

*Concluding Remarks at the  
2<sup>nd</sup> National Conference of  
the BDS Donor  
Coordination Group*

Jim Tanburn, Coordinator  
Donor Committee for Enterprise Development

Naivasha, Kenya

4<sup>th</sup> October 2006

# Outline of this presentation

- 1) About the Donor Committee for Enterprise Development

*Synthesis and update (a personal perspective)*

- 2) The good news, and the less good news
- 3) Future demand for 'what you do'
- 4) What to do about it? Towards an agenda for action

# Overall Objectives and Rationale of the Donor Committee

- To coordinate donor agendas, approaches
- To share successful experiences and lessons learned in the field
- To benchmark approaches/instruments and agree on jointly defined standards
- To avoid duplication of activities
- To build staff and practitioner capacity

The Paris Declaration on Aid Effectiveness puts increasing emphasis on donor harmonisation; DCED work aims at further substantiating this in the technical field of enterprise development

# Committee's modes of working

- Formed in 1979 as the informal “Committee of Donor Agencies for Small Enterprise Development”
- Since 2005, move towards more substantial operations, including more formal structures
  - Co-chairs complemented by Executive Committee
  - Secretariat with part-time Coordinator
  - Membership fee to finance Secretariat activities
- Technical work through working groups, currently on
  - Business Enabling Environment
  - Linkages and Value Chains
- Increasing focus on services to members (through Secretariat)
  - Knowledge management, websites, newsletter
  - Support to members, country coordination groups

# The Committee's evolving structure

## Annual Meeting / General Assembly of Members

### Co-Chairs

Laurence Carter, World Bank  
Gp  
Corinna Küsel, German Devt.  
Coop.

### Executive Committee

Co-Chairs +  
Martin Clemensson, ILO  
Jean-Christophe Favre, SDC  
Dag Larsson, NORAD

**Trust Fund**, admin. by IFC

### Secretariat

Jim Tanburn, **Coordinator**

- Knowledge management
- Websites, newsletter
- Support to working groups

**Working Groups**: currently

- **Business Environment Reform**  
(Chair: Martin Clemensson)
- **Linkages and Value Chains**  
(Co-chairs: Doyle Baker, FAO, Michele Clara, UNIDO)

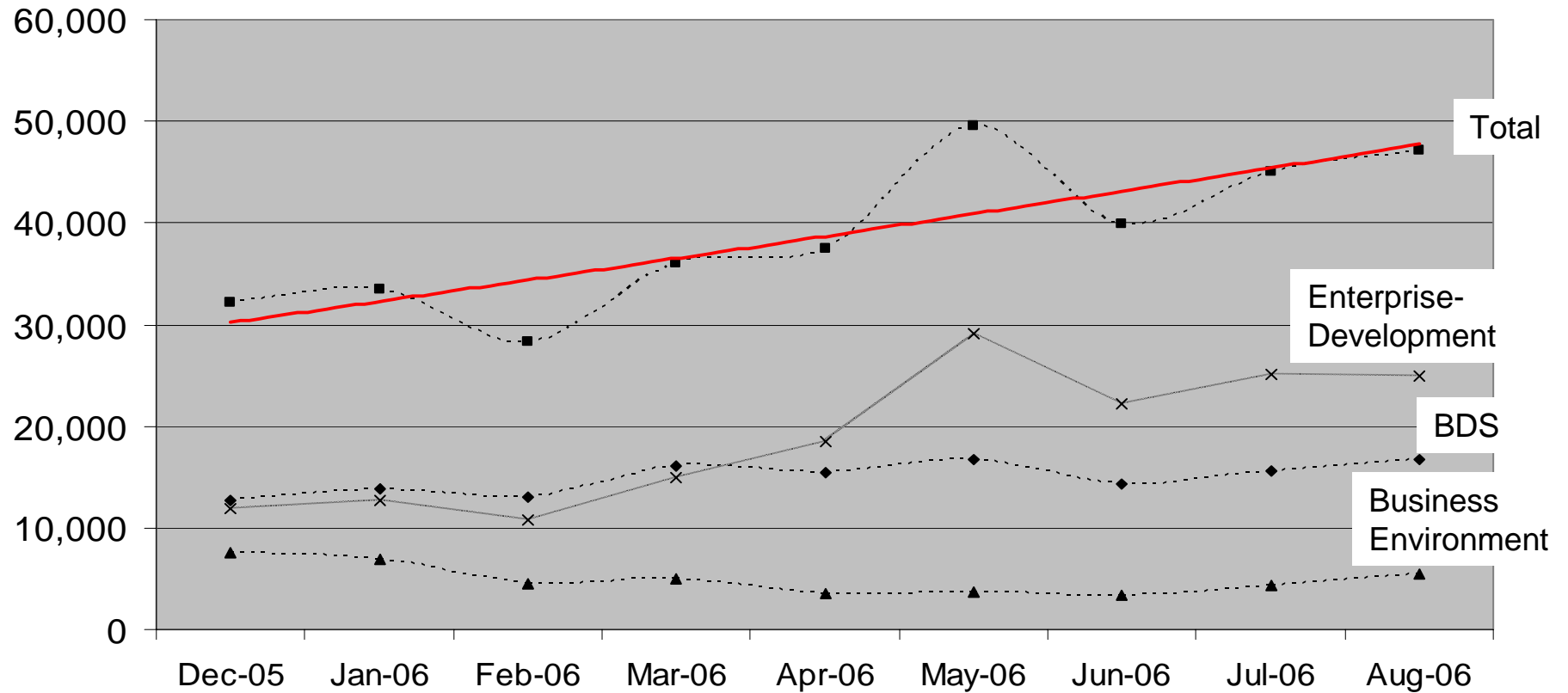
# Committee's most active members

- **Bilateral agencies** currently active in the Committee include Governments of Australia, Austria, Canada, Denmark, France, Germany, Netherlands, Norway, Sweden, Switzerland, UK, USA
- **Multi-lateral agencies** currently active include the European Commission, FAO, IFAD, ILO, OECD-DAC, UNCTAD, UNDP, UNIDO, World Bank Group

# Some activities of the Committee

- International and regional Conferences:
  - e.g. Cairo Conference on business environment reform, 2005 (300 people from 29 donor agencies)
- Participatory definition of best practice for donors:
  - e.g. Guiding Principles: “Business Development Services for Small Enterprises” (Blue Book), 2001
- Knowledge management, websites etc.
  - Home site: [www.Enterprise-Development.org](http://www.Enterprise-Development.org)
  - [www.BDSknowledge.org](http://www.BDSknowledge.org) Oracle database for BDS, Value Chains, Making Markets Work for the Poor etc.
  - [www.BusinessEnvironment.org](http://www.BusinessEnvironment.org) Database on BE reform
  - Monthly newsletter etc.

