastructure requirements of poor countries grossly outweigh the investment capacity of Governments and donors. Leveraging private investment and technical and management 'know-how' can be critical to improving and expanding service provision.[27] DFID supports several programmes that help harness private sector participation, where appropriate, in the provision of infrastructure services. (See Box 9)

Strengthening international trade

Trade is one of the most important factors contributing to a country's economic growth. However, the current trade systems and policies in the West often discriminate unfairly against poor countries. Tariff and non-tariff barriers to trade, combined with export subsidies for products produced in developed countries, have, to quote the World Bank, a 'staggering'[28] impact on developing countries. For example, OECD countries provided $311 billion in subsidies to their farmers in 2001 – almost four and a half times the sum that they allocated in development finance to poor countries. Making trade work more effectively for poor countries is a vital part of DFID's work. We strengthen developing countries' capacity to develop national trade policies, to participate effectively in international trade negotiations, to comply with WTO commitments, to resolve trade disputes and to increase trade. These programmes are delivered through a mixture of direct bilateral support, and through multilaterals such as UNCTAD, the World Bank and the EU.

DFID's trade capacity building programmes include:

- Training government officials to analyse trade issues, develop trade policy and negotiate internationally – making sure that trade policy takes into account the effect of trade on the lives of poor people;
- Improving systems which can facilitate trade, such as customs and excise; and
- Helping the private sector in developing countries respond to opportunities arising from the multilateral trading system, and also to cope with associated challenges, such as building capacity to meet health and safety standards for products. (See Box 10)

DFID has become a leader in linking trade to poverty reduction through promoting research, policy analysis, dialogue and policy-making in developing countries. DFID also works within the UK Government and with the EU and WTO to influence trade negotiations and rules in favour of poorer countries. The UK Government acted as a catalyst in revamping the Integrated Framework for Least Developed Countries (LDCs). The Framework enables LDCs to build their capacity in trade matters and to integrate trade into their overall development strategies.[29]

Public Enterprise Reform

Public spending on essential services is often very low in developing countries, and too low to meet the needs of all citizens, especially the poor. Scarce public funds are often used to subsidise loss making state owned enterprises (SOEs), instead of being spent on services of direct benefit to the poor. This is why many developing country governments are keen to restructure and/or privatise SOEs, and see this process as integral to reducing poverty.

The benefits from SOE reform can be substantial. In Bangladesh for example SOEs' average annual gross losses were £92 million between 1991-2002, equivalent to 30% of public spending on health and education. Progress with SOE and other reforms in the last three years has allowed the Bangladesh Government to increase spending on basic health and education by around 4% a year. In the Indian states of Andhra Pradesh and Orissa, annual savings from the broad programme of reforms is estimated at around 1% of total state spending. DFID support was linked explicitly to commitments to increase spending on health and education. In Tanzania, the Government has saved around US$100 million from privatisation and SOE reform. This has now been redirected to activities that benefit the poor.

In a 2005 policy paper on aid conditionality[31], the UK Government re-affirmed DFID's commitment to supporting countries to lead their own development planning process, including formulating specific policy choices. DFID supports countries to formulate and implement sector reform strategies and SOE reforms, but does not make its aid conditional on specific policy decisions, including privatisation. DFID is committed to ensuring that its support to reform is linked to a country's own poverty reduction strategy.

In 2005, DFID, in collaboration with other donors, finances 24 projects in 14 countries that support Governments reforming or privatising public enterprises. There is no single model for reforming SOEs, and privatisation is but one option. In West Bengal, for example, the public enterprise reform programme involves a mix of strategies: some enterprises were fully privatised, some were restructured with full-ownership retained by government, and others were closed.

The costs related to SOE reform can be high and, when appropriate, DFID has financed up-front costs. These include redundancy payments and social safety net programmes comprising training and counselling. For example, DFID has supported employee retraining in Bosnia and Herzegovina; assessments of employee share-ownership potential for state-owned enterprises in China; and training and counselling for retrenched workers in Bangladesh.

DFID also supports research into approaches to SOE reform and effective delivery of public services. For the last five years DFID has financed the Development Research Centre on regulation and competition (see http://idpm.man.ac.uk/crc/).

Continued from page 18

Many poor people receive water, energy and communication services from SMEs. DFID supports the multi-donor Water and Sanitation Programme (WSP) and the Energy Sector Management Assistance Programme (ESMAP) in helping improve SME service provision.

Further details of these programmes can be found via the programme websites listed on pages 36 and 37.

Limited funding for large scale investments in infrastructure. Launched in October 2005, the Africa Infrastructure Consortium aims to strengthen donor coordination in order to help meet crucial infrastructure needs in Africa. Consortium members (the G8, African Union, NEPAD, African Development Bank, Regional Economic Communities, World Bank and EC) will work together with governments and the private sector, to achieve more effective, scaled-up infrastructure investments which build on the priority objectives set by African Governments.

Box 9

PROMOTING INTER REGIONAL TRADE IN SOUTH ASIA

The South Asia Enterprise Development Facility helps to increase trade between Bangladesh and northeast India. It has helped facilitate public and private sector stakeholders in Bangladesh and India to work together to address constraints to trade across the border. As a result, agreements have been drafted covering transport, a reduction in the cost of trade finance, and easing of phyto-sanitary processes. Four customs stations have been developed between the two countries. A guide on how to trade with northeast India has also been produced.

See www.sedf.org

Box 10

2 Improving business capacity

Improving business capacity Figure 4

In developing countries, many businesses, especially SMEs, cannot access and compete in high value markets because they lack the necessary skills, knowledge, technology, market information and financial resources.

Business support services such as training, market information and consultancy are often of poor quality or undervalued by SMEs. Financial services can be difficult to access, expensive and inappropriate to both business and the needs of poor people. DFID's focus is on removing the constraints which prevent the markets for business and financial services benefiting the poor.

HOW TO MAKE FINANCIAL MARKETS WORK FOR THE POOR

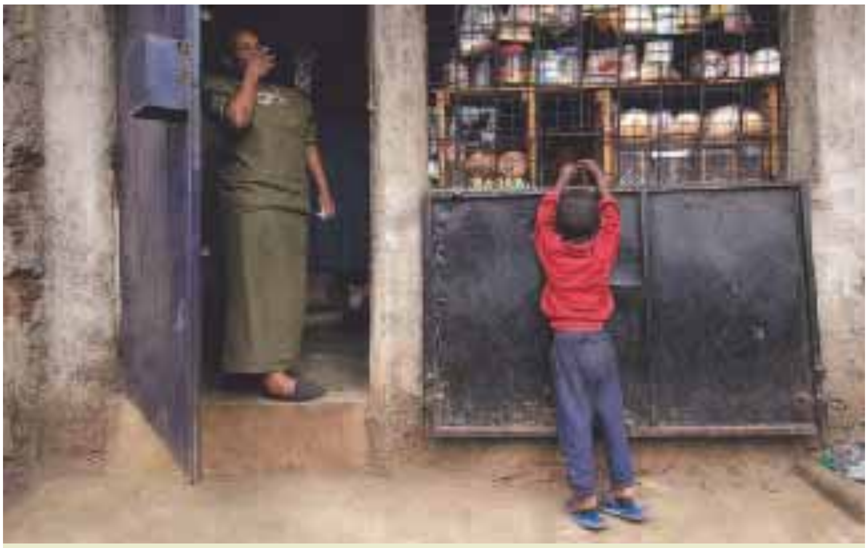
- Improve the legal and regulatory framework for financial sector development.
- Reduce risk.
- Increase capacity and outreach.
- Encourage innovations in financial services.
- Harness beneficial impact of remittances on the poor.
- Research, development and dissemination of best practices for microfinance.
- Pioneer investment.

