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**SWEDISH SUPPORT TO THE PRIVATE SECTOR DEVELOPMENT
IN DEVELOPING COUNTRIES IN 2000-2005**

Introduction

Liberal economic theories, supported by the practice of economic life show that one of the crucial factors influencing the growth of economy is effective private sector in *enabling macroeconomic environment*.

Moreover, underdevelopment of this sector has a negative impact on the level of development not only in developed countries, but also in the developing ones. Many of them, especially in Africa, have experienced centrally-planned economy, with artificially regulated prices, barriers to private economic activity and poorly-developed financial sector.

Currently, Private Sector Development (PSD)¹ seems to be essential to achieve economic growth which is indispensable part of Millenium Development Goals and general development policy of international organisations which is aimed at the reduction of poverty and improvement in standard of life among developing countries population.

The goal of the article is firstly to examine the current knowledge on the PSD role in developing countries while outlining the various forms and levels of PSD support. Further, the author aims to present the theoretical foundations for Swedish support for PSD compared with the actual examples of such support in practice. The article tries to answer the question whether the practical aspects of the Swedish aid really live up to the declarations presented in official documents of government and foreign aid agencies.

Core data included in the article relate to the period of 2000-2005, however, to give a wider look on the problem, the author uses also examples of PSD support from the 90s.

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¹ In the further part of the article, the author will use widely acknowledged abbreviation PSD.

1. The role of private sector development in economic assistance to the developing countries

After economic crises in the 80s, and as a result of International Monetary Fund and other international organisations' pressure, many developing countries have undergone structural adjustment programmes (SAP). These programmes attempt to enhance the efficiency of the economy through deregulation, liberalisation and privatisation. The private sector was widely recognised as the main engine of growth.

Up to that period, international political activity tended to support state-planning and the central role of the government in increasing investment and accumulation of the capital as a part of economic development. At the end of the decade, facing the „state failure” there appeared to be a change in the trends among aid agencies and governments.

Privatisation activity in the developing countries strengthened in the 90s. Estimated income from privatisation were \$250 bn between 1990 and 1999 (Parker, Kirkpatrick 2005; 514). The share of foreign capital in privatisation in developing countries also increased and reached 76% of general revenues in 1999, where Foreign Direct Investment (FDI) was 80% (Parker, Kirkpatrick 2005; 514-515). As a result there was a decrease in the share of added value in GDP for the state enterprises (Parker, Kirkpatrick 2005, 514)².

Taking into account such an important role of private sector in developing countries, foreign assistance took new forms in order to support transitional periods, and further assist private sector in generating growth.

The literature (Kragh *et al.* 2000; 311-312) there are mentioned six basic reasons for the increase in PSD support. These are as follows:

- the redefinition of the role of the state,
- the slow supply response of the private sector of SAPs has led to the introduction of more active instruments to boost competitiveness,
- the identification of barriers to growth in the private sector,

² In Polish literature, the problems of privatisation and economic aid for the developing countries are discussed by P. Deszczyński in: *Kraje rozwijające się w koncepcjach ekonomicznych SPD. Doktryna i praktyka*, Wydawnictwo Akademii Ekonomicznej w Poznaniu, Poznań 2001, 45-47 and 74-76.

- as the private sector grows, imperfect markets and externalities will become increasingly visible, suggesting more important role for private sector development (PSD) aid,
- the need for filling the savings gap remains relevant in most developing countries although the primary issue is now private, not public, savings,
- there is an continuous debate on aid effectiveness and donor agencies see PSD aid as a way of testing new and possibly more growth-oriented aid instruments.

While discussing methods of PSD support in developing countries there are given three basic levels of such support. These are: macro, meso and micro level (direct support to companies and enterprises). Some of the authors also mention meta level – international environment which includes:

- global technologies and innovations,
- transfer of technologies from the developed countries to the poor ones,
- international trade (especially system of tariffs for products of special interest to developing countries (agriculture, textiles and clothing),
- large amounts of subsidies (mainly agricultural) in industrialised countries,
- stringent technical, sanitary and phyto-sanitary measures which may hinder poor countries' export potential,
- activity of international institutions (Lindahl 2003; 60-81).