# Page Views per month on Committee websites



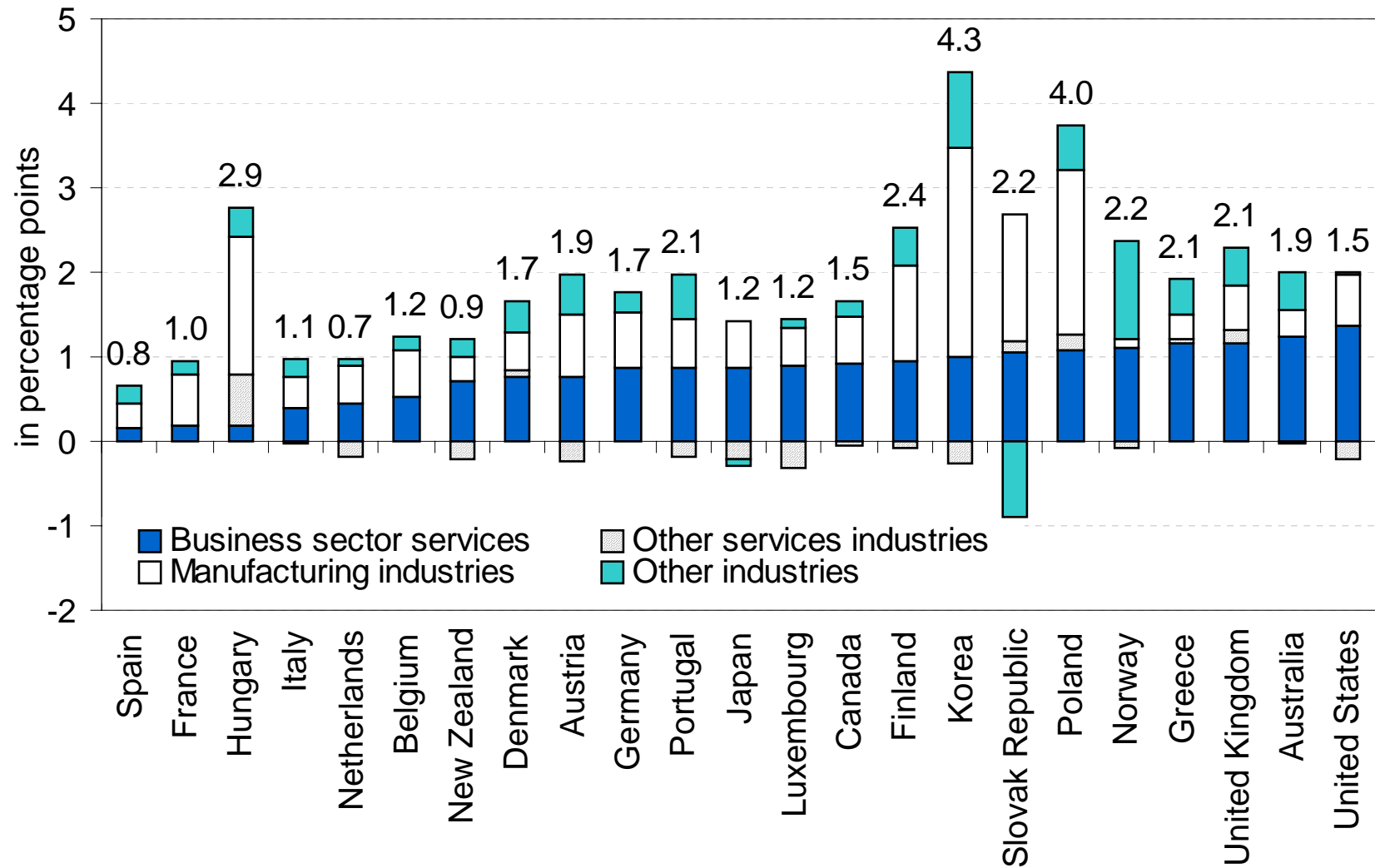
# Future agenda of the Committee?

- New modes of operation, e.g. benchmarking / peer reviews
- Address new topics flexibly, e.g. 'SWAps'
- New Secretariat with more services, outreach; Committee represented in other forums
- Reach new donors as members
- *Link more to country level donor groups*

# Some personal observations #1

- HQs develop policies and strategies
- Many agencies are now decentralised
- So what is the relationship between HQ policies and what happens in the field?
- HQs depend on field colleagues for case study material
- But field staff also need to be aware 'which way the wind is blowing'

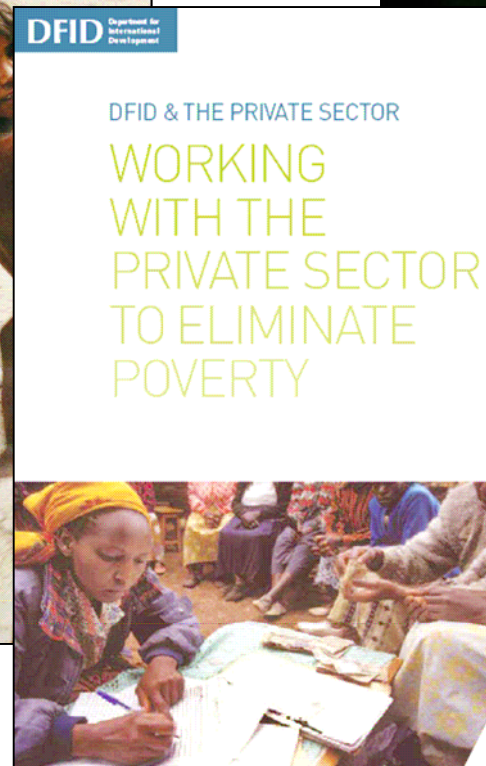
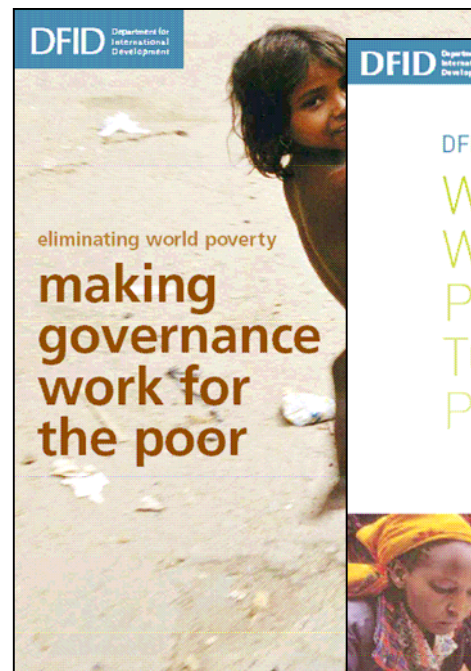
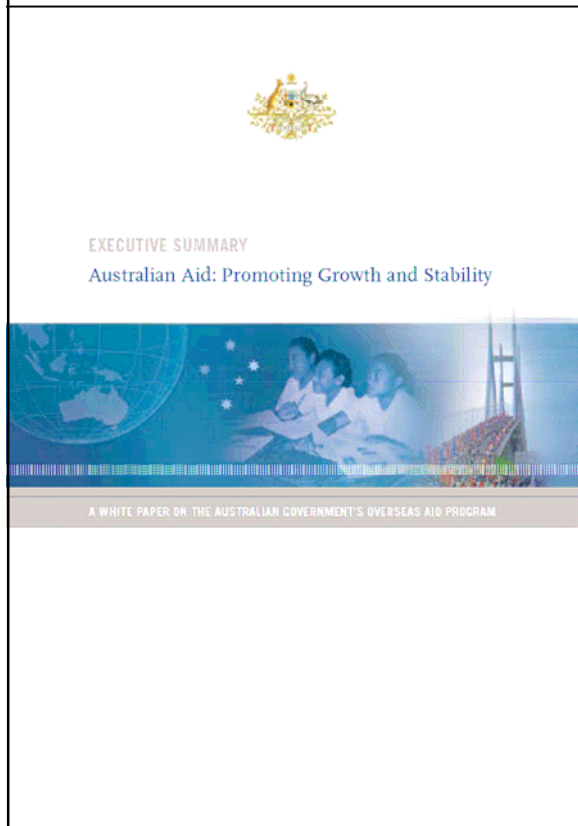
## A. Services contribute strongly to aggregate productivity growth ... Contribution in percentage points