Box 11

Making financial markets work for the poor

Private sector growth struggles to take place without an efficient financial sector. It facilitates investment, and thereby encourages business formation and improved productivity and competitiveness. Many businesses in developing countries, especially MSMEs, lack access to appropriate financial services.

When financial services are accessible and appropriate for the poor, they have a direct impact on alleviating poverty.[31] They enable poor households to balance their meagre budgets effectively, to invest in education and training and – through savings and insurance – reduce their vulnerability to shocks. Poor women, in particular, have been able to benefit from microfinance services. Credit and savings products have given them the chance to maximise income-generating opportunities, and to educate, feed and provide health services for themselves and their households. DFID has supported many microfinance organisations which specifically target poor women as clients. These include FINCA in Uganda and Tanzania, Women's World Banking, and CASHE in India (see Box 14).



Sven Torfinn/Panos Pictures

Children buying sweets at Catherine Kitumu's shop in the Kiberia slums, opened with a micro-finance loan from K-Rep Bank, Nairobi, Kenya

Financial institutions are risk averse and prove especially conservative in developing countries

Many factors can prevent markets for financial services working effectively for the poor. As a leading funder and promoter of innovative best practice in financial sector development,[32] DFID supports programmes that focus on removing the obstacles which prevent these markets working for the poor. These programmes cover many different issues, depending on the characteristics of each market (see Box 11).

DFID's financial sector programmes aim to:

a) Improve the legal and regulatory framework for financial sector development:

The regulatory and supervisory framework for financial services is often weak and outdated. It fails to protect consumers, and it blocks the introduction of new financial products, particularly those suited to MSMEs. Many of DFID's programmes address these constraints by providing technical assistance for capacity building and policy reform.

- In Kenya, Tanzania and Uganda DFID supported the development of microfinance legislation.
- In South Africa, the FinMark Trust worked closely with government and private sector stakeholders to help develop the Financial Sector Charter.[33]
- In Kenya, DFID is working with the World Bank on a programme which addresses legal and regulatory constraints to financial sector development.
- DFID supports the FIRST (Financial Sector Reform and Strengthening) initiative which provides technical assistance grants to developing countries for financial market development, and financial sector regulation, supervision and development (see Box 12).

FIRST: IMPROVING BANKING IN PAKISTAN

Initiated in December 2003, FIRST supports the Pakistan Banking Sector Project, which aims to strengthen standards of banking industry reporting and supervision in Pakistan. The project has introduced a standard chart of accounts for all banks and development finance institutions in Pakistan. Improving the quality and integrity of reporting by banks and Development Finance Institutions, together with other related projects, is leading to a better managed, better-supervised and more secure banking system. This will increase banks' ability to cope with problems and shocks in the economy and markets. It will also provide Pakistani businesses and households with better access to financial services.

See www.firstinitiative.org

Box 12

DEMONSTRATING THE POTENTIAL SME MARKET IN UGANDA

In 2001 the Financial Deepening Challenge Fund (FDCF) supported the DFCU Leasing Company to develop a leasing product for SMEs. SMEs make up an estimated 90% of Ugandan businesses. Only 5% qualified for a lease before this initiative. By February 2004, DFCU Leasing had offered over 330 leases. The DFCU Leasing experiment has rejuvenated the leasing market. Commercial banks have now indicated interest in developing leasing products for SMEs. The FDCF grant, which covered just over 60% of the cost of this initiative, enabled DFCU Leasing to take a risk and exploit a market opportunity which they would not have been able to do on their own.

See www.challengefunds.org

Box 13

MICROFINANCE PROGRAMME IN INDIA REACHES 300,000 WOMEN

The CASHE programme, managed by CARE India, was launched in 1999 with funding from DFID. It is one of the largest microfinance programmes in India with outreach to over 300,000 poor women in three Indian States. CASHE works with federations of community savings and credit. It has entered into strategic partnerships with commercial financial organisations which are interested in the market for new products that CASHE clients represent.

See www.careindia.org

Box 14

b) Reduce risk to encourage private sector activity:

Financial institutions are risk averse and prove especially conservative in developing countries. They tend to ignore MSMEs, not just because they are considered too risky, but also because limited competition enables financial institutions to maintain high profit levels without serving these markets. At DFID we address these real and perceived levels of risk in several ways.

We aim to help financial institutions recognise the potential of the micro and small business market. In South Africa, FinScope provided credible information on MSMEs that persuaded commercial financial institutions that the poor and small businesses are a good market opportunity (See Box 4).

Dieter Telemans/Panos Pictures

Bangladesh Dhaka. Billboard for the SMS text message service provided by Grameenphone, a telecoms company which is a partner of the Grameen Bank

We aim to help financial institutions develop and deliver appropriate services and products for MSMEs. Serving as models, these institutions then demonstrate the potential of the small business markets to other financial service institutions. (See Box 12)

c) Increase capacity and outreach:

DFID works with commercial and NGO financial institutions to build their capacity and outreach. (See Box 14) Technical assistance provided directly and through intermediary organisations such as *MicroSave* (see www.microsave.org), helps these institutions increase their efficiency, sustainability and to meet customer needs more effectively.

d) Encourage innovation in financial services:

Developing country financial markets are often characterised by low value transactions, weak regulation, and many clients based in rural areas with poor infrastructure. Innovative solutions are required to make these markets profitable and ensure that the financial services provided meet the needs of the poor. Several DFID-funded programmes encourage financial institutions to use new technologies to develop customer oriented financial services (See Box 15).

e) Harness the beneficial impact of remittances on the poor:

Remittances – transfers from both domestic and overseas residents – are an important source of income for many poor people in developing countries. Recorded global flows of remittances were £55 billion in 2003, and unofficial flows may be more than double this. Poor people use this income to pay for education, health and housing, and as investment in small businesses. DFID works with financial institutions to reduce transaction costs for the senders and receivers of remittances.[34]

We do this by:

- Removing impediments to flows from the UK;
- Improving payment systems;
- Increasing the availability of information on the remittance market; and
- Using remittances as a means to encourage poor people to use banking services.