Researchers in the discussion about meta level often include the term: Global Public Goods (GPG). GPG is defined as goods whose benefits reach across borders, impact on a large number of people and have impact on several generations. These could be: environment protection, prevention of communicable diseases such as malaria, HIV/AIDS or tuberculosis, knowledge nad conflict management. Definitely, these aspects of development are usually dealt with on international level, although their relation to PSD is quite indirect so in author's view they do not need to be included in the discussion.

As can be observed from the description, the arising of new level is a result of ongoing changes in the relations between countries and regions, widespread globalisation and intersecting influence of various actors of international economic exchange. Foreign assistance activity in this field has been sparsely evidenced so far, therefore we will concentrate on the three major levels of PSD support: micro, meso and macro.

Table 1. Three levels of PSD support and their main components

Level	Main components	
Micro	Finance	Financial aid, grants, loans, buyout of shares
	Competence building	Know-how transfer, training for businesspeople, entrepreneurs, managers and technical personnel
	Enabling environment creation	Enabling import of goods from developing countries, promotion of companies from developing countries, direct contacts on the level of enterprises
	Organisations participation	Participation in Chambers of Trade, Industrial Associations and other trade associations
	Technical support	Support in: consultancy, marketing, management, cost estimation and quality control. Sending experts and consultants
Meso	Use of resources: Financial (capital) – cooperation with the banks and financial institutions in developing countries Physical (infrastructure) – transport, energy, water, telecommunications	
Macro	Economy	Strengthening the political stability, assistance in the macroeconomic policy of the state
	Law	Development of appropriate law and regulations, fight against corruption, transparency, effective governance

Source: own research.

As we can see from the above given information on micro level support is directed mainly to local private institutions, businesses and

communities. Strategic areas include promotion of private business and creating enabling environment for the entrepreneurship in developing countries. On meso level the main recipients are both private and public institutions, local businesses and communities and the strategic areas enclose avoiding and alleviation of negative impact of market economy and infrastructural environment.

Major recipients of support on macro level are public institutions on local and national level, and institutions of development supporting countries. The two main strategic areas are political environment and regulations concerning private sector³.

OECD as one of the largest international organisations coordinating aid to developing countries, and its Development Assistance Committee (DAC), which groups over twenty developed countries, stress the importance of PSD. For easier identification of the goals it formulates the definition and scope of the term „private sector” and „private sector development”⁴. Looking at the OECD definition one can clearly see the distinction between traditional aid and PSD support. Direct beneficiary of PSD support is private production sector: companies and entrepreneurs. Increased efficiency and growth of private sector mean benefits for the whole society – through increase in employment and salaries, and for the consumers – lower prices and better quality of goods and services⁵.

OECD in its guidelines for the DAC⁶ stressed the importance of structural reforms and connected them with the influence of private sector on development. In the document, OECD presented tasks and responsibilities of recipient countries, such as:

³ *Foreign aid and private sector development...*, op. cit., p. 318

⁴ ‘Private sector’ is conceived by the donor community as a basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion. The private sector principle can be applied in all economic activities – agriculture, industry and services (including the delivery of public services). Donor motivations for supporting PSD are based on promoting economic efficiency and social welfare. Donors agree that PSD is fundamentally about people: releasing and harnessing their productive potential and satisfying their human needs and desires; and creating pluralistic societies which provide both human freedom and human security”, in: *Support of Private Sector Development*, OECD, 1995, 7.

⁵ See: (Parker, Kirkpatrick 2005; 520).

⁶ *DAC Orientations for Development Co-operation in Support of Private Sector Development*, OECD, 1995

- on micro level: incentives and supportive measures should replace control system and restrictions burdening private sector,
- on meso level: implementation of policy which could stimulate entrepreneurship, initiative and risk-taking,
- on the macro level: accepting effective and sustainable policy which strengthens governance and economy. Within its framework we have fiscal stability, development of efficient financial markets and reduction of budgetary and administrative burden through a transfer of a number of tasks to private sector.

Donor countries should generally improve their policy concerning support to private sector in developing countries⁷:

- on micro level: support of donors to such activities as entrepreneur training and advisory services, development of entrepreneurship on small and micro level, privatisation, reform of state enterprises and foreign direct investment,
- on meso level: support of donors to the improvement of institutional environment which influences economic decisions, strengthening predictability and stability in the economic environment; promotion of the rule of law and its execution; reduction of corruption and building of institutions through which public and private sector engage in dialogue,
- on macro level: encouraging proper monetary policy (especially low inflation, deregulation, monetary and fiscal stability) and structural changes (through dialogue and technical cooperation in such areas as competitiveness and trade policy) and creation of well-functioning financial system.