Source: OECD STAN Database 2004, Wölfl (2005)

# The good news #1

- Growing interest in funding private sector development (PSD) – eg OECD DAC, UK, AusAID
- Some have extensive references to SED – eg Commission for Africa



# More good news

- Practitioners have embraced key principles of PSD and competitiveness
- New donors – eg Bill and Melinda Gates Foundation \$30m on Value Chain development. Emerging donors eg in E. Europe, believe PSD is important
- Changing trade agreements, world markets can provoke strong demand for help from Governments, associations
- Convergence of competitiveness, poverty

# Maximising the Utility of Bamboo

From presentation by John Marsh, Oxfam Hong Kong, in Chiang Mai, Sept. 06 (see [www.mmw4p.org](http://www.mmw4p.org))

## 3 Main Sub-Sectors

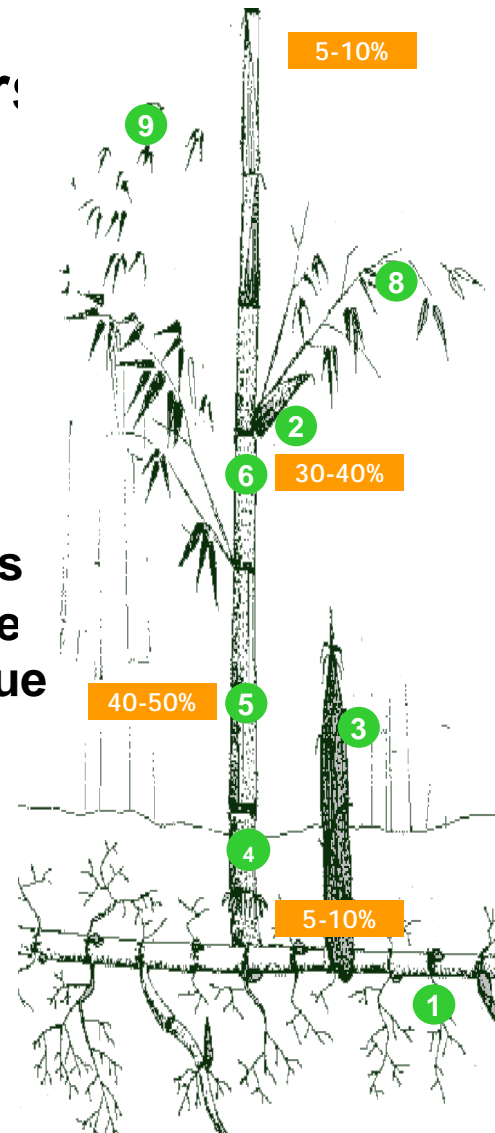
Handicrafts H

