



# Top-down or bottom-up?

How Development Actors Can  
Promote Economic Transformation

# Today's presenters



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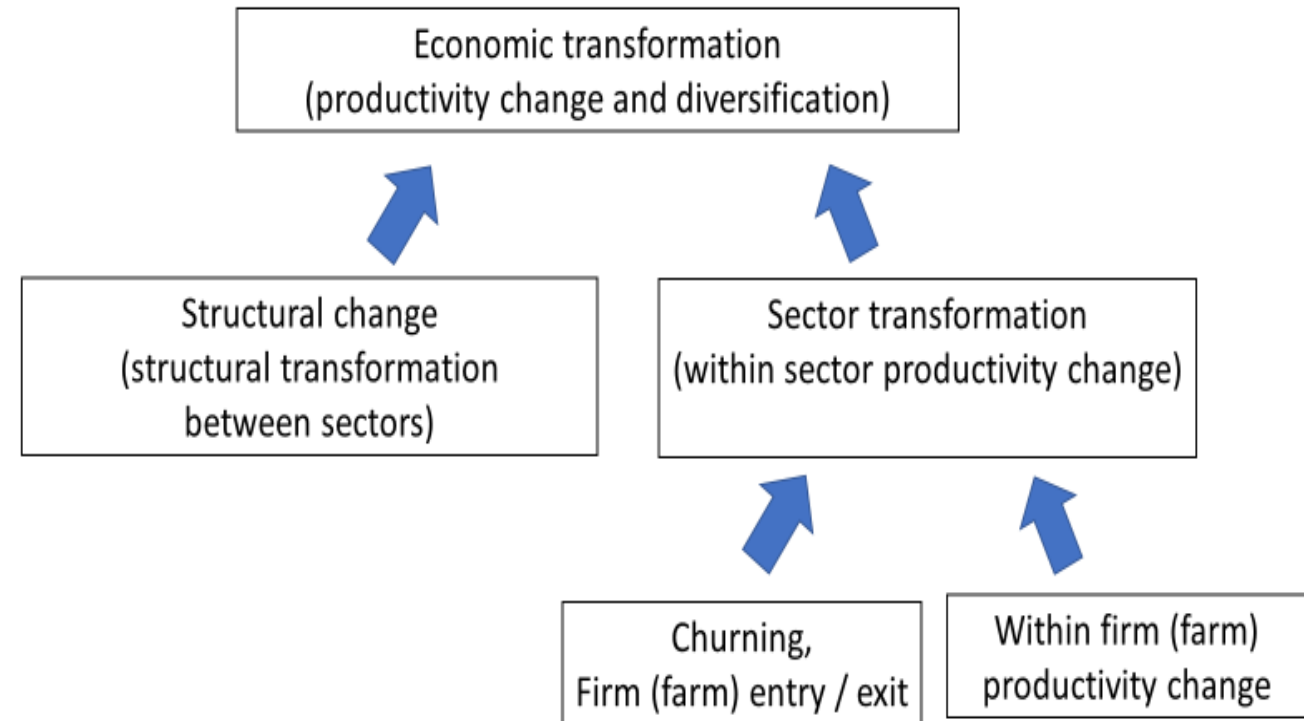


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ILO

# What is Economic Transformation?

The **re-allocation of factors of production** (land, labour and capital) away from low- towards high productivity activities and sectors. It involves two complementary processes.

1. Changes in the sector mix of an economy called **‘structural transformation’**. This is often characterised by shifting from ‘traditional’ sectors – such as agriculture – into more productive ‘modern’ sectors, such as manufacturing and services.
2. Boosting productivity within specific sectors and is called **‘sector transformation’**. It is characterised by shifts within and between firms towards higher value-added, higher-productivity activities and innovations which creates opportunities for firm growth and job creation.