Generally, PSD assistance can support internal industrial policy of developing countries, facilitate transformation of economy, decrease barriers to the growth of companies and improve their competitiveness. OECD also draws attention to potential problems and threats which can take place while supporting PSD:

- market distortions can arise due to support to particular companies,

⁷ Ibidem, p. 8-10.

- during cooperation with companies there is an area for potential conflicts concerning control of funds,
- it is vital to give support only when there is a link between company and social (developmental) goals,
- since the nature of private sector is that of decentralised and competitive area, there is no exact centre for the coordination of donor activity. Such lack may lead to duplication of efforts and in consequence ineffective use of resources,
- some companies and institutions may get dependent on foreign aid and exist on the market only due to support, and focus their efforts on pleasing aid agencies while neglecting its main social-economic goals.

2. Programme basis of Swedish support for private sector development

In 1962 the Swedish parliament formulated the main objective for the newly initiated official development assistance as *'raising the living standards of poor people'*. In 1978 this aim was confirmed and extended to include: „achieving better life standard and more equitable conditions for the poor so as they could fulfill their basic needs and participate in political decision-making which steers social development”⁸. The following elements of development policy were laid out:

- Economic growth
- Social equality
- Economic and political independence
- Democratic development

In 1996 the Swedish government puts down its goals concerning PSD support, including them in *Letter of Appropriation for International Development Cooperation*: „to contribute to the creation of favourable conditions for private sector development in the co-operation countries. In this respect gender equality, far-seeing economising with natural resources and with the environment should be promoted. The activity should also henceforth be divided into three branches: competence development, business development and capital support. The target group shall be SMEs as well as supportive institutions”.

⁸ Government Bill, UU 1978/79:1.

On the whole the goals haven't changed (despite the evolution of the definition of poverty). In the crucial strategic document of Swedish International Development Agency (SIDA) – „Perspectives on Poverty” a quality of growth was highlighted⁹.

In the same document, which became the starting point for the Swedish development policy for the coming years, an importance of economic policy and development, and active redistribution policy and creation of appropriate institutions are underscored. The authors point out the fact that for the welfare growth it is necessary to improve access to job-market, loans, roads, electricity and markets for the sales of products from the developing countries. They also refer to the structural reforms in the 80s which concentrated mainly on macroeconomic stabilisation through low inflation, low budgetary deficit and lack of deficit in trade balance, deregulation of capital markets and lifting of the trade barriers.

Swedish policy, which is connected both with specific attitude to economy („Swedish model”) and directions of activities in international forum (which was particularly visible during Olof Palme's tenure¹⁰, stresses the role of social influence in private sector development. Very often the role of economic policy is highlighted in relation to environment protection, equality between men and women, rights of children and sexual minorities. As the authors of the document state, development of entrepreneurship, both in the public and private sector is vital for the country's economic development and as a consequence for the poverty reduction. It is written that majority of the world's poor should earn their living in private sector. To stimulate private sector and investments the

⁹ „Effectiveness of economic growth as a means to decrease material poverty differs between countries(...). Therefore it is necessary to concentrate not only on growth indicators but also on to what extent this growth influences the decrease in poverty. The latter depends both on initial distribution of resources and the character of growth itself. The impact of economic development growth on poverty reduction is more visible in the countries with more equitable distribution of resources (land, capital, human rights, education, etc.” *Perspectives on Poverty*, SIDA, Stockholm, 2002, 173-174.

¹⁰ Interesting analysis of Swedish foreign policy during Olof's Palme and his successors era was presented by Ann-Sofie Nelsson in the article *Swedish Foreign Policy in the Post-Palme Era*, in: *World Affairs*, vol.151, no 1, 1988. The author indicates the existence of phenomenon defined as „active neutrality”. Sweden, officially neutral country, strongly expressed its position about such issues as war in Vietnam. Olof Palme very often stressed his anti-American attitude and sympathy for the leftist governments in the developing countries. This tendency in foreign policy may be the reason of stronger involvement in aid for Mosambique, Angola, Vietnam or Nicaragua.

state should aim at stable macroeconomic policy, enabling environment for the investment, sustainable financial system and openness for business initiatives. What is specific in the Swedish position is, that private investment must be complemented by the investment in the public sector, foremostly infrastructure, communication, transport, health service and education, and the flow of capital should be directed mainly at the poor¹¹.