FINANCE INNOVATION: SMART CARDS IN TANZANIA

Only 6.4% of Tanzanians have a savings or current account, and less than 1% took out a loan in 2003. Through the FDCF, DFID supported the development of the SmartCard with the Co-operative Rural Development Bank in Tanzania. The SmartCard is an offline payment system which can be used at ATMs and point of sale locations throughout Tanzania. As of June 2004, 15 ATMs have been installed countrywide, eight outside the capital. In addition, a sister card, 'Tembocard', has been adopted by 12 Microfinance Institutions. Of the 92,000 Tembocard consumers recruited so far, 15,000 had no bank account previously. Using the card in an economy where cash is king and the poor have to be mobile in order to earn a living, has reduced the costs of regular transactions and eliminated the risks of crime and corruption.

See www.challengefunds.org

Box 15

DFID supports programmes which improve the competitiveness of business

TELECOMMUNICATIONS FOR THE DEVELOPING WORLD: *Pioneering investments by CDC*[35]

The use of cellular technology has allowed unprecedented access by the poor to telecommunications, enabling millions to find out about market and employment opportunities.

CDC was the first institutional investor in **Celtel**, founded as a start-up company called MSI Cellular in 1998. CDC contributed to three further rounds of funding, building up a 9.3% equity stake. As a halo investor, CDC helped to mobilise funding from other DFIs and private funds. CDC also helped Celtel by providing high quality management inputs, and by helping to win licence bids and make acquisitions. Celtel has grown and outperformed all expectations, increasing its revenue by more than 115% pa, and establishing the company as the largest African mobile operator outside South Africa. It now operates in Malawi, Zambia, Sierra Leone, Congo, Egypt, Gabon, Chad, the Democratic Republic of Congo, Guinea, Burkina Faso, Niger, Sudan, Tanzania and Kenya and provides coverage for 30% of Africa's population. Celtel was acquired by MTC (a Kuwaiti telecommunications company) in a US$3.4 billion deal in early 2005. CDC received a cash return on its investment of over 500% over seven years. The growth of Celtel has transformed access to telephony for more than five million customers across a continent that is characterised by poor communications.

See www.msi-cellular.com

Continued on page 25

Box 16

f) Developing best practices for microfinance:

DFID is a leading supporter of the Consultative Group to Assist the Poor (CGAP) and *MicroSave*. These organisations are both at the forefront of microfinance research and practice.

CGAP is a consortium of 28 public and private development agencies working together to expand access to financial services for the poor in developing countries – acting as a resource centre for the worldwide microfinance industry. See www.cgap.org

MicroSave promotes the development of savings services and other more client-responsive financial services for poor people. In particular, MicroSave has helped institutions develop savings and insurance products which meet the needs of the poor. See www.microsave.org and www.microinsurancecentre.org

Pioneering investment

Private firms and investors are deterred from investing in developing countries by poor business environments, lack of access to finance, high risks, uncertainty, and because of the costs involved in forging the way. Pioneering investors often have to press governments for improvements in legislation and public administration. They have to set standards and then oblige local suppliers of goods and services to meet these. The pioneer investor is therefore a dynamic agent for institutional and legal reform in developing countries. Pioneering investors take the first step in investing in poorer countries, where possible bringing in domestic and/or international investors. As they demonstrate investment success, so other investors become more likely to follow suit.

DFID works with pioneering investors such as the IFC (see Section 4) and helps pioneer private investment in infrastructure through the Emerging Africa Infrastructure Fund and GuarantCo (see Box 9). DFID's principal direct instrument for pioneering investment in private enterprises in poorer countries is CDC. Formerly known as the Commonwealth Development Corporation, CDC has been involved in the financing of commercial enterprises in developing countries since 1948.

CDC's mission is to maximise the creation and long-term growth of viable businesses in poorer countries through responsible investment and mobilising private finance. It commits capital to funds that pioneer responsible investment in poorer developing countries that many commercial investors shy away from. In 2004, CDC made new investments of £104 million in sub-Saharan Africa and Asia, and leveraged an additional US$120 million of third party investment into these same regions.

Piers Benatar/Panos Pictures

Medicine bottles are washed for resale to the pharmaceutical business by a privately owned recycling business, Katmandu, Nepal

In 2004 the UK Government completed a radical restructuring of CDC to improve its performance and help mobilise additional third party capital for investment in poorer countries. The operational investment activities of CDC were demerged via a self funded management buy-out into a new entity, Actis LLP (limited liability partnership) (see Box 16, www.act.is and www.cdcgroup.com).

Actis LLP is CDC's principal fund manager but CDC also invests in others such as Aureos. A specialist SME fund manager, Aureos has over US$160m invested in more than 160 smaller enterprises in poor countries (see www.aureos.com). Another area of specialisation is power. CDC invests through Globeleq, an operating power company with over US$550m invested in Africa, Asia and the Americas (see www.globeleq.com).

Continued from page 24

In 1999 CDC made an equity and debt finance investment in **GrameenPhone** in Bangladesh, which had one of the lowest telephone penetrations in the world. CDC's investment, alongside investments from IFC, enabled GrameenPhone to grow rapidly. By August 2003 it had achieved over 1 million subscribers, 70% of the market and countrywide coverage. CDC's investment encouraged other investors to venture into the mobile telecom market in Bangladesh. When it sold its shares in 2003, CDC made a return of five times its initial investment.

The rollout of low cost cellular telecom in Bangladesh had a significant impact on improving the livelihoods of hundreds of thousands of poor people.

See www.grameenphone.com

Box 16

PROMOTING BUSINESS LINKAGES: THE PRIVATE SECTOR INITIATIVE (PSI) IN TANZANIA

The BLCF supports the Private Sector Initiative to work with eight large companies[36] in Tanzania to increase the level of their business with local SMEs. The Private Sector Initiative has helped SMEs increase their competitiveness, and it lowered business costs of the Corporates. In 2002 these corporates spent US$21million on inputs from Tanzanian SMEs. In 2003 this figure rose by 43% to US$30 million.

See www.sbp.org.za

Box 17

WORKING TOGETHER – SUB SECTORS AND CLUSTERS

The Lesotho Garment Industry

The Lesotho garment industry has grown rapidly in recent years and now employs over 50,000 people. However, a productivity audit of the industry – undertaken by the DFID-funded ComMark Trust – identified several constraints which undermine its productivity and competitiveness. ComMark has since developed a programme of training for the Lesotho Garment industry.[39] Half of the factories in Lesotho have signed up and initial results are positive. One factory recorded a 14% increase in productivity after just 10 days of training.

See www.commark.org

The Jamaica Cluster Competitiveness Programme (JCCP)

Funded by DFID, USAID, the Government of Jamaica, and the Jamaica Exporters Association, the JCCP works to increase the competitiveness of three industry clusters, involving 150 companies. It enables them to analyse, diagnose and act on shared challenges. Results have been impressive – a cluster of sauce producers, for example, recognised that they were spending up to 50% of their production costs on a glaze produced by one supplier in Trinidad. Through collective negotiation, they were able to negotiate a joint purchasing agreement with the supplier which led to production cost savings of up to 20%.[40]

Box 18

Making business services markets work for the poor

Businesses need a range of technical and management services to build their capacity to compete in high value markets. Services include staff and management training, feasibility analysis, business planning, association-based services, market information, joint venture facilitation and technical expertise.