Bamboo Shoots S

Industrial Processing  
4 types

- ★ Raw Culms
- ★ Bulk Products
- ☆ Medium Value
- ★ Premium Value

Other Developing Products D

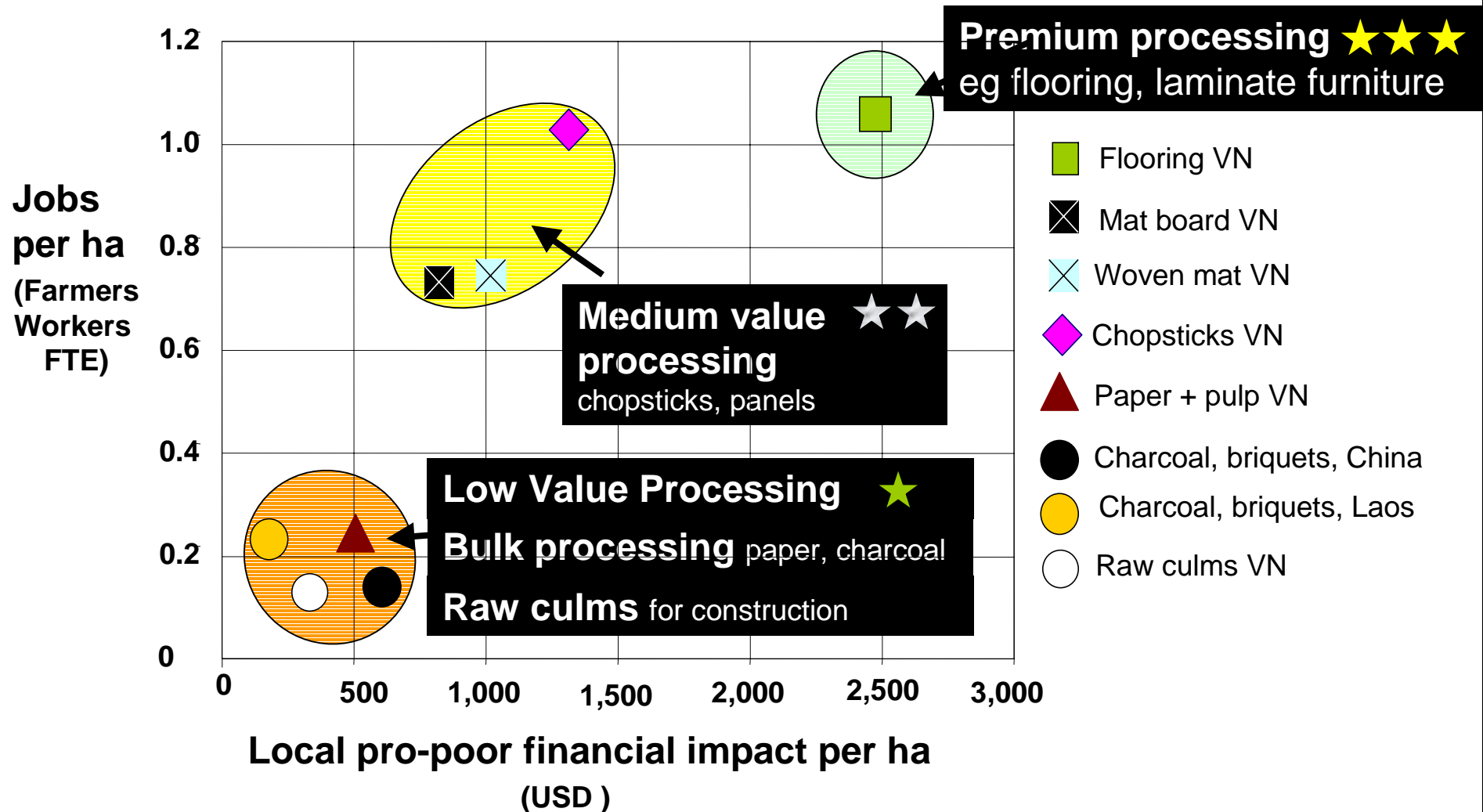


9	Leaves	Manure, Fodder	★
		Extracts, Medicine	D
8	Twigs	Brooms, Cloths	H D
7	Top	Chopsticks, Toothpicks	☆
		Bamboo poles	★
		Scaffoldings	★
6	Middle upper	Blinds, Mats, Carpet	☆
		Chopsticks, Toothpicks	☆
		Handicrafts	H
5	Middle lower	Flooring	★
		Laminated furniture	★
4	Base	Charcoal, Pulp	★
3	Shoots	Vegetable	S
2	Sheath & Rhizome	Handicrafts	H
Leftovers & processing waste		Fiber boards	★
		Charcoal	★
		Pulp	★
		Lumber	★
		Fuels	★

Source: Zhu 2005

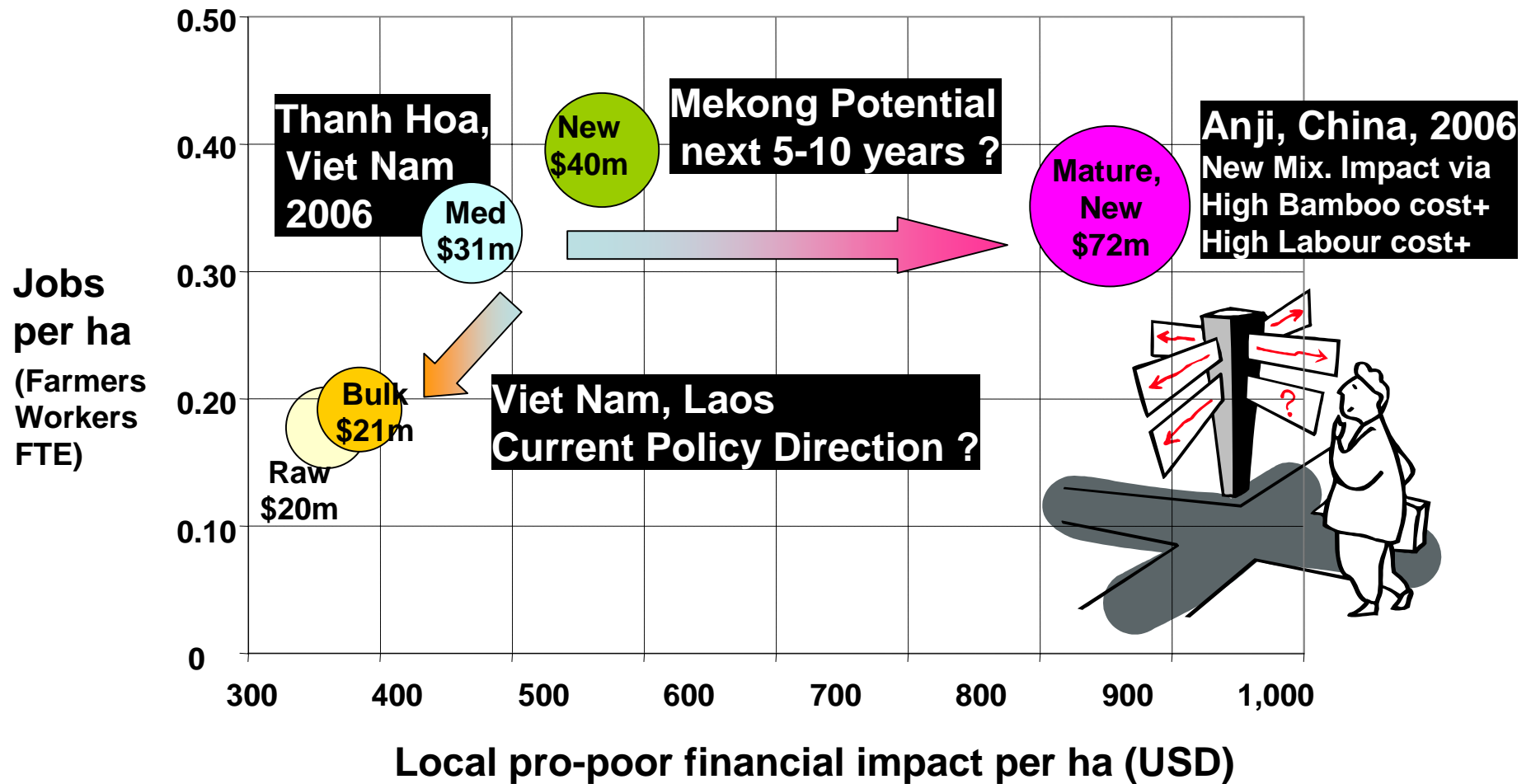
# Jobs, Financial Impact by Product

From presentation by John Marsh, Oxfam Hong Kong, in Chiang Mai, Sept. 06 (see [www.mmw4p.org](http://www.mmw4p.org))



