

FACTSHEET

PRIVATE SECTOR DEVELOPMENT

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Schweizerische Eidgenossenschaft
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Swiss Agency for Development
and Cooperation SDC



Photo: SDC

Economic development is essential for tackling unemployment and poverty. Small and micro enterprises are the backbone of most developing economies. An enabling business environment as well as properly functioning markets and institutions are needed to ensure that these firms can realise their potential and thus contribute to job creation and higher incomes.

Challenges

- › More than 200 million people worldwide are currently unemployed.
- › Almost half of the entire working population – particularly women – are affected by poor working conditions or incomes that are below the subsistence level.
- › Private companies are unable to play a sufficient role in economic development and job creation in developing and emerging countries.
- › In many cases, they lack the entrepreneurial knowledge and skills required to identify market opportunities.
- › At the same time, however, improved regulatory and legal frameworks are urgently needed, as are more effective public administration and better access to financial services.

Thematic priorities

Economic development is essential for a country's development and thus for conquering poverty. The most important driver for creating jobs and income opportunities is the private sector, which is responsible for nine out of every ten jobs worldwide. With this in mind, the SDC takes a **systemic approach to market systems development**. Markets are understood as socioeconomic systems, and poor people's involvement in them is promoted, be it as employees, producers, customers or consumers.

Various policy components and measures are combined for this purpose, including reducing barriers for business activities in the formal sector, promoting a financial sector geared to the needs of smaller firms, improving the professional training on offer and encouraging dialogue between the private and public sectors. In view of the importance of agriculture for sustainable development, stimulating rural markets is often a high priority.

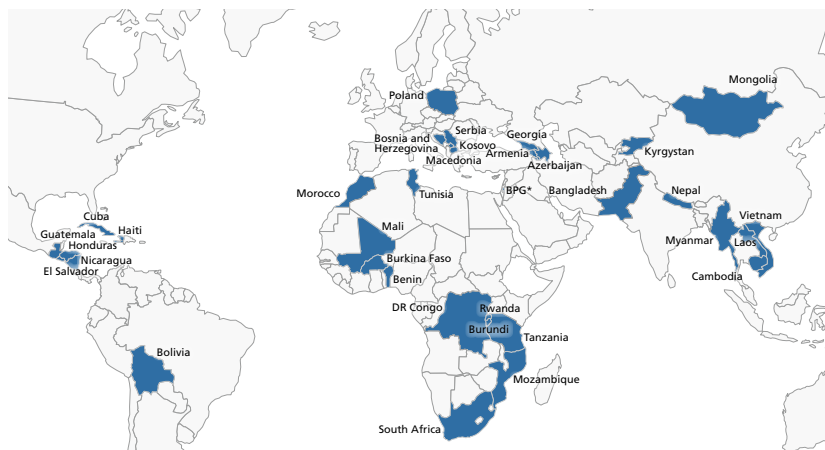
Depending on the context, the SDC employs a variety of development approaches, for example:

- › **Value chains:** Poor producers are given support to position themselves better within local, regional and global value chains so that they can make better use of local, national and global market opportunities and enhance value creation.
- › **Market systems development:** These projects analyse how markets work and why they do not work for the poor and disadvantaged. In order to achieve a high impact with limited resources, bottlenecks are eliminated in a targeted manner.
- › **Local economic development:** The SDC supports participatory processes in which the state, private sector and civil society work together in a region to develop and implement a joint strategy for economic development.

Social and economic exclusion are often the result of power imbalances and discrimination based on gender, ethnicity, cultural and religious leanings or age. In its efforts to overcome these, **the SDC is guided by the following principles:**

- › **Gender equality:** Women are affected by unemployment and underemployment disproportionately. The SDC's programmes specifically target breaking down structural and social barriers.

SDC Private sector development projects



FDFA, STS, CMC-Geoservices
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* occupied Palestinian territories

- › **Governance:** For poor and disadvantaged sections of the population to be able to participate in markets to a greater extent, transparency, predictability, effectiveness and non-discrimination in government activity must be improved.
- › **Sustainability:** The SDC is committed to economic development that is also socially and ecologically sound. It promotes strategies that conserve resources and the environment.
- › **Impact:** The impact of interventions can be gauged in terms of the number of people benefiting from projects as well as the respective benefits. Examples of indicators used include additional net income, personal savings and other aspects of poverty reduction.

Example projects

Market access for small farmers

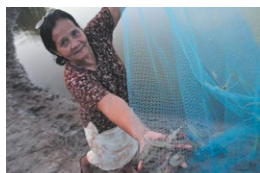
Since 2002, the SDC has been promoting the competitiveness of small farmers and small and medium-sized enterprises (SMEs) in Bangladesh. The project has already helped over 2.3 million small farmers to improve their incomes. It won an award from the Development Assistance Committee (DAC) in 2014 for the sale of seeds in small, affordable packs. More than 400,000 seed packs were sold in the first year.



Swisscontact Katalyst

Inclusive economic development

Most people in the Gulf of Fonseca, one of the poorest regions of Honduras, work in agriculture. The SDC has been supporting the development of local value chains since 2014. The aim is to improve 13,500 existing jobs and create 5,500 new ones in the processing of agricultural produce such as cashew nuts and prawns. At least a third of these positions are to be filled by women.



SDC

Sales markets for livestock breeders

The SDC supports farming families in southern Armenia in the production and marketing of dairy and meat products. To this end, local vets are supported, access to sales markets is facilitated, and the acquisition and exchange of know-how among farmers are promoted. Some 2,950 small farmers from 40 isolated villages have been able to increase their incomes significantly thanks to higher sales of milk and meat.



SDC

Partners

The local private sector is generally a beneficiary of private-sector development projects. However, the local and international private sectors are increasingly also partners, for example in the context of public private development partnerships (PPDPs). Other key partners include non-governmental organisations, other bilateral donors and international bodies such as the Donor Committee for Enterprise Development (DCED) and the BEAM Exchange platform, which is co-financed by the SDC. Last but not least, the local public sector is also an important partner.

Expenditures in 2014 (CHF million)

The SDC invested around CHF 80 million in private sector development interventions in 2014. Many projects concerning agricultural value chains additionally contribute to rural development and global food security.

Imprint

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