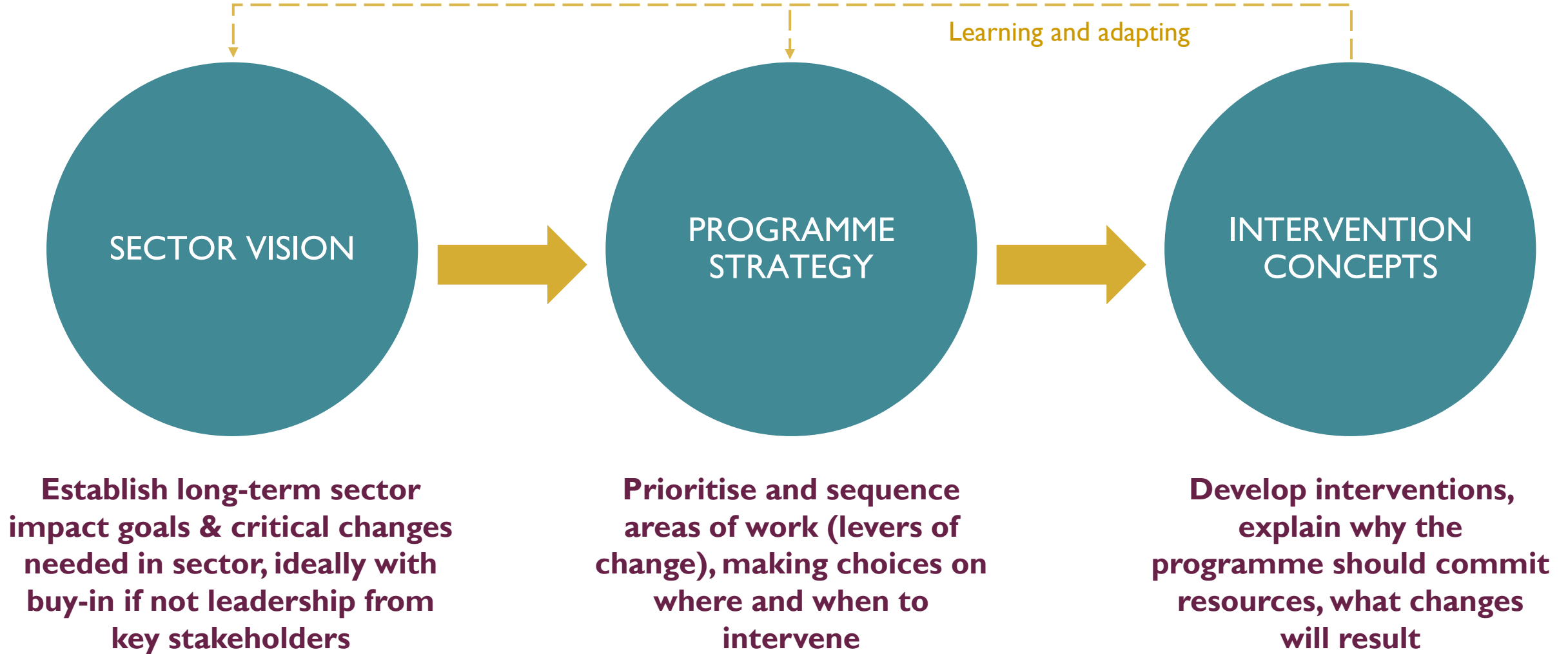
## SECTOR TRANSFORMATION

Sector transformation is a process by which a sector achieves a **step-change in scale**

*Driven by competitive, inclusive and resilient growth...*



# Designing sector programmes





Sector vision



# **Aquaculture programme East Africa**

# A nascent, underperforming sector with huge potential

2015

15,000  
MT

A low output,  
uncompetitive  
sector

- Low inputs quality
- Low skills
- High production costs
  - Weak distribution
- Poor policy environment
- Weak sector coordination