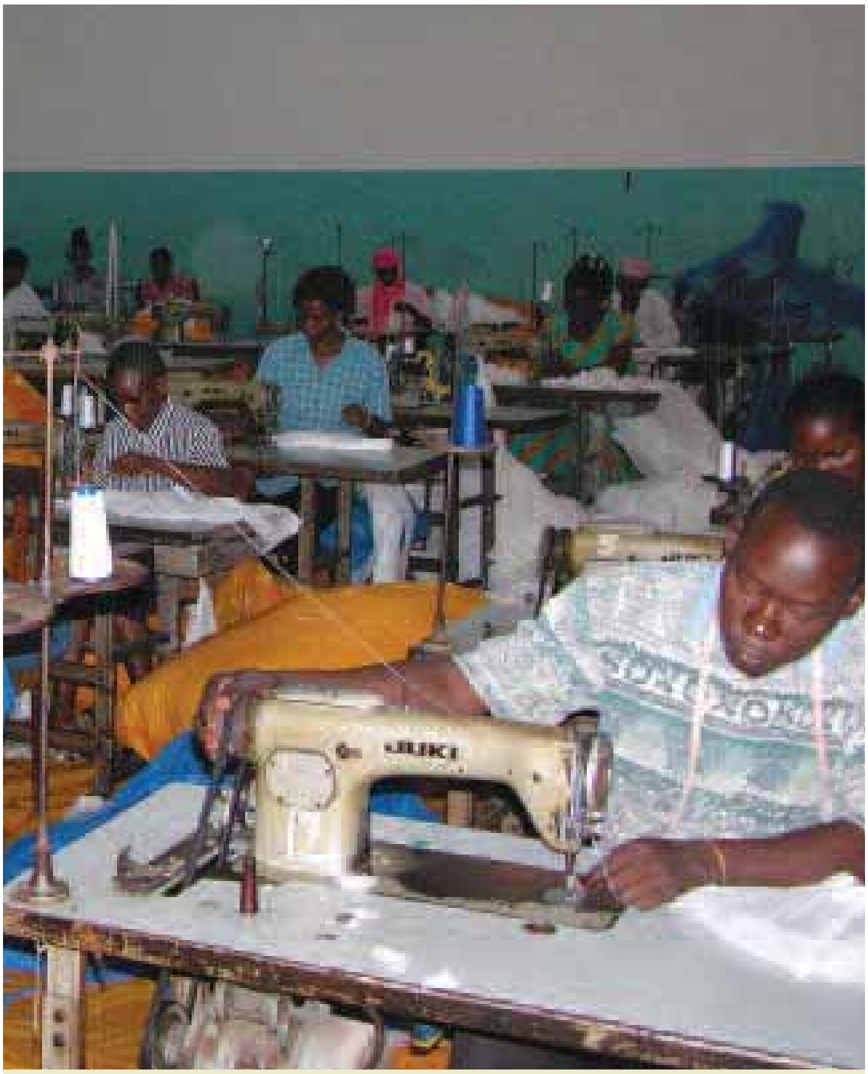
In recent years, using subsidies as a way of increasing private sector access to business services have given way to more sustainable, market driven approaches.[37] DFID supports programmes which improve the competitiveness of businesses by increasing their access to market-driven business services. Our programmes focus on making business services meet the needs of businesses which are owned by and employ the poor (see Box 18).

Building supply and market linkages between businesses in developing countries is the goal of several DFID programmes. These build the capacity of SMEs as suppliers to bigger enterprises (see Box 17). The Business Linkages Challenge Fund (BLCF), for example, helped businesses in developing countries form national and international links. The BLCF funded 40 such projects in Africa and the Caribbean in agriculture, health care and pharmaceuticals, tourism and other sectors.[38]

Building on the success of both the BLCF and the FDCF, a new Africa Enterprise Challenge Fund (AECF) is being developed. It is a multi donor funded initiative, which will facilitate investment in innovative business ventures. These are ventures where development benefits are likely, but the business community perceive the risks outweigh the expected returns. By sharing these risks with business partners and demonstrating new market opportunities, the AECF will encourage increased investment. Grants will be awarded on a competitive basis, to test innovative ideas which will improve the delivery of financial services, increase market access, and enhance productivity in agriculture and other sectors. The AECF will operate across sub Sahara Africa and encourage business led linkages within countries, regionally and globally.

3 Improving the impact of investment on the poor: Corporate social responsibility and increased access to services

Increasing the impact of investment for the poor — Figure 5



James Hole/DFID

SMARTNET manufacture, Dar-Es-Salaam, Tanzania

IMPROVING BUSINESS GOVERNANCE, ETHICS AND TRANSPARENCY

The Extractive Industries Transparency Initiative (EITI) is a coalition of governments, companies, civil society groups, investors and international organisations. The EITI supports improved governance in resource rich countries through the publication of company payments and government revenues from oil, gas and mining. Many countries are rich in these resources and studies have shown that when governance is good, they can generate large revenues to foster growth and reduce poverty. However when governance is weak, they may instead cause poverty, corruption, and conflict – the so called 'resource curse'. EITI is now working to defeat this 'curse' by improving transparency and accountability in 20 countries from Peru, to Trinidad and Tobago, Azerbaijan, Nigeria, and East Timor.

See www.eitransparency.org

The Kimberley Process Certification Scheme was established in November 2002, to stem the flow of conflict or 'blood' diamonds used by rebel groups to finance wars. The Kimberley Process involves Governments, NGOs and international diamond businesses. It imposes strict requirements on all participants to guard against conflict diamonds entering legitimate trade.

See www.kimberleyprocess.com

Box 19

BUSINESS MAKING A DIFFERENCE – HIV AND AIDS

SABCOHA, the South African Business Coalition on HIV and AIDS was established in 2001. With an extensive list of members including large corporates, it aims to help the private sector respond to HIV and AIDS. In 2002, SABCOHA found that while many larger businesses were working on ways to address HIV and AIDS issues within their own organisations, SMEs were less aware of the impact of HIV and AIDS on their operations, and less likely to take action. Some larger businesses recognised that they needed to take action outside their own organisations, particularly in relation to their suppliers (the SMEs). With DFID funding, SABCOHA took materials developed by Unilever and Standard Chartered Bank and in May 2004 launched a toolkit to help SMEs address HIV and AIDS in their own businesses.

See www.sabcoha.co.za

Box 20

HEALTH PPP FIGHTS MALARIA

Malaria causes at least one million deaths a year worldwide. Public funding of malaria research and development is grossly inadequate. DFID is one of several donors supporting Medicines for Malaria Venture (MMV), a not-for-profit organisation dedicated to developing and delivering new affordable antimalarial drugs. MMV is managing the largest-ever portfolio of malaria R&D with over 20 projects in different stages of drug research and development. Combining financial resources with expertise and facilities from numerous public and private partners, MMV accelerates the drug development process with the focus on 'public good'. MMV optimises the cost effectiveness of this development process by leveraging tens of millions of dollars of in-kind contributions from the private sector which is estimated to match MMV's investment. MMV is on track to develop at least one new effective and affordable cure for malaria before 2010.