Informal sector is also important, since it encompasses a large share of the market in developing countries and a big part of production and employment. Small local companies often have difficulties in obtaining loans and credits for the extension of business, also microcredits which are directed at smaller projects and not industrial ventures. Therefore it is advised to create 'minicredits' to be complementary for the microcredits, in order to encourage development of small scale entrepreneurship.

In the fundamental for the Swedish development policy document, the bill „*Shared Responsibility: Sweden's Policy for Global development*” (2002/03:122), approved by the Swedish Parliament in December 2003, the overarching goal is *to contribute to enabling environment for the efforts of the poor to improve their standard of life*¹². In the document were also included new, central component elements directed at achieving formerly quoted goal:

- respect for human rights,
- democracy and good governance,
- gender equality,
- sustainable use of natural resources and protection of the environment,
- economic growth,
- social progress and security,
- conflict management and security,
- global initiatives to protect the environment, combat contagious diseases, etc.

In the same document, in point 6.8.3, we read that *support should be provided for developing countries' efforts to establish regulatory frameworks and institutions that promote private sector enterprise and*

¹¹ *Perspectives on Poverty...*, p. 174.

¹² *Gemensamt ansvar: Sveriges politik för global utveckling*, (2002/03:122), 75.

*investment. Support should continue to be given for industrial development in developing countries*¹³.

The bill also acknowledges that a broad consensus has emerged in the last few years on the key role of the private sector and business enterprises in development which is related to the conclusions of the International Conference on Financing for Development in Monterrey and the World Summit on Sustainable Development in Johannesburg 2002 where all countries decided that they should intensify efforts to encourage the private sector to take an active part in development cooperation.

Swedish government highlights the necessity to formulate appropriate regulations, enabling externalities and well-functioning judicial and banking institutions. Among other important issues are struggle with corruption, and good governance which are particularly stressed in development policies of Scandinavian countries.¹⁴

In the published in October 2004 official policy guidelines for PSD support, it is stressed that private sector development rests upon four fundamental elements¹⁵:

- *competitive markets*, including clear and non-discriminatory rules of the game, ensuring a ‘*level playing field*’;
- *entrepreneurship* as the source of innovation and change;
- fair, non-discriminatory and effective *property rights*;
- *decent work conditions* and *sustainable use of the environment*.

Support for PSD is also seen as an instrument in achieving sustainable, poverty reducing economic growth. Not only the economic indicators are important but also the quality of the growth. The main guidelines are¹⁶:

¹³ Ibidem, 75.

¹⁴ „The developing countries development prospects depend largely on the extent to which they succeed in creating favourable domestic conditions for the private sector. Laws and rules must be formulated in such a way as to promote enterprise. Functioning judicial and banking institutions are necessary. Corruption must be fought and good governance promoted. This encourages not only the development of domestic business and industry, but also opportunities for foreign direct investment in developing countries” – in *Gemensamt ansvar...*, p. 75-76.

¹⁵ *Policy Guidelines for Sida's Support to Private Sector Development*, Sida, Department for Infrastructure and Economic Co-operation, Stockholm 2004, p. 4.

¹⁶ Ibidem, p. 6.

- The development of efficient markets working to benefit the poor,
- sound business environments and good governance – in particular the rule of law and fight against corruption – through support to policy reforms, institutional development and capacity building,
- pay special give special attention to markets in which the poor are directly involved, primarily agriculture and the informal economy,
- avoiding market distortions.

The support should include efforts on international (meta), macro, meso and micro levels.

The basic form of guidelines for preparing particular projects in Swedish development cooperation is „Country Strategy” which governs the direction of Swedish assistance over a period of 3-5 years. The country strategy should be derived from Sweden’s overall development assistance objectives, a country analysis and an assessment of past results of the co-operation. The crucial element for PSD support is the country analysis and how the private sector dimension is incorporated into this analysis. During work on the development projects, Country Strategy is drafted in its initial stage, being basis and point of departure for further activities.