10x growth

2030

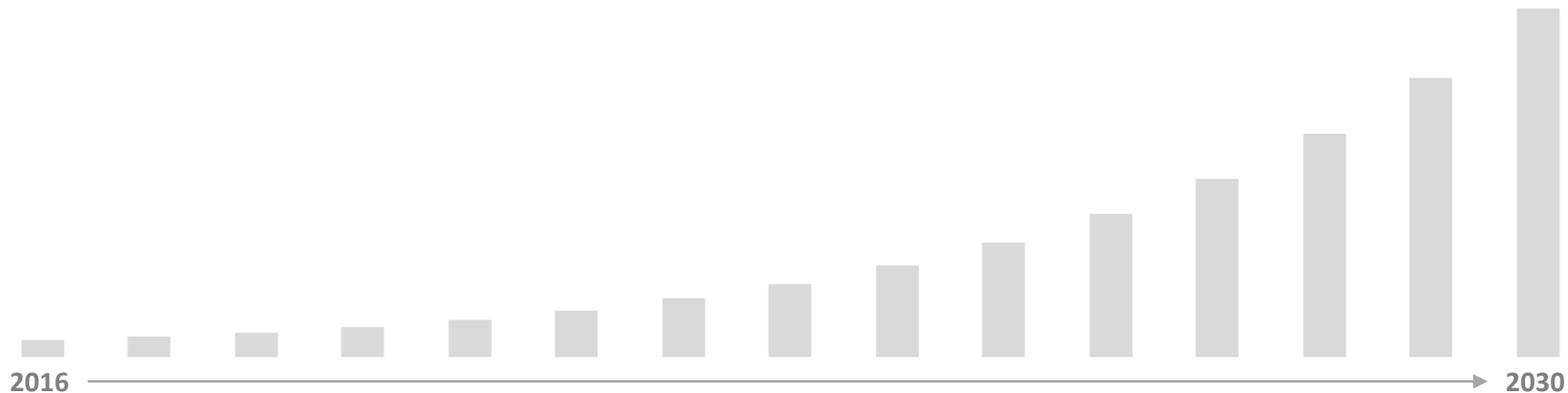
150,000  
MT

**Competitive**  
East Africa leading  
producer of  
competitively priced  
fish with diverse  
product range

**Inclusive**  
Over 100,000 jobs –  
majority for people  
previously on low  
incomes

**Resilient**  
Strong genetics/  
R&D, industry  
associations, EA gov  
collaboration

*Why hadn't this happened  
already?*



# Setting a vision for sector transformation

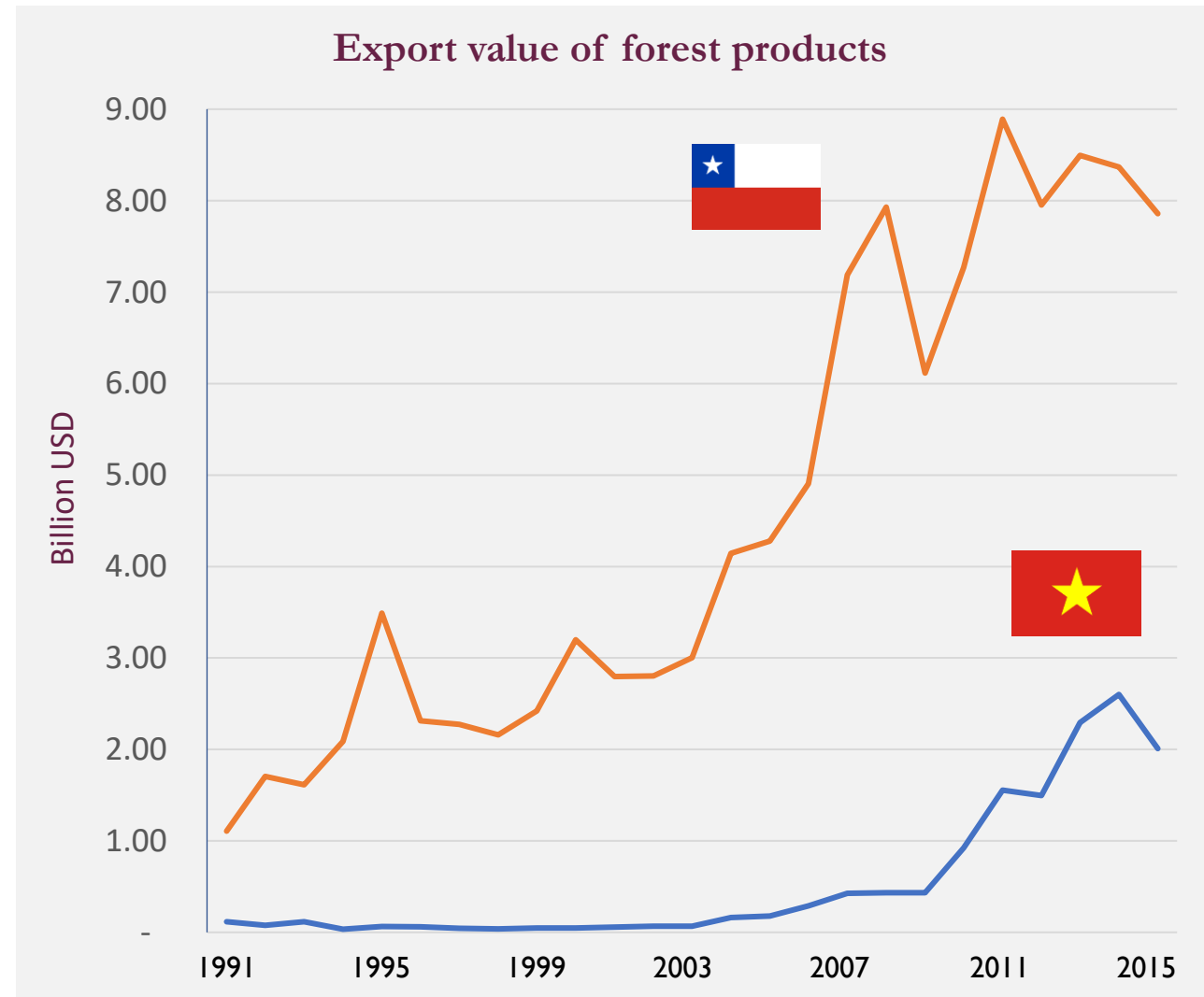
## Example of two different growth paths