# Depends on Policy & Action

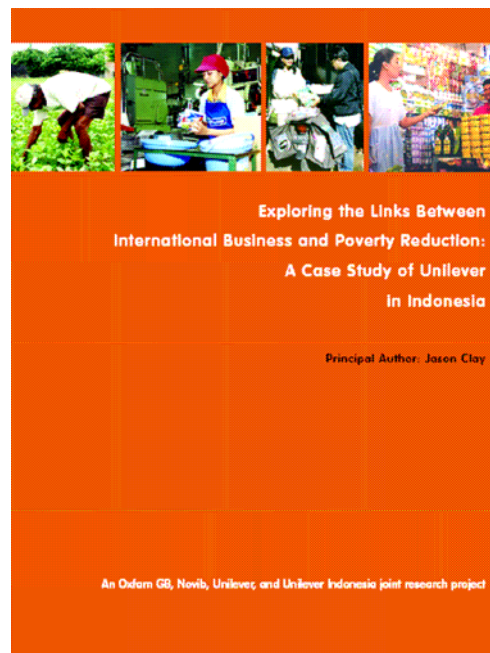
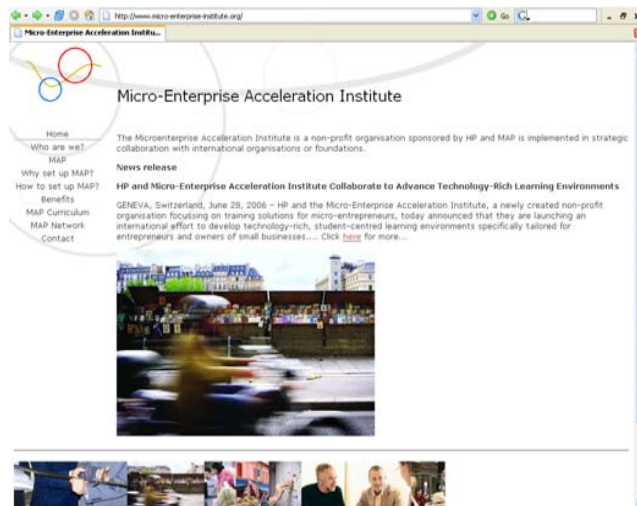
From presentation by John Marsh, Oxfam Hong Kong, in Chiang Mai, Sept. 06 (see [www.mmw4p.org](http://www.mmw4p.org))



# Even more good news

Larger companies are very interested:

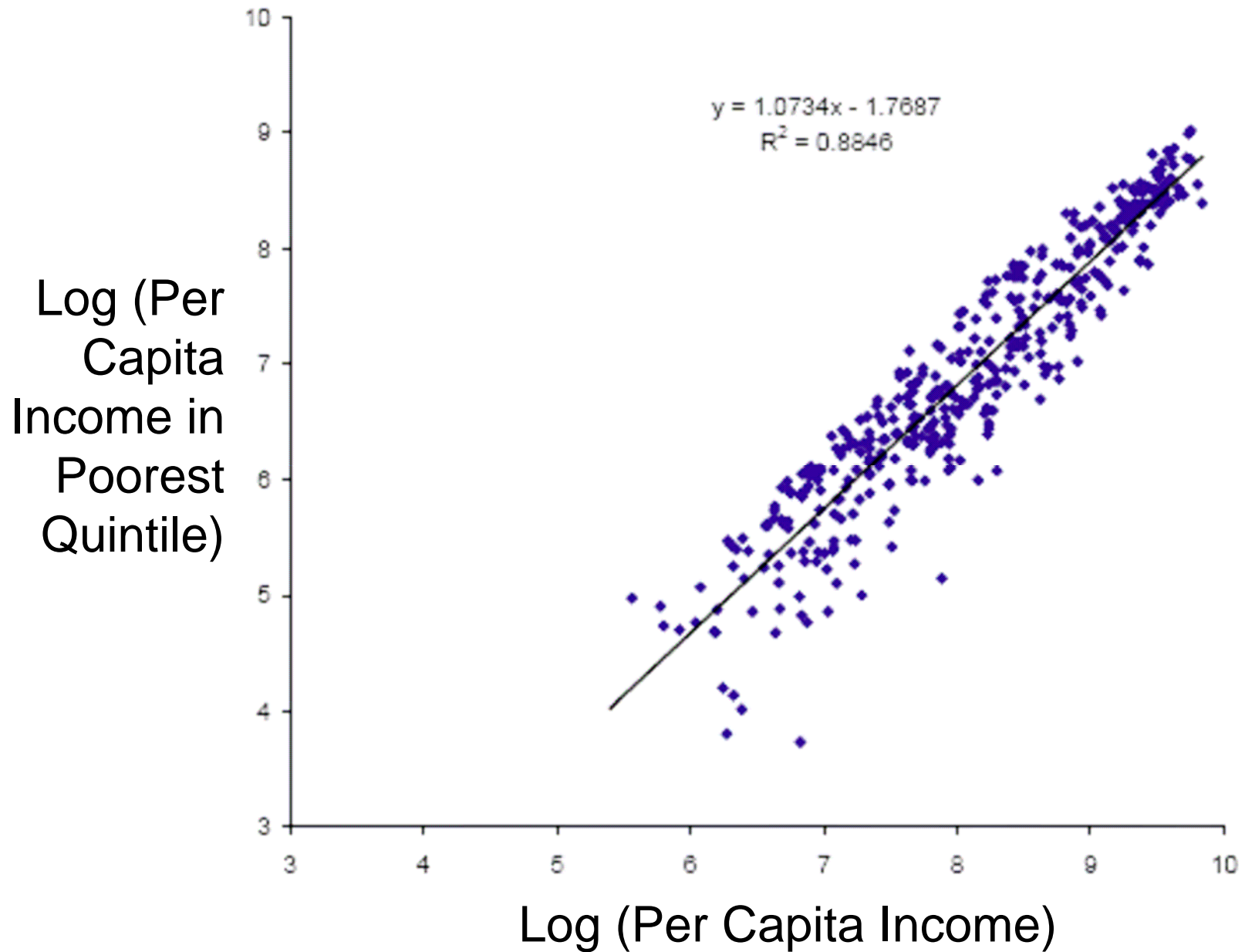
- HP Micro-Enterprise Acceleration Institute
- Unilever / Oxfam joint study in Indonesia
- Shell, others funding Investment Climate Facility



