

Some whats, hows and whys of MSD in Australian Aid

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MSD is...

- An **approach** to developing market systems so that they function more effectively, sustainably and beneficially for poor people
- **Analyses** where the poor are in market systems
- Considers what **action** can bring about effective change
- By **intervening** with market actors (public, private, formal, informal)

Key features...

- **Underlying causes** (rather than symptoms)
- Interventions to **leverage** the actions of other market players
- To achieve serious **scale**
- **Sustainability** is a prime concern - '**Who pays, who does**' realistically considers how market systems can continue to work more effectively in the future
- Development actors play a **facilitating role** – catalyse others in the market system (not becoming part of it themselves)
- For governments (except where they perform long term roles in market systems) and agencies **facilitation is temporary**

...and what MSD is not!

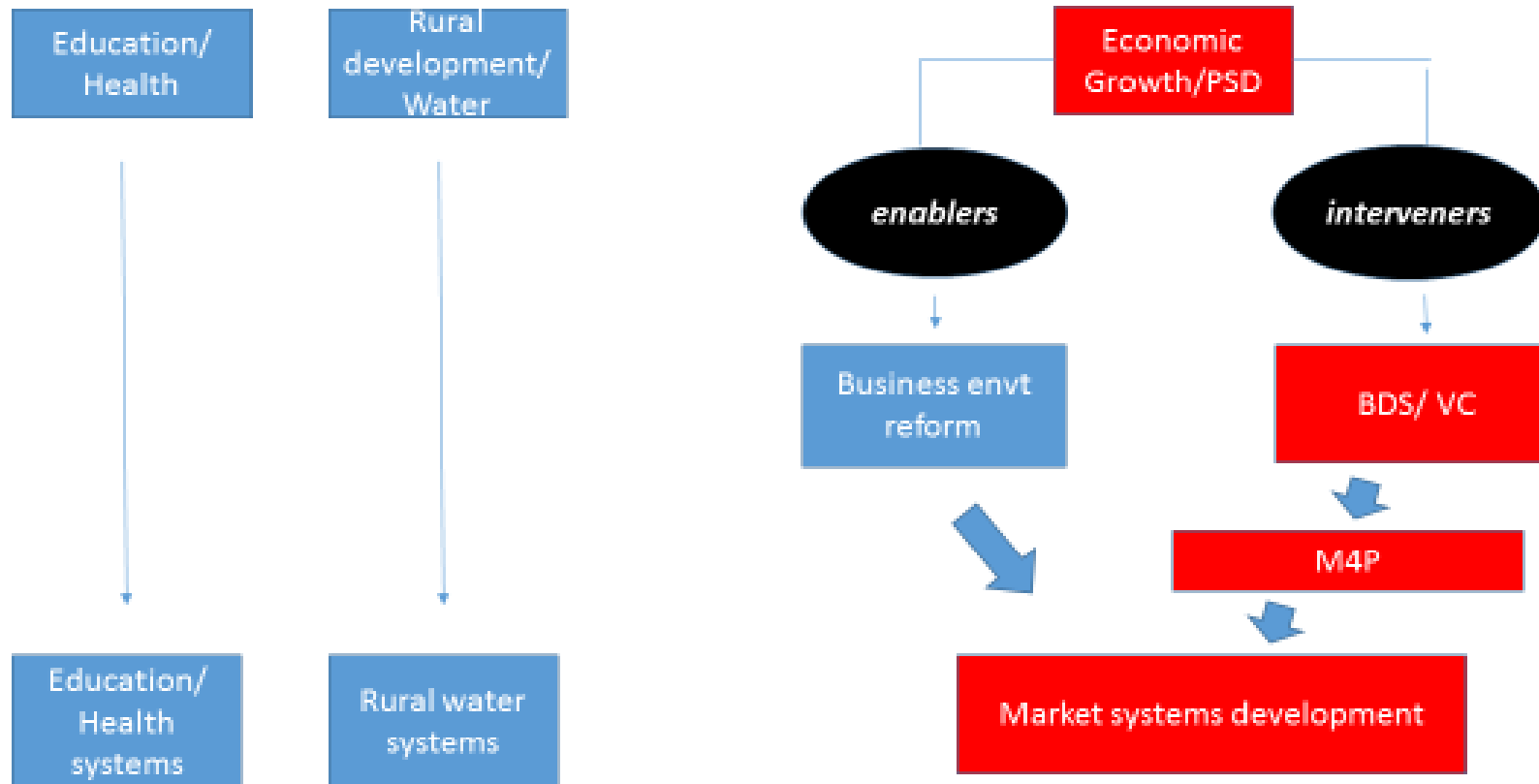
- Promotion of perfect markets
- Depending on "free markets"
- Focused only on the private sector
- Neglecting the role of government
- A belief there should be no subsidies
- ... or **"private = good", "public = bad"**

"The traditional private-public good dichotomy is unlikely to provide an effective or useful guide to policy-makers or a sufficient basis for understanding..."