Dominated by 2  
large firms

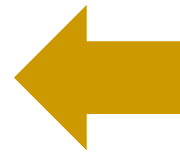


Smallholder led  
→ more inclusive

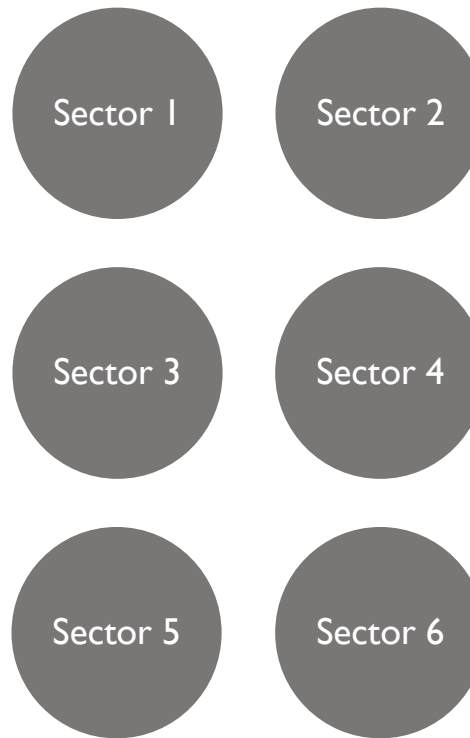




## Taking a portfolio approach



### Sector transformation

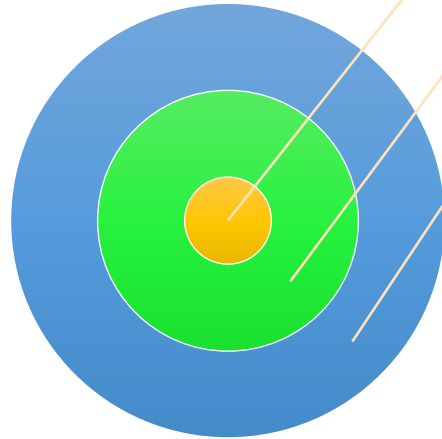


### Mix of sectors

- *Industries where the poor are employed today as well as 'industries of the future'*
- *Ag vs. Manuf vs. Services*
- *Balancing risk, short vs. long term impact*

# What is MSD and BER?

**MSD** is systemic approach to poverty reduction - a set of principles and a body of knowledge - designed to guide practical interventions that can lead to long-lasting and large-scale change