# The not-so-good news #1

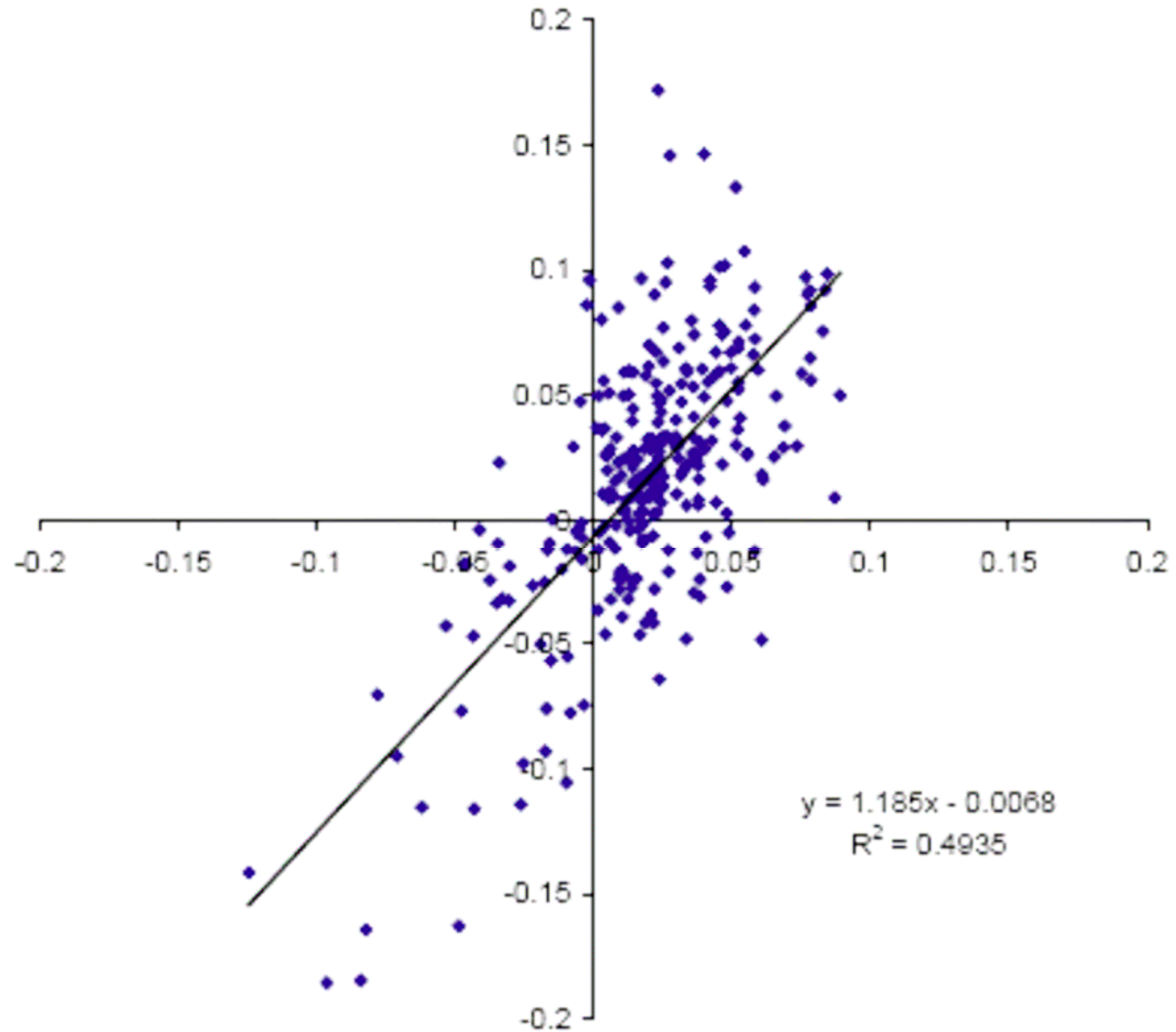
- Little attention to measuring impacts or achieving scale; ‘champions’ lack cases
- Traditional interventions dressed up in progressive language
- Some recent evaluations not very positive; targeted approaches perceived to have mixed impacts
- Trend towards budget support, SWAps
- Growing belief that “all growth is good for the poor”

# Shares of income (Dollar and Kraay 2001)



# Changes in income (Dollar and Kraay 2001)

Average Annual  
Change in log  
(Per Capita  
Income in  
Poorest  
Quintile)

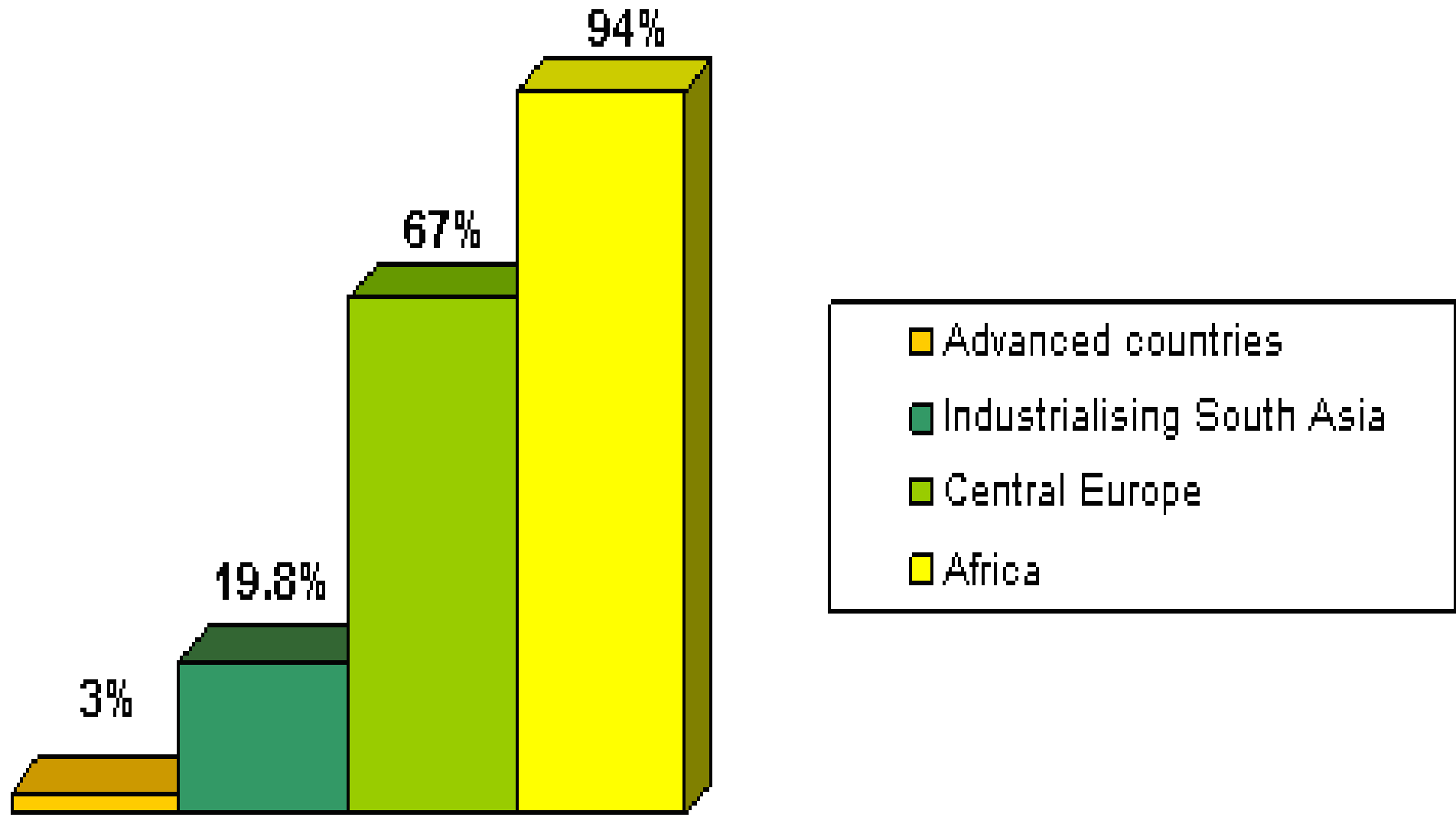


Average Annual Change in log (Per Capita Income)