Another document used in planning projects supporting PSD is PRSP (Poverty Reduction Strategy Paper) – initiative of the World Bank. PRSP describes a country’s macro economic, structural and social policies and programs to promote growth and reduce poverty, and also presents country’s financial needs. PRSPs are prepared by the governments of developing countries in co-operation with international organisations – World Bank and IMF.

In practice, within the framework of SIDA – Swedish International Development Agency (Styrelsen för internationellt utvecklings-samarbete) – the chief Swedish development agency which is subordinated directly to Ministry of Foreign Affairs (Utrikesdepartamentet) and through which flows overwhelming majority of Swedish development aid, support for PSD is realised through INEC/Näring, unit within one of the sectoral departments of SIDA. There is no specified institution which would be responsible for the creation of policy connected with PSD. In fact, the authors of the report (commissioned by the Department

of Assessment and Internal Audit - UTV – Utvärdering och intern revision) „Approach and Organisation of Sida Support to Private Sector Development” who analysed activities up to 2003, accused SIDA of lack of coherent policy and holistic approach to the problem of PSD – attitude which could enable incorporation of PSD into all elements of Swedish development policy and help in co-operation between departments within the framework of development organisation (Sinha, Beijer, Hawkins, Teglund 2001). The main conclusions of the authors were that:

- Sida’s PSD support was, in fact, significantly larger than officially recorded since many development activities were not recognised as such¹⁷,
- Although country analyses and strategies devoted remarkable attention to macroeconomic stability, how to develop the business sector or how to address business needs was rarely mentioned,
- Whereas activities mainly were implemented at the micro level, little attention was devoted to addressing the central issue of enabling environments¹⁸.

Above mentioned report proved that Swedish attitude to PSD support was quite ambivalent. On the one hand, Sweden constantly mentions its recognition of free-market reforms, supported by World Trade Organisation, World Bank and IMF, on the other hand, many high level officials in development agencies are very apprehensive about private sector in itself, which could be the result of strong socialist and social-democratic ideas influence in Sweden.

The main organisations and institutions which support PSD (through SIDA) are (Lindahl 2003; 91).

- Central Bank of Sweden,
- The Swedish Financial Supervisory Authority,
- The National Land Survey of Sweden,
- The Swedish Competition Authority,
- Swedish Customs,
- The Swedish National Debt Office,

¹⁷ The main reason was methodology itself – Sida used PLUS system – for information management, whereas Sinha et al. used Conceptual Framework Analysis tool. See: (Sinha, Beijer, Hawkins, Teglund 2001; 102-108).

¹⁸ *Sida Evaluations Newsletter*, no 2/04, p. 2.

- The Swedish National Labour Market Administration,
- The Swedish Patent and Registration Office,
- The Swedish National Board of Trade,
- The Swedish Central Securities Depository,
- Statistics Sweden.

Among private organisations there are Chambers of Commerce, the Confederation of Swedish Enterprises (Svenskt Näringsliv) and LRF (The Federation of Swedish Farmers).

3. The exemplification of Swedish support for the private sector development in developing countries

Sweden is one of the world leaders, accompanied by other Scandinavian countries and the Netherlands, as far as development aid and assistance are concerned. In the UN guidelines referring to the amounts disbursed to developing world, it is said that the target should be 0.7% of GNI. Sweden as one of the few reached, and even exceeded this number. In 2000 it was 0.80%, 2001 – 0.77%, 2002 – 0.84%, 2003 – 0.79%, 2004 – 0.78%, and in 2005 Sweden noted record number of 1.00%¹⁹ In discussing effectiveness of aid, Sweden is also at the forefront – e.g. in the Commitment to Development Index, prepared every year since 2003 by the Centre for Global Development. The index analyses commitment of particular countries (from DAC-OECD) to development assistance in such areas as: aid, trade, investment, immigration, natural environment, security and technology. In the report from 2006 Sweden ranked the third with the average 6.3 points (maximum – 10 points, the highest was the Netherlands with 6.7 points) (Roodman 2006; 3).

While general amounts disbursed by Sweden on development assistance have a rising trend, the share of support directed at PSD, infrastructure and finance has been decreasing since 2001. The reasons may be found either in the lack of complex strategy connected with PSD support, or with the methodology of activities qualifications – some of the projects may have been omitted in the statistics due to classifying them as non-PSD support.