**Micro:** Firm performance

**Meso:** Sector-specific conditions

**Macro:** Enabling environment

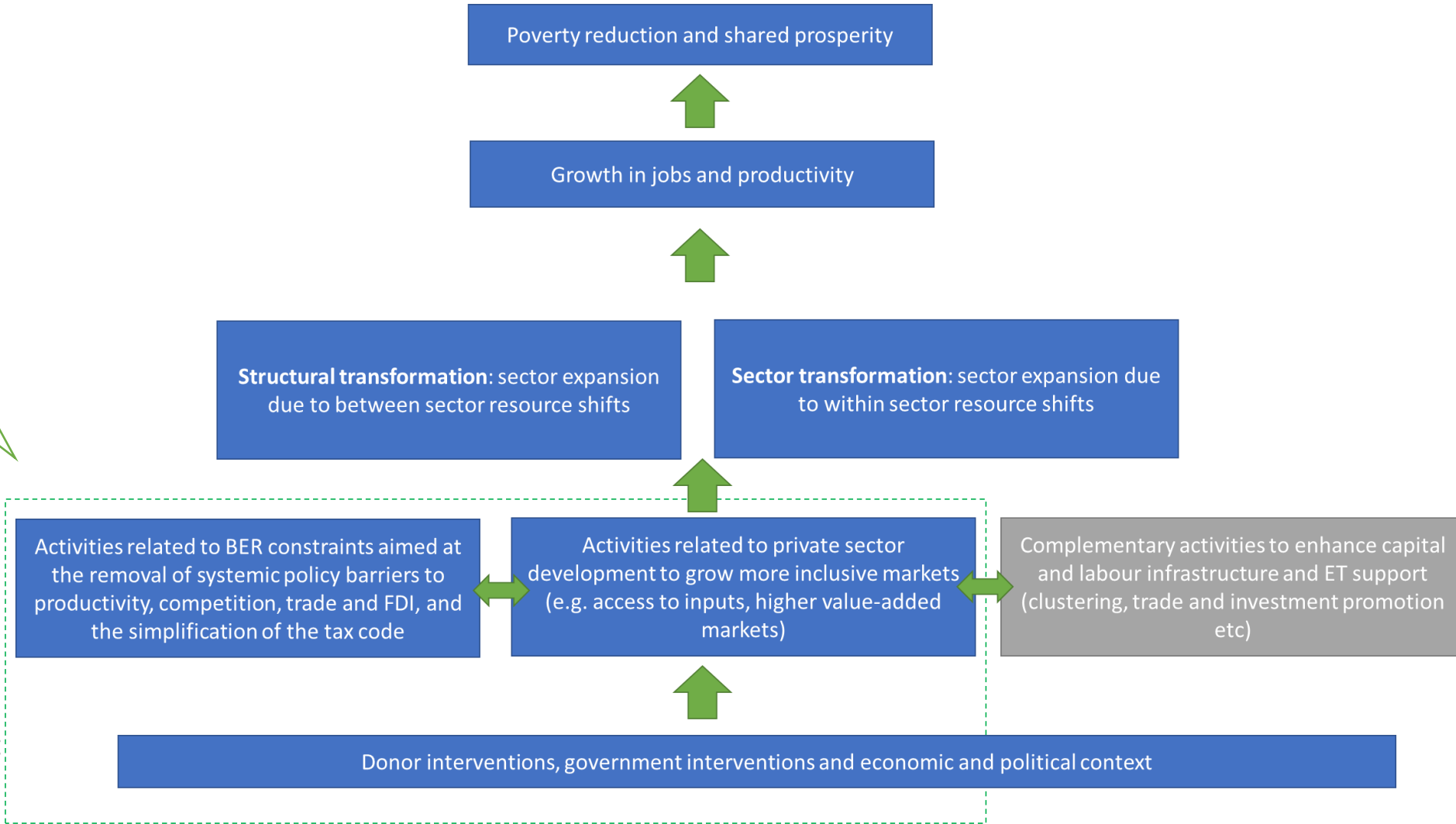
**BER** involves changes to policy, legal, institutional, and regulatory conditions that govern business activities