See www.sabcoha.co.za

Box 21

Encouraging corporate social responsibility

The private sector has widespread social, environmental and political effects on society. Support and pressure for corporate responsibility comes from shareholders, managers and employees, consumers, business partners, communities and Governments. Socially responsible practices have a direct and positive impact on a company's productivity.[41]

In a sign of its commitment, the UK Government has appointed a Minister for Corporate Social Responsibility (CSR). DFID supports initiatives which promote CSR best practice (see Box 19), and provides opportunities for companies to use their business knowledge and expertise for the benefit of wider society (see Box 20). DFID supports several international agencies and agreements such as the OECD Guidelines for Multinational Enterprises and the UN Global Compact, which are designed to promote responsible business behaviour[42] (See www.csr.gov.uk).

Increasing the poor's access to services and technology

Working with Governments, NGOs and the private sector, DFID aims to increase access to essential services such as health care and medicines, agricultural technology, electricity, shelter, clean water and education. The private sector plays a vital role in the provision of many of these services. For instance, most poor people buy their medicines from private suppliers and private health care providers. Failures in these markets have meant an inadequate supply of appropriate medicines for people in developing countries – while those medicines that are produced can be prohibitively expensive.

DFID has been working with the pharmaceutical industry to increase access to medicines in developing countries, and in March 2005 published **Increasing people's access to essential medicines in developing countries: a framework for good practice in the pharmaceutical industry.**[43] Developed in close cooperation with – and supported by – many pharmaceutical companies and industry associations, as well as institutional investors, NGOs, international agencies and others, this framework builds on good practice in the industry to make the right medicines more accessible, affordable and available to poor people in developing countries.

DFID supports several Public Private Partnerships (PPPs) which enable cost-sharing with the private sector. These use donor funds to leverage private resources and 'know how' for developing appropriate medicines and agriculture products for the poor (See Boxes 21 and 22).

Social Marketing helps NGOs to work in partnership with private producers of health products. By adopting commercial marketing techniques, suppliers of these products are able to increase demand and use of their commodities. For instance, social marketing organisations are responsible for providing around 50% of all

Martin Wroe

Cattle being driven to market, the road south to Awasa, Ethiopia

condoms in developing countries. DFID supports a range of social marketing initiatives, with SMARTNET in Tanzania providing a good example. This programme has created alliances with commercial companies to market mosquito nets and net treatment kits – resulting in a dramatic increase in the use of treated nets.[44]

PPPs INCREASE AGRICULTURAL PRODUCTIVITY

The African Agricultural Technology Foundation (AATF): Small farmers in Africa lack the resources to independently develop the technology they need in order to compete. The AATF, supported by the Rockerfeller Foundation, USAID, DFID and others, helps deliver affordable technology to African farmers as part of the UK's commitment to the G8 Africa Action Plan to improve access to agricultural technology. The AATF helps farmers access productivity-enhancing agricultural technologies held by the private sector, by facilitating public-private-partnerships.

See www.aftechfound.org

The Global Alliance for Livestock Vaccines: 600 million poor people are dependent on livestock for their livelihoods. But the poor lose one fifth of their animals each year to disease. Pharmaceutical companies have failed to generate and deliver animal medicine to the poor, and there is not enough public funding to develop new vaccines. However, studies funded by a group of donors in 1999 found that the science to develop new vaccines for livestock already exists. The study estimated that the costs of developing new vaccines, using existing science, was approximately US$ 12 million, and would take only five years to develop. A multi-donor, public/private sector research alliance, involving large pharmaceutical companies, has been established, to develop new livestock disease technology for developing countries. The alliance estimates that it can develop 3-4 vaccines within the next 10 years.

See www.dfid.co.uk/research/newresearchbgprivate.pdf

Box 22

PRIVATE ENTERPRISE: A POWERFUL WEAPON IN THE FIGHT AGAINST POVERTY

6

Creating an environment where the private sector can prosper is central to DFID's work around the world

As the Commission for Africa Report suggests: "Accelerating growth, and ensuring the participation of poor people in that growth, is fundamental for poverty reduction."[45] It is clear that this in turn requires a thriving private sector.

As we have seen, at the core of the private sector in the developing world are poor people – entrepreneurs, employees and consumers, who are themselves the engine for economic growth.

We need to give poor people the chance to play a direct part in improving their own incomes and prospects. We can do this by providing them with the freedom, the capacity and the level playing field that will enable them to compete.

Creating an environment where the private sector can prosper is central to DFID's work around the world – and why we seek to contribute to pro-poor private sector growth in developing countries.

Giacomo Pirozzi/Panos Pictures

Community women's group income generation project, making honey, North Cameroon

FURTHER READING

General

1 The UNDP Report to The Secretary General of the United Nations: Unleashing Entrepreneurship. Making Business Work for the Poor. 2004 (www.undp.org/cpsd/report/index.html)

2 DFID Departmental Report 2005. Department for International Development, June 2005 (www.dfid.gov.uk/pubs/default.asp)

3 Our Common Interest. Report of The Commission For Africa. Commission For Africa. March 2005 (www.commissionforafrica.org)

4 Doing Business in 2006: Creating Jobs. World Bank & IFC (www.worldbank.org)

5 Accelerating Pro-Poor Growth Through Support for Private Sector Development. OECD 2004. (http://webdomino1.oecd.org/COMNET/DCD/PovNet.nsf/viewHtml/index/$FILE/page_PrivateSector.htm)

6 Making Market Systems Work Better for the Poor: An introduction to the concept. DFID 2005 (www.dfid.gov.uk/news/files/trade_news/adb-workshop-conceptualapproaches.pdf)

7 Making Markets Work for the Poor. An Objective and Approach for Governments and Development Agencies. Alan Gibson, David Ferrand and Hugh Scott. ComMark Trust. 2004

8 The Real Digital Divide: Encouraging the spread of mobile phones, and Economics Focus: Calling across the divide, in the Economist, March 12, 2005 (www.economist.com)

9 The Other Path. The Economic Answer to Terrorism. Hernando de Soto. 1989. Basic Books

10 Private Sector Development Resource Guide. Smart Business-Smart Development 2004 World Bank Group (www.ifc.org/ifcext/economics.nsf/AttachmentsByTitle/ PSD-Smart_Business.pdf/$FILE/PSD-Smart_Business.pdf)

11 World Bank Group's Private Sector Development Strategy 2002 (www.ifc.org/ifcext/economics.nsf/Content/VP-Office)

12 World Bank Group's Implementation Progress Report – Private Sector Development Strategy 2003 (www.ifc.org/ifcext/economics.nsf/Content/VP-Office)

13 The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits. C.K. Prahalad 2004 Wharton School Publishing

14 The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else. Hernado de Soto 2000 Bantam Press/Random House, 2000

15 The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics. 2001 Cambridge, Mass. MIT Press

16 Growth is Good for the Poor, 2000. David Dollar and Aart Kraay, World Bank (www.worldbank.org/research/growth/profiles/growthgoodforpoor.pdf)