¹⁹ *OECD DAC Development Co-operation Report 2005*, OECD 2006, p. 16.

Table 2. General spending on Swedish development assistance compared to spending on PSD support

	General spending on development assistance (in mln SEK)	Total spending on PSD support, development of infrastructure and financial systems	Percentage of spending on PSD support, development of infrastructure and financial systems
2000	9529	1874134	19.67%
2001	11437	2035453	17.79%
2002	10927	1550716	14.19%
2003	10228	1662401	16.25%
2004	12364	1966205	15.90%
2005	13829	1788635	12.93%

Source: Annual Reports 2001-2005 (*Årsredovisning/Annual Reports 2001-2005*), own calculations.

The biggest recipients of PSD support are countries which generally are within the area of interest of Swedish development organisations. Sweden focuses its efforts on the countries of Sub-Saharan Africa (Mozambique, Tanzania and Uganda), South-East Asia (Laos and Vietnam), Indian Peninsula (Sri Lanka and Bangladesh) and areas which suffered during the conflicts in former Yugoslavia (Bosnia and Hercegovina). One can also notice considerable size of aid to Mozambique – one of the LDC's (Least Developed Countries) which belong to the priorities of Swedish development policy (Bangladesh can also be included in this category).

Table 3. The biggest recipients of Swedish assistance for private sector development, infrastructure and financial systems (in '000 SEK)

Country	2000	2001	2002	2003	2004	2005
Bosnia and Hercegovina	79611	138290	111024	139077	44729	197871
Mozambique	140158	94749	89988	178575	243909	248949
Tanzania	99144	102437	112229	96923	131389	122123
Bangladesh	104620	142712	30925	188087	12705	68089
Laos	63247	74002	85531	94055	66995	18236
Sri Lanka	19105	122143	68307	20635	52505	49045

Source: Annual Reports 2001-2005 (*Årsredovisning/Annual Reports 2001-2005*).

Below we shortly discuss some of the examples of Swedish PSD assistance on three levels – micro, meso and macro.

4. Micro level

So far the most often noted form of support have been programmes directed at micro level – i.e. support for small and medium enterprises. In this category Swedish development agencies are particularly active, although after the Sinha *et al* report it was widely recognized that it is necessary to pay more attention to aid aimed at creating enabling macroeconomic environment.

As far as geographical distribution of business support is concerned it doesn't fall far from the overall trends in Swedish development aid. These are African countries such as Uganda, Tanzania and Mozambique, Asian – Bangladesh, Sri Lanka, Laos and Vietnam, and Latin America – Chile, Nicaragua and Honduras.

When we discuss involvement in Africa, one of the most ambitious projects was Enterprise Development Programme (EDP) which aim was to encourage and facilitate development of private sector in Tanzania and Zambia through partnerships between small and medium enterprises in Africa and Swedish companies (Forss, Ludström, Saasa, Temu 2003; 1). Development agency Sida contracted two consulting firms to manage the project – Boliden Contech in Tanzania and Hifab International in Zambia. The programme began in 1995 and ended in 2000, the final review being done in 2003. The analysis of the results showed that from the companies which began cooperation in Tanzania survived 71% and in Zambia 76% (the target was 90%). Much less satisfying was the outcome connected with the increase in turnover and profits. The goal was 80% for both categories, unfortunately in Tanzania turnover increased by 29% and profits by 9%, and in Zambia respectively 36% and 28% (Forss, Ludström, Saasa, Temu 2003; 2). The example proves how difficult it is to work on PSD development, especially in Africa where there is no tradition of entrepreneurship, moreover one can note lack of respect for private property.

In Uganda, together with International Labour Organisation (ILO), Sweden introduced FIT/Sema programme which supports 20 radio stations broadcasting business and economic information. The project aims to improve the quality and standards of broadcasts which could be useful for the local business community. Other programme is EPOPA –

regional activity promoting export of organic products from Africa. 20,000 farmers participate in the project in Uganda and in April 2005 a new, three-year phase began. Sweden also supports Ugandan Beef Producers Association – currently the efforts concentrate on the implementation of new strategic plans²⁰.

In Mozambique, Sida helps to develop agriculture and private sector in the whole Niassa province. Investments totalling 75 mln SEK during 2003-2005 are directed at decrease in poverty among farmers and stimulation for expansion of new companies²¹.