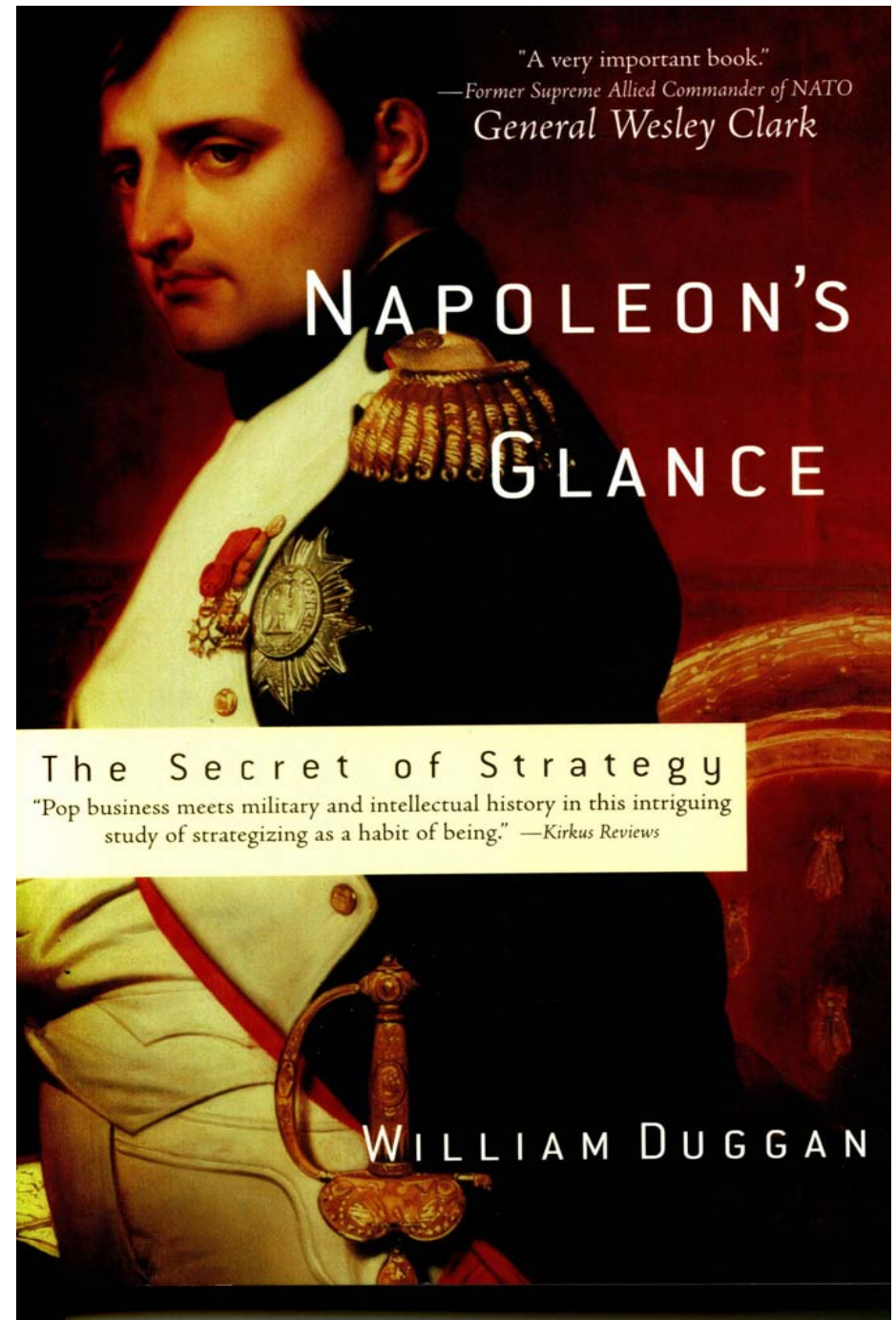
# More not-so-good news

- Perception that targeted approaches are not effective, and may do more harm than good (perverse incentives etc.)
- Some confusion over the alternatives
- Trend towards budget support to recipient governments leaves multi-stakeholder PSD without obvious home
- Also trend toward reform of the overall business environment

# Business entry costs as % of GDP/Capita (Bannock *et al*, 2002)

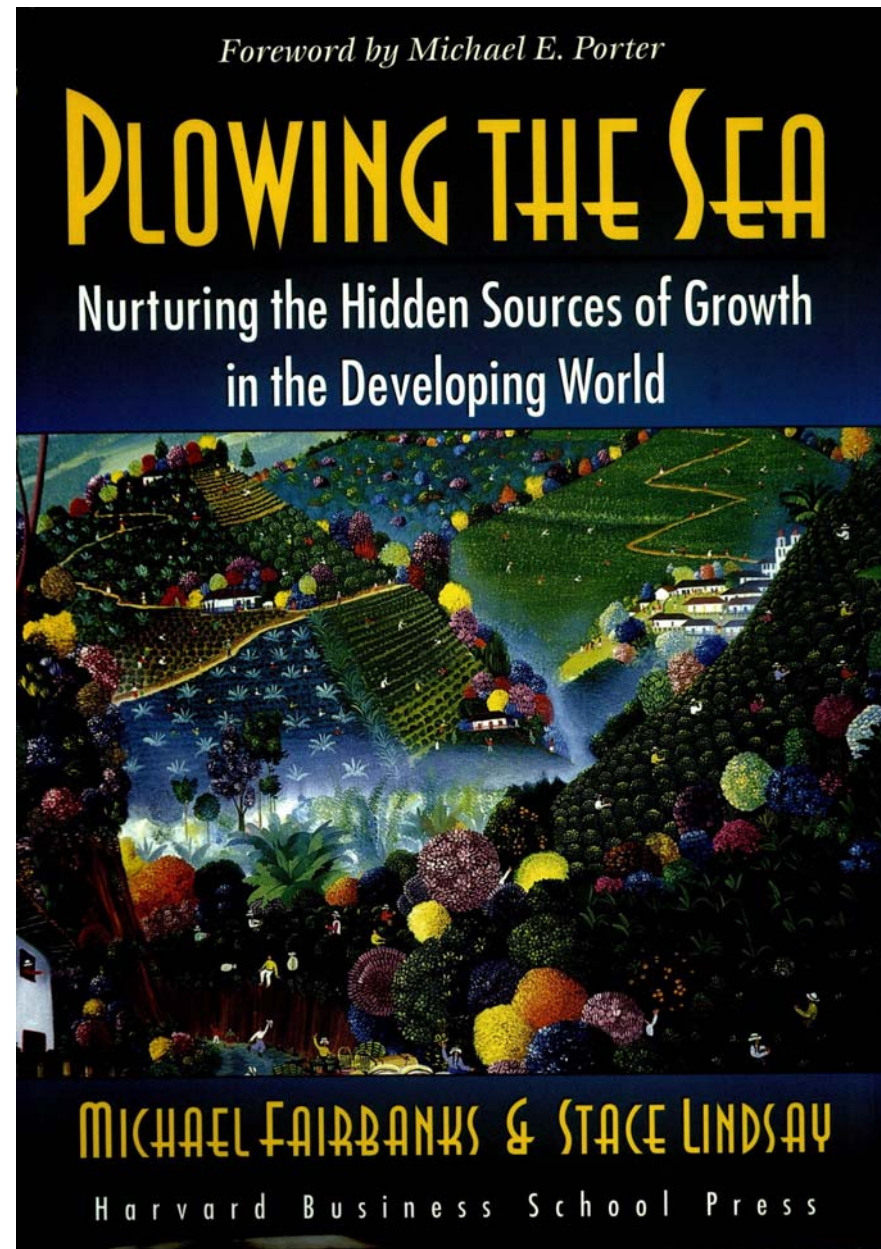


So – time for us  
to think more  
strategically...