17 DFID Policy Paper, Agriculture and Poverty Reduction: Unlocking The Potential. December 2003 (www.dfid.gov.uk/publications)

Business environment

1 World Development Report 2005. A Better Investment Climate For Everyone. World Bank & Oxford University Press 2004 (www.worldbank.org/wdr)

2 Doing Business in 2004: Understanding Regulation. World Bank, IFC and Oxford University Press (http://rru.worldbank.org/)

3 Doing Business in 2005. Removing Obstacles to Growth. World Bank, IFC and Oxford University Press (http://rru.worldbank.org/)

4 Enabling Small Enterprise Development Through a Better Business Environment: Donor Experiences in Supporting Reforms in the Business Environment 2002. Simon White and Juan Chacaltana (www.enterprise-impact.org.uk/ pdf/White-ChacReportdonors2002.pdf)

5 Independent Study by Manchester and Nairobi Universities, quoted in Improving the Business Trade Licensing Reform Environment, Mathew Gamser, Bannock Consulting Ltd. November 2003 (http://siteresources.worldbank.org/INTWDR2005/Resources/477407-1096581040435/dfid_gamser_4.pdf)

6 Face Value: AIDS and Business in The Economist, December 4th 2004 (www.economist.com)

Business capacity

1 The Competitive Advantage of Nations. 1998. Michael E Porter. Free Press

2 Competitiveness, That Obscure Object of Desire, DAI Journal, Volume 9, Issue 1, Winter 2003

3 Plowing the Sea. Nurturing the Hidden Sources of Growth in the Developing World, by Michael Fairbanks & Stace Lindsay (www.onthefrontier.com)

4 Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention, 2001. Committee of Donor Agencies for Small Enterprise Development (www.ilo.org/public)

5 BDS Primer. Alexandra Miehlbradt and Mary McVay, 2003, ILO (http://learning.itcilo.org/entdev/bdsseminar/pub/home.aspx?l=Eng&IdSezione=0)

6 Guide To Market Assessment for BDS Program Design: A FIT Manual. Alexandra Miehlbradt. 2001. ILO (www.ilo.org/dyn/bds/docs)

7 BDS Market Development: A Guide For Agencies On The Emerging market Development Approach To Business Development Services. Technical Note 2; Microenterprise Best Practise Research and Publications. M. Bear, A Gibson and R Hitchens. 2001 (www.microlinks.org)

8 Making Services Work For Poor People. World Development Report 2004. World Bank and Oxford University Press. 2003 (www.worldbank.org/wdr)

Financial services

1 The Importance of Financial Sector Development for Growth and Poverty Reduction. Policy Division Working Paper. August 2004. DFID Financial Sector Team (http://www.dfid.gov.uk/pub/default.asp)

2 Making Financial Markets Work For The Poor. 2004. David Porteus (www.finmarktrust.org.za)

3 CGAP Case History in Donor Good Practices, No.9 Donor Innovation in Financial System Development: DFID's Design of FinMark Trust in South Africa. August 2003. Sarah Barlow (www.cgap.org/direct/resources/case_studies.html)

4 Informal Remittances from the UK: Values, Flows and Mechanisms in 2004. Blackwell and Seddon (www.livelihoods.org/hot_topics/docs/UK_remittances)

KEY WEBSITES

Internet address	Description
General information	
www.dfid.gov.uk	Information on DFID, its remit, goals and programmes, and access to its publications.
www.worldbank.org	Information on the World Bank, its remit, goals and programme and access to its numerous publications.
www.undp.org	Information on the UNDP and access to its publications including 'Unleashing Entrepreneurship. Making Business Work for the Poor.'
www.un.org/millenniumgoals/	Information on the Millennium Development Goals.
www.commissionforafrica.org	Report of the Commission For Africa, which was launched by Prime Minister Tony Blair in February 2004.
http://webdomino1.oecd.org /COMNET/DCD/PovNet.nsf	Information on the Poverty Network – POVNET of the OECD, including the work of the Private Sector Task Team.
www.sedonors.org	Information on the Donor Committee, and the work of donor agencies, on enterprise development.

Investment climate

www.worldbank.org/wdr/	The World Development Report 2005.
www.ppiaf.org	Information on the Public Private Infrastructure Advisory Facility.
www.sbp.org.za	Information on SBP's programmes to improve the investment climate in Africa.

Financial services

www.cgap.org and **www.microfinancegateway.org**	Information on CGAP, its approach and programmes and publications and papers. Many links to other microfinance websites including CGAP's website specifically for donors.
www.microsave.org	Information on *MicroSave*, an initiative to promote saving service for poor people.
www.finmarktrust.org.za	Information on the FinMark Trust in Southern Africa, the making financial markets work for the poor approach, and its programmes.

www.finscope.co.za	Information on FinScope.
www.firstinitiative.org	Information on the Financial Sector Reform and Strengthening Initiative.
www.sendmoneyhome.org	Information on a UK Remittances Products Survey commissioned by DFID and the Banking Code Standards Board.
www.swwb.org	Information on Women's World Banking.
www.villagebanking.org	Information on FINCA.
www.cdcgroup.com and **www.actis.com**	Information on CDC and Actis, their goals, investment approach and the investments.
www.ebrd.com	Information on the European Bank for Reconstruction and Development.
www.wto.org/english/forums_e/ngo_e/posp32_e.htm	More information on the 7-Up project.

Business services

www.challengefunds.org	Information on the Business Linkages Challenge Fund and the Ghana Business Linkages Challenge Fund.
www.otf.org or **www.jeaustin.com**	Information on cluster competitiveness approaches.
www.sbp.org.za	Information on the South Africa and Tanzania Private Sector Initiatives.
www.commark.org	More information on the Making Markets Work for the Poor Approach, and ComMark's programmes.
www.bdsknowledge.org **www.ilo.org**	Information on the market driven and approach to BDS and to find the 'Blue Book': Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention, 2001. Also includes several case histories.
www.sedf.org	More information on the SouthAsia Enterprise Development Facility.
www.cpdf.org	More information on the China Project Development Facility.
www.careindia.org	More Information on the CASHE programme in India.

Corporate Social Responsibility

www.kimberleyprocess.com	Information on the Kimberley Process Certification Scheme.
www.csr.gov.uk	Information on corporate social responsibility (CSR) generally and on the UK Government's approach to and its support for CSR initiatives.
www.sabcoha.co.za	Information on the South African Business Coalition on HIV & AIDS.
www.eitransparency.org	Information on the Extractive Industries Transparency Initiative.
www.transparency.org	Information on Transparency International, a non-governmental organisation devoted to combating corruption, brings civil society, business, and governments together in a powerful global coalition.
www.eti.org.uk	More information on the Ethical Trading Initiative, an alliance of companies, non-governmental organisations (NGOs) and trade union organisations working to ensure that the working conditions of workers producing for the UK market meet or exceed international labour standards.