In Sri Lanka Sweden approved holistic approach to PSD support. The programme named 'Enter Growth' intends on co-operation with local participants in the north-west and north-middle part of the country. Among programme components are²²:

- market entry conditions improvement for small and micro companies,
- work on development of proper policy and respect for law,
- creating entrepreneurship culture.

In Vietnam efforts were concentrated on two main programmes: second phase of Mekong Private Sector Development Facility (MPDF), involving also Laos and Cambodia. It is co-financed by 9 bilateral and multilateral organizations, and Start and Improve Your Business (SIYB) supported by Vietnam Chamber of Commerce and Industry. MPDF focuses on larger companies whereas SIYB is directed to small and micro companies.

In Bolivia, its Chamber of Commerce and Industry has been receiving technical support from Sweden since 1993. The assistance is oriented at creation of enabling environment for the business and improving industry competitiveness in Bolivia. The programme is based on attitude directed at the processes where projects are gradually identified by the private sector itself and implemented by various, cooperating organisations in Bolivia. The particular examples are: certification of forest production, changes in corporate law and introduction of Standardised Account Plan.

²⁰ *Sida Country Report 2005 – Uganda*, Embassy of Sweden, Kampala, 2006, p. 17.

²¹ See: <http://www.sida.se/sida/jsp/sida.jsp?d=622&a=4115>.

²² See: <http://www.sida.se/sida/jsp/sida.jsp?d=622&a=23900>.

5. Meso level

On the meso level, assistance is concentrated in financial sector and in infrastructure. The illustration of involvement in financial sector could be the cooperation of Central Bank of Sweden with Sida concerning advisory services connected with capacity building in monetary policy and reforms of capital markets of central banks in Uganda, Sri Lanka and Vietnam. For example, Uganda introduced Financial Systems Development Programme coordinated by the Bank of Uganda. The programme is supported by Sida and German GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit) (Lindahl 2003; 69), being the point of departure for long-term cooperation in financial sector. This activity perceives financial sector as a system of independent on one hand, and on the other hand inter-related segments and participants. It incorporates support not only for financial institutions but also forming institutional and structural framework. The particular activities entail²³:

- development of national and regional payment transfer system,
- supervisory of financial intermediary institutions,
- creation of institutions in microfinance sector,
- creation of early warning system in case of banking sector crises,
- development of capital markets,
- reorganisation of Post Bank of Uganda.

In Tanzania the chief initiatives supported by Sida are:

- Tanzania Venture Capital Fund (TVCF) – the fund set up in order to improve the access of small and medium-sized companies to formation and growth capital. TVCF is interested in investments of value between 50,000 and 500,000USD, with high-risk/high-reward level. The first investments were initiated in 1994, and by March 1999 6.1 mln USD had been invested in 20 ventures²⁴.
- The Fedha Fund – too, was established to facilitate the access of SMEs to equity capital for their formation and growth,

²³ *Sida Country Report 2005 – Uganda...*, p. 20.

²⁴ *Result analysis for the development cooperation between Sweden and Tanzania 1997-2000*, Sida, October 2000, p. 11.

- however, it undertakes equity and quasi-equity investments in larger, between 200,000 and 1 mln USD, less risky ventures,
- First Adili Bancorp Ltd. – is a private, indigenous commercial bank. Swedish support to the bank is to contribute to the development and strengthening of the Tanzanian capital²⁵.

Sida was also one of the pioneers of supporting microfinance through its co-operation with Grameen Bank, BRAC (the organisation dealing with microcredits) and other projects in Bangladesh in the 70s. Currently this support is visible through contribution to initiatives undertaken by international community, such as CGAP of the World Bank – consortium of 33 public and private development agencies cooperating for the facilitation of access to financial services by the poor.

