

Role of private sector in poverty reduction

- Confusion between a more ‘business like approach’ and the ‘approach of business’
- Advantages for development of a more ‘business like approach’ which reduces unit costs and works with local resources and local demand
- To evaluate the current/potential role of different sectors (or interests) in poverty reduction, we need criteria to do so
 - Because a private enterprise creates jobs does not mean it contributes to development (it may be destroying jobs elsewhere, the jobs may be dangerous and pay below subsistence wages...)

Consider poverty reduction in terms of changes in the relationships between poorer groups and local organizations:

- Local schools and local health centres
- Local water, sanitation and solid waste collection agencies
- Local government - politicians, civil servants, traditional leaders
- Local banks/credit providers
- Local police and judiciary
- Employers
- Middle and upper income groups
- Local and international NGOs
- Official donors or (more critically) the institutions that they fund to implement their initiatives (private enterprises, government agencies, local/international NGOs)
- What role for private sector in this?

- Private sector important for innovation, meeting demands and job creation but its goals are not development goals
 - eg goals are not job creation or paying adequate wage levels
- How well does private sector meet poorer groups' needs for good quality schools, health centres, emergency services, water and sanitation, houses.... Or for changing poor's relationships with other organizations?
- Private enterprises often provide goods & services that the poor value (especially where government is incompetent) but does not mean that these are good quality
 - Private enterprises' contribution to development goals so much influenced by local governance framework
- Important role for more business like approaches by many local organizations (government, NGO.....) including recognizing usefulness of using private enterprises
- Important for development agencies to nurture and support local enterprises
- But needs a more realistic view of what private sector can do