Increasing access to essential services

www.aftechfound.org	More information on the African Agricultural Technology Foundation.
www.mmv.org	More information on the Medicines for Malaria Venture.
www.dfid.gov.uk/research/ newresearchbgprivate.pdf	Information on the Global Alliance for Livestock Vaccines.
www.ppiaf.org	More information on the Public Private Infrastructure Advisory Facility.
www.theinclusivecity.org	Information on the Community-Led Infrastructure Financing Facility.
www.pidg.org	Information on the Private Infrastructure Development Group and its programmes including EAIF, DevCo, InfraCo and GuarantCo.
www.gpoba.org	Information on the Global Partnership On Output-Based Aid.

www.proventionconsortium.org	More information on ProVention, a global partnership of Governments, private sector, academia and civil society organisations, dedicated to reducing the impact of disasters on developing countries.
www.wsmap.org	Information on the Energy Sector Management Assistance Programme, which promotes and facilitates small and medium enterprises that supply energy services to the poor.
www.wsp.org	Information on the Water and Sanitation Programme, which promotes and facilitates small and medium enterprises that supply water and sanitation services to the poor.
www.unhabitat.org/suf/	Information on the Slum Upgrading Facility (SUF), a facility located in UN-HABITAT that provides technical assistance, capacity building and bridge finance for slum upgrading projects.
www.wsup.com/	Information on Water and Sanitation in the Urban Environment, a joint venture between businesses, NGOs and a university to deliver water and sanitation in slums.

FOOTNOTES

1 Accelerating Pro-Poor Growth Through Support for Private Sector Development. OECD 2004, provides a useful analytical framework **(http://webdomino1.oecd.org/COMNET/DCD/PovNet.nsf/viewHtml/index/$FILE/page_PrivateSector.htm).**

2 For example: 1.1 billion people lack access to safe drinking water. 2 billion people lack adequate sanitation; 104 million children are not enrolled in school; 10 million children die each year before the age of 5, primarily from preventable diseases. For more information see DFID Departmental Report 2004 **(www.dfid.gov.uk/pubs/)** and the UN's *Human Development Report 2004* **(hdr.undp.org/statistics/data)**.

3 Research by Pritchett and Summers found that a rise in economic growth causes a fall in infant mortality. For further discussion see The Elusive Quest for Growth. William Easterly. MIT Press paperback. 2002.

4 For further discussion, see David Dollar and Aart Kraay, *Growth is Good for the Poor*, 2000. World Bank **(www.worldbank.org/research/growth/profiles/growthgoodforpoor.pdf)**.

5 World Bank's *World Development Report 2005*, Overview **(www.worldbank.org/wdr/).**

6 See study by Bouton and Sumilinski of 50 developing countries between 1970 and 1998 which found that countries with higher growth featured higher levels of private investment. Bouton and Sumlinski. 2000 Trends in Private Investment in Developing Countries: Statistics for 1970-1988. Discussion Paper 21. International Finance Corporation, Washington DC. As quoted in the UNDP report: Unleashing Entrepreneurship. Making Business Work for the Poor. In addition, Levine and Renelt (1992) find investment to be the only robust determinant of growth. R. Levine and D. Renelt. A sensitivity analysis of cross-country growth regressions. American Economic Review 82(4): 942-963.

7 Bosworth and Collins (2003) quoted in the World Bank's *World Development Report 2005*, Overview **(www.worldbank.org/wdr/).**

8 *World Development Report 2005*, Overview **(www.worldbank.org/wdr/)**

9 *How To Leverage the Co-operative Movement for Poverty Reduction*, DFID May 2005.

10 For more information see the World Bank's *World Development Report 2005*. Box 3.3, page 64. **(www.worldbank.org/wdr/)**
and The UNDP Report to The Secretary General of the United Nations: Unleashing Entrepreneurship. Making Business Work for the Poor. Chapter 2, pages 13-14. 2004 **(www.undp.org/cspd/report/index.html)**.

11 For more information see *The World Bank's World Development Report 2005. A Better Investment Climate for Everyone* **(www.worldbank.org/wdr/)**.

12 For further information on the FinMark Trust go to: 1. David Porteous, Making Financial markets Work for the Poor, FinMarkTrust, October 2004 **(www.finmarktrust.org.za/documents/2005/JANUARY/MMW4P.pdf)**. 2. Sarah Barlow, CGAP Case History in Donor Good Practises, No. 9. Donor Innovation in Financial System Development: DFID's Design of FinMark Trust in South Africa. August 2003 **(www.cgap.org/direct/resources/case_studies.html).**

13 For more discussion on the making markets work for the poor approach, see Making Market Systems Work Better for the Poor (M4P): An introduction to the concept. DFID 2005 **(www.dfid.gov.uk/news/files/trade_news/adb-workshop-conceptualapproaches.pdf)**; and *Making Markets Work for the Poor. An Objective and Approach for Governments and Development Agencies.* Gibson, Scott and Ferrand, 2004. **(www.commark.org)**. Additional documentation from a workshop on Making Markets Work for the Poor held in Manila in February 2005 jointly by DFID, ADB and ADBI is available at **www.dfid.gov.uk/news/files/trade_news/adb-workshop.asp**

14 This categorisation, breaking down the poor into entrepreneurs, employees and consumers, is borrowed from the *World Bank's World Development Report 2005* **(www.worldbank.org/wdr/)**.

15 For more information on DFID's Health and Education programmes in developing countries go to **www.dfid.gov.uk/research/healthprog.asp** and **www.dfid.gov.uk/research/education.asp**

16 DFID is very active in conflict prevention and post-conflict reconstruction, working closely with other relevant HMG Ministries. Two Conflict Prevention Pools have been established with cross-Whitehall representation, one specifically focusing on Africa, and the other a Global Pool covering the rest of the world. This cross-departmental structure is now being replicated by other Western countries. Early indications suggest that these Pools have played a significant role in improving the UK's response to conflict in countries such as Sierra Leone. For more information on this and the work of DFID's Conflict and Humanitarian Department, go to **www.dfid.gov.uk/aboutdfid/organisation/conflicthumanitarianassistance.asp**

17 For more information see DFID's Policy Paper, Agriculture and Poverty Reduction: Unlocking The Potential. December 2003 **(www.dfid.gov.uk/publications)**.

18 For more information see *The World Bank's World Development Report 2005* **(www.worldbank.org/wdr/)**.

19 According to the World Bank's *Doing Business in 2005*: '…businesses in poor countries face…three times the administrative costs, and nearly twice as many bureaucratic procedures and delays associated with them. And they have fewer than half the protections of property rights of rich countries.' World Bank, IFC and Oxford University Press, *Doing Business in 2005* **(www.worldbank.org/wdr/).**

20 For example, World Bank Investment Climate Surveys and WDR Surveys of Micro and Informal Businesses found that informal and small businesses were less confident that courts would uphold property rights and were less likely to believe that regulations would be interpreted consistently, than medium or large businesses. *World Development Report 2005.* Overview. **(www.worldbank.org/wdr/).**

21 Independent Study by Manchester and Nairobi Universities, quoted in *Improving the Business Trade Licensing Reform Environment*, Mathew Gamser, Bannock Consulting Ltd. November 2003. **(http://siteresources.worldbank.org/INTWDR2005/Resources/477407-1096581040435/dfid_gamser_4.pdf)**.