While discussing the exemplification of activities for infrastructure extension, one can bring up the initiative named Reforming Infrastructure and Public Enterprises (RIPE), started in 1997. In the same year, after several years of negotiations with the Zambian Government, Sida decided to support restructuring and reform of Zambian railways (Zambia Railways Ltd – ZRL). Swedish assistance was concentrated on financing managerial contracts which aim was to facilitate the work of ZRL board and support government policy directed at privatisation of the company. The project was assessed by Sida as a high-risk venture (Lindahl 2003; 74). In March 2000, the Government of Zambia decided to privatise the railway through a concession. The World Bank agreed to provide a loan to facilitate the privatisation process. In February 2003, the Government of Zambia signed a 20-year-concession agreement with a private consortium. The concession is expected to bring about USD 253 million in revenues to the Zambian Government over the 20-year-period. Thanks to Swedish support, significant improvements in the financial and operational performance of the company have been achieved.

Sweden also supports a number of other, multilateral initiatives for the investment in private sector development, e.g. AIG Africa Infrastructure Fund for Equity Capital, the fund long-term credits – Emerging Africa Infrastructure Fund, Guarant Co for guarantees for accumulation of long-term, domestic capital, Private-Public Infrastructure Facility – technical assistance for the governments which want to improve legal and institutional climate for infrastructure investment.

²⁵ Ibidem, p. 13.

6. Macro level

On the macro level we can indicate merging the activities for peace-building with support for rebuilding and entrepreneurship. Sweden is a neutral country, with a long history of peace brokerage and its private sector is not associated with neo-colonial activities or need for influence seeking. Sweden officially approves (albeit often criticizes) reforms required by IMF and the World Bank which are mainly connected with improvement of balance of payment and decreasing deficits in the budgets of developing countries. The assistance goal is to enable in partner countries the creation and effective implementation of appropriate policy for the right functioning of such institutions as ministries of finance and central banks. Support concentrates on assistance to work on budget preparation, developing tax and accounting systems, and audits.

In Laos Sweden takes part in the following programmes: support to central bureau of statistics (together with World Bank, AsDB and UNDP – United Nations Development Programme) – NSC (contribution was 26 mln SEK), support to fiscal policy and tax administration as a twinning cooperation between the Tax Department of Ministry of Finance Laos and the Swedish Tax Agency (the contribution was 25 mln SEK) and Governance Public Administration Reform, with a Luang Prabang decentralisation pilot project – programme which aim is to increase the participation of local communities (especially minorities) in policy-making (the contribution amounted to 11.7 mln SEK)²⁶.

In Vietnam, Sweden contributes in co-operation with Denmark and UNDP, through advisory and funds, to the formulation of Legal Needs Assessment (LNA) – through Legal System Development Strategy which is the basis for long-term reform of legal sector which will continue up to 2010. In the area of public administration reforms, Sweden supports three main programmes: at the central level personnel management training programme with co-operation with the Ministry of Home Affairs (MoHA), at a local level support to PAR (Public Administration Reform) in Quang Tri province, and co-financing with UNDP other PAR projects on a wider scale²⁷.

In the sphere of governance, Sweden's main concerns are: well-functioning government system, transparency and fight against corrup-

²⁶ *Country Report Laos*, Embassy of Sweden, Vientiane, 2004, p. 20-21.

²⁷ *Country Report Vietnam*, Embassy of Sweden, Hanoi, 2004, p. 15-16.

tion which is one of the factors hindering development of private sector. The example of such activities may be assistance for legal institutions in Uganda – renovation and building new premises, and personnel training.

Conclusions

With current trends in international economy which stress free market and private ownership, private sector development in developing countries seems to be one of the dominating tasks. By stimulating entrepreneurship, building appropriate infrastructure and creating proper conditions for the expansion of private initiative, developed countries can significantly help the poorer part of the world, without wasting, which took part too often in the past, resources for the failed projects. The example of Swedish involvement, the country which has been for many years one of the leaders in development assistance, shows in what way we can allocate this aid, where are potential threats for the effectiveness and where are the chances for effective support for the sustainable development.

Although the official documents and declarations laid down by Swedish Government and foreign assistance agencies (particularly the major Swedish one – SIDA) stress the importance of PSD support and claim that Sweden does help private sector extensively, the practice is somehow far from ideal. Scientific research and analysis show that PSD support lacks good co-ordination and does not have clear place in Swedish development strategy. Projects are scattered throughout different departments and divisions and often there is a threat of support duplication. Therefore, it would be necessary to have more focussed and co-ordinated activity in the area of private sector development or even create a separate division within the structures of SIDA. As far as the level of aid is concerned, the data show that the share of allocated funds for the private sector development has, in fact, been slightly decreasing for a few years.

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