Joffe and Jones

'MSD' has been going on for some time...

...and mirrors the evolution of development thinking elsewhere...



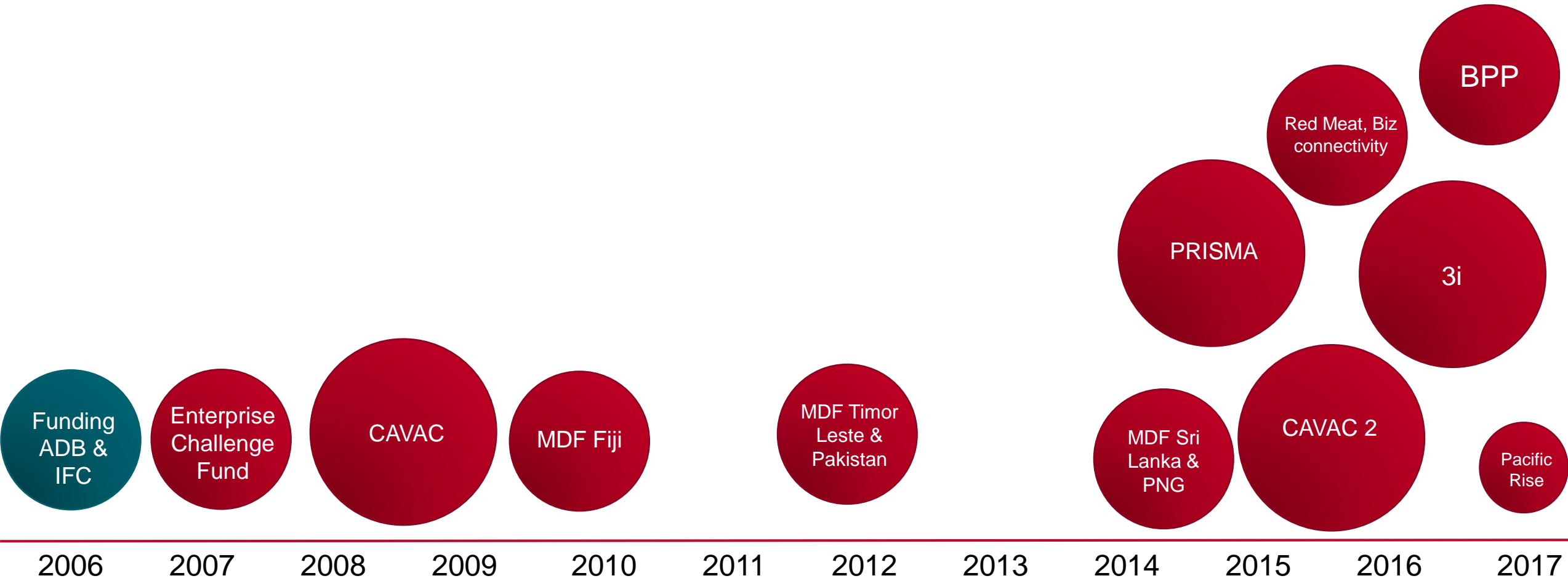
...the context in AusAID back in 2006

- Excuse me, in AusAID we ‘do development’!”
- “..how can we know enough about markets...it all sounds very complex...and risky”
- “Leave the guiding hand of markets alone...”
- “..it doesn’t sound like its worth the extra effort involved for us to manage..”
- “..we don’t have the staff, or the time...”
- “..money for unscrupulous fat cats..”
- Businesses – they’re part of the problem
- Private sector development – something for ADB or IFC (if we must!)

...seeds of change 2006-8

- Aid White Paper – “give me something on private sector in rural development”
- Key women and men keen to try – procurement, advisers, geographies
- Cambodia – “let’s do a value chain program next”
- Enterprise Challenge Fund – simple and relatively safe
- Food Security Budget Measure – an empowered team
- ODE Evaluation of Rural Development – “ummmm... what have we achieved and what has lasted?!”

Timeline of MSD in DFAT



2008 -12...

...Still no official 'policy cover' + a rapidly growing aid budget + an increased focus on results.....**but:**

- MSD can't spend fast
- MSD can't give me fast results
- MSD needs big teams (and TA is 'bad')
- MSD is not government systems (Paris/Accra)
- MSD skills, teams hard to find

But today, a different story: Key elements of aid policy/ economic diplomacy

- Promoting growth; private sector is the engine of growth
- Boosting private sector involvement across the aid program
- Aid should be a catalytic
- New investments should be innovative to engage the private sector
- Leveraging business and investors to achieve scale and sustainability

THANK YOU