22 For more information on the impact of poor regulations, see *Doing Business in 2005, Removing Obstacles to Growth*, World Bank 2004.

23 The Regulatory & Investment Systems Improvement for Enterprise Growth Programme. DFID case studies such as on Uganda, Kenya, South Africa and Ukraine are available as background papers to the World Bank's World Development Report 2005. **(http://web.worldbank.org/external/default/main?theSitePK=477665&contentMDK=20262923&menuPK=477674&pagePK=64167689&piPK=64167673)**

24 *World Development Report 2005.* Chapter 6 **(www.worldbank.org/wdr/)**

25 For more information go to the *World Development Report 2005*, Chapter 6 **(www.worldbank.org/wdr/)**.

26 For example, poor infrastructure accounts for 40% of the cost of transport, or 60% in a landlocked country. *World Development Report 2005*, Chapter 6 **(www.worldbank.org/wdr/)**.

27 For more detail and arguments for increased private investment in infrastructure see *The World Development Report 2005*, Chapter 6 **(www.worldbank.org/wdr)**.

28 World Development Report 2005. A Better Investment Climate For Everyone. World Bank & Oxford University Press 2004 **(www.worldbank.org/wdr).**

29 The Integrated Framework is an international initiative through which the IMF, ITC, UNCTAD, UNDP, the World Bank, and WTO combine their efforts with those of the least developed countries (LDCs) and donors, to respond to the trade development needs of these LDCs. For more information on the IF, go to **www.integratedframework.org**

30 For more information see the UK Policy Paper, Partnerships for Poverty Reduction: rethinking conditonality. March 2005 **(www.dfid.gov.uk/publications)**.

31 For more information on the role of the financial sector see DFID's Policy Division Working Paper: *The Importance of Financial Sector Development for Growth and Poverty Reduction*. August 2004 **(www.dfid.gov.uk/pubs/files/finsecworkingpaper.pdf)**.

32 In the field of microfinance, a CGAP facilitated peer review process, through which the activities of donors are reviewed by CGAP and two peer donors, rated DFID as one of four top performers, out of the 17 reviewed. For more information on this process, see *Aid Effectiveness initiative. Microfinance Donor Peer Reviews, Global Results: Analysis and Lessons*, CGAP, April 2004. **(www.cgap.org/projects/donor_peer_reviews.htm)**.

33 The Financial Sector Charter in South Africa **(www.treasury.gov.za/press/other/2003101701.pdf)** committed the sector and government to work together to increase access to financial services, and includes detailed targets against which to measure progress.

34 See also a recent initiative supported by DFID **(www.sendmoneyhome.org)** as well as Migrant Remittances, a quarterly newsletter by DFID and USAID **(www.microlinks.org/ev_en.php?ID=5192_201&ID2=DO_TOPIC)**, and proceedings of an International Conference on Migrant Remittances: Development Impact, Opportunities for the Financial Sector and Future Prospects jointly held by DFID and the World Bank, London 2003. **(www.livelihoods.org/hot_topics/migration/remittancesindex.html)**.

35 For a discussion of the importance of mobile telephony to the developing world, see the leader article '*The Real Digital Divide: Encouraging the spread of mobile phones*' and the article '*Economics Focus: Calling across the divide*' in The Economist, March 12 2005. **See www.economist.com**

36 These are BP Tanzania, Kahama Mining Corporation, Kilombero Sugar Company, National Microfinance bank, Sumaria Group, Tanga Cement Company, Tanzania Breweries, and Tanzania Cigarette Company.

37 For more information on the market driven approach to BDS see: *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention*, 2001. (**www.bdsknowledge.org/dyn/bds/bdssearch.global** and click on 'donor committee guidelines').

38 For more information on the Business Linkages Challenge Fund go to **www.businesslinkageschallengefund.org or www.challengefunds.org**

39 The study found for instance that some of the factories are operating at productivity levels of 30-50% in an industry where 85% productivity levels are essential for maintaining a globally competitive position.

40 For more information on cluster competitiveness programmes see **www.otf.org or www.jeaustin.com** or see Competitiveness, *That Obscure Object of Desire*, DAI Journal, Volume 9, Issue 1, Winter 2003. **(www.dai.com/daideas/pdf/developing_alternatives/competitiveness_winter_2003.pdf)**.

41 For a discussion reflecting the relevance of CSR practises for South African companies (and possibly others) facing the AIDS epidemic, see the article **Face Value: AIDS and Business** in **The Economist**, December 4th 2004 **(www.economist.com)**.

42 These include: the ILO which is the specialised UN agency which promotes internationally recognised labour standards, the OECD Guidelines for Multinational Enterprises, the EITI, the London Principles, the Ethical Trading Initiative and the NEPAD Business Group.

43 For more information see Increasing people's access to essential medicines in developing countries: a framework for good practice in the pharmaceutical industry **(www.dfid.gov.uk/publications)**.

44 A recent project review estimated that by October 2006 1,152,300 pregnant women will be using treated nets obtained through the programme.

45 *Our Common Interest. Report of The Commission For Africa*. Commission For Africa. March 2005. **(www.commissionforafrica.org)**.

DFID Department for International Development

Department for International Development

DFID, the Department for International Development: leading the British government's fight against world poverty.

One in five people in the world today, over 1 billion people, live in poverty on less than one dollar a day. In an increasingly interdependent world, many problems – like conflict, crime, pollution and diseases such as HIV and AIDS – are caused or made worse by poverty.

DFID supports long-term programmes to help tackle the underlying causes of poverty. DFID also responds to emergencies, both natural and man-made.

DFID's work forms part of a global promise to:

- halve the number of people living in extreme poverty and hunger
- ensure that all children receive primary education
- promote sexual equality and give women a stronger voice
- reduce child death rates
- improve the health of mothers
- combat HIV and AIDS, malaria and other diseases
- make sure the environment is protected
- build a global partnership for those working in development.

Together, these form the United Nations' eight 'Millennium Development Goals', with a 2015 deadline. Each of these Goals has its own, measurable, targets.

DFID works in partnership with governments, civil society, the private sector and others. It also works with multilateral institutions, including the World Bank, United Nations agencies and the European Commission.

DFID works directly in over 150 countries worldwide, with a budget of some £4.6 billion in 2005. Its headquarters are in London and East Kilbride, near Glasgow.

DFID's headquarters are located at:

DFID
1 Palace Street
London SW1E 5HE
UK

and at:

DFID
Abercrombie House
Eaglesham Road
East Kilbride
Glasgow G75 8EA
UK

Switchboard: 020 7023 0000
Fax: 020 7023 0016
Website: www.dfid.gov.uk
email: enquiry@dfid.gov.uk
Public enquiry point: 0845 3004100
From overseas: +44 1355 84 3132

Produced for DFID by Folio Creative Communication Ltd.
Printed on recycled material containing 80% post-consumer waste and 20% totally chlorine free virgin pulp.
IFID02 12/05 6k

ISBN: 1 86192 736 3
December 2005