# Where is the demand?

Eg Plowing the Sea: case studies from Latin America (upgrading value chains in response to demand from Governments and industry associations)



# Other sources of demand

- From private companies, for matching grant schemes (PPPs, African Enterprise Challenge Fund etc.)
- From communities, via participatory approaches (LED, clusters etc.)
- From governments / associations, as a result of benchmarking?

# RMG Bangladesh (Deepak Adhikary, IFC/SEDF)

	Particular	Baseline (2003)	Monitoring (2005)	Change in %
<b>Providers</b>	Total PROVIDERS	93	167	67
	No. of Intervention	83	265	219
<b>Sector Impact</b>	Female Staff (no.)	67,630	78,202	16
	Domestic Sales ('000)	43,107	48,131	12
	Export ('000 US\$)	821,008	930,796	13
	Assets ('000 US\$)	501,641	537,090	7
	Profit ('000 US\$)	35,136	40,769	16
<b>Cost Inputs</b>	PROG. DIRECT COST (US\$)	4,786,470	<b>Leverage Value</b>	1:24
	PROG. TOTAL COST (US\$)	6,080,000		1:19

# RMG Bangladesh: Benchmarks (Adhikary 2006)

	SEDF Assisted	B'desh Baseline	'Reference' Country Benchmark				Global B'mark
			Sri Lanka	China	Vietn	Camb	
<b><u>Process Benchmarks</u></b>							
Labor Turnover/ Year (%)	11	15	6-8	6	7	7	5-6
Rejection Rate	8	10	3	0.5	3	5	1
Plant Efficiency (Produced Min./Spent Min) (%)	44	30	65	80	70	60	75
<b><u>Financial Benchmarks</u></b>							
Labor Cost (US\$/ Operator Hour)	0.37	0.30	0.46	0.50	0.30	0.40	-
<b><u>Sector Performance Benchmarks</u></b>							
Return on Invested Capital (Knit) (%)	18	15	18	25	20	18	-
<b><u>Social/Environmental Benchmarks</u></b>							
Women in Supervisor Positions (%)	+1	0.5	40	70	60	65	40

# Cost Per T-Shirt

## Source

## Make

## Deliver

Import Dependence

Raw Material Costs

Labor Cost /Shirt

Overheads

Outbound Logistics

Speed to Market

Kenya (68)

~ 65%

\$2.30

\$0.40

\$0.62

\$0.28

> 30 Days

\$3.60

Honduras (122)

~ 80%

\$0.80

\$0.25

\$0.19

\$0.06

< 15 days

\$1.30

### High Tariffs:

Honduras = 9.6%  
Kenya = 21.9%

### Impact of Rules of Origin

Exacerbated by location and therefore transportation costs

### High Cost of Logistics

Honduras = \$ 658 / TEU  
Kenya = \$1475 /TEU

### Lengthy Customs Clearance for Imports:

Honduras = 4 days  
Kenya = 15 days

### Lower Wages Offset by Lower Labor Productivity

Honduras: \$12/ labor day  
Kenya: \$9.40/ labor day

Honduras: 45-50 shirts/day  
Kenya: 20-25 shirts/day

### Lengthy Customs Clearance For Exports:

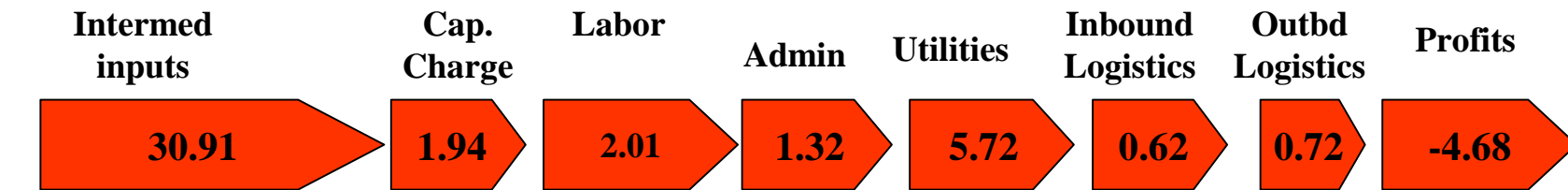
Honduras = 1 day  
Kenya = 2 days

### High Incidence of Rejects:

Honduras: <1%  
Kenya: >3%

Source: Presentation by Uma Subramanian, FIAS, in Vienna to Donor Committee Working Group on Linkages and Value Chains, 2006

# Value Chain Distribution of Costs Wax Print Textiles



Export subsidies

Cotton Yields, Kg/ha	
World	600
Nigeria	180

Cotton Costs (US\$/kg)	
Nigeria	1.27
Kyrgyz	0.32
China	0.59

Labor costs  
(US cents/hour)

S. Africa	222.0
Nigeria	92.3
Kenya	66.0
China	57.0
India	40.6
Pakistan	38.8
Indonesia	34.3

Ratio of mgmt  
cost to labor  
close to 1

Utility costs  
US cents/KWh

India	18.7
Nigeria	17.1
Kenya	7.0
Pakistan	6.6
China	6.0
S.Africa	5.0
Indonesia	3.7

High sourcing costs for  
dyes/chem imports

Delays resulting in capital  
carrying charges

Source: Presentation  
by Vincent Palmade  
and Uma  
Subramanian, FIAS,  
at Donor Committee  
Cairo Conference,  
2005

# What to do about it? Towards an agenda for action

Many donors are looking for:

- Scale / volume
- Assurance of results
- Compliance with 'current thinking'  
(including a fit within current categories)
- Capacity to deliver

# How to influence current thinking

- Think about USP – eg convergence of pro-poor, competitiveness, BE?
- Choose forum to reach thought leaders: Journals + events can be a useful trigger
- Publish case studies which are compelling, convincing and credible / have a slogan, a story and statistics
- Use websites of Committee, others



**Thank you for your attention!**

**Any questions? Comments?**