# Synergies: a theory of change

**BER** - enabling environment to raise innovation and investment crucial for economic transformation

**MSD** - 'organizing framework' through which to diagnose, analyse and act on constraints to economic transformation

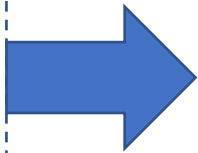
MSD approach



# Adapting MSD and BER

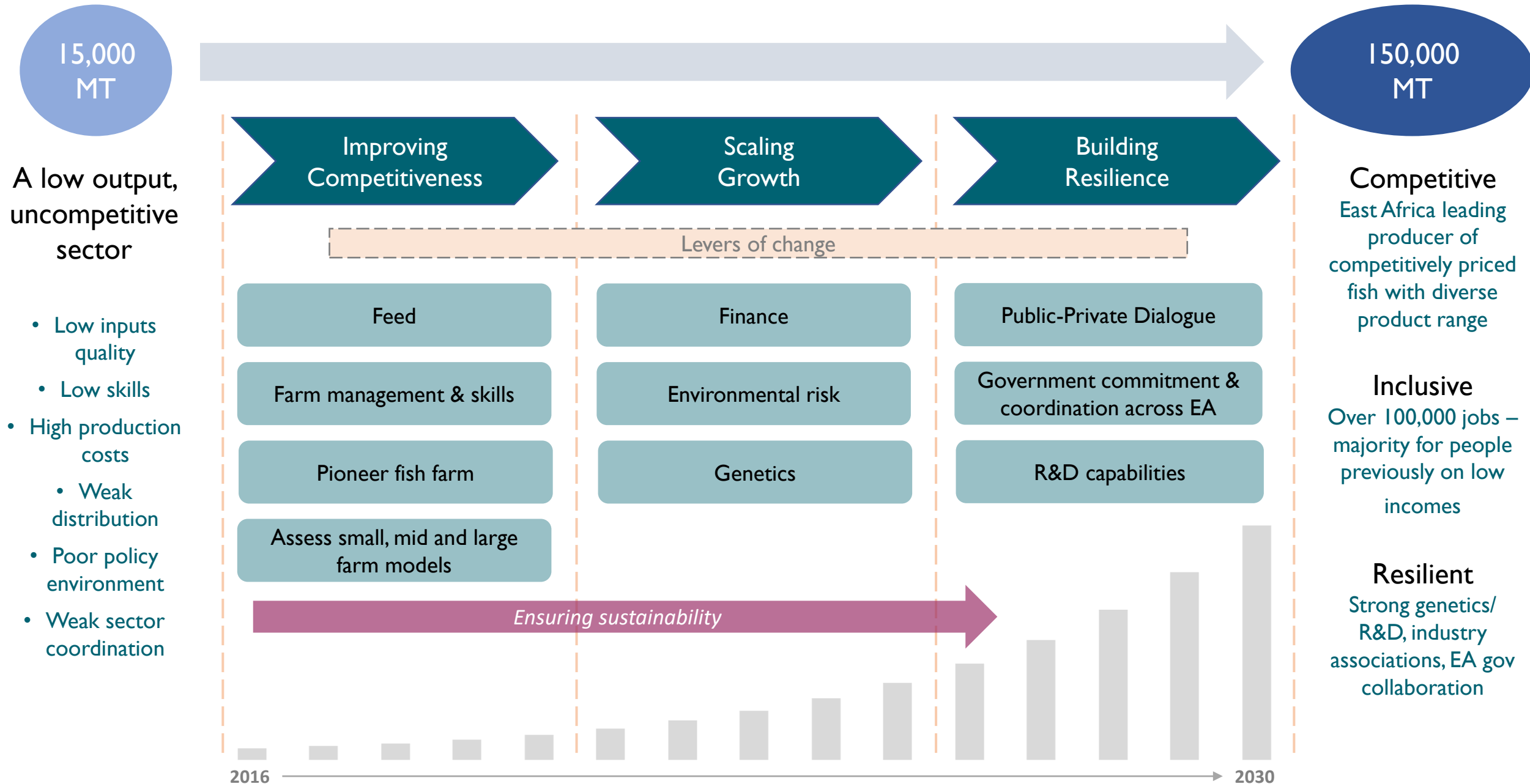
**To contribute to economic transformation, MSD and BER need:**

- ✓ 'Smart' targeting
- ✓ Complementary actions
- ✓ The right conditions



- Longer-term programming
- Reasonable impact expectations – consistent with risk appetite and timeframe
- Flexibility of facilitation tools – with 'skin in the game'
- Capacity and incentive for working politically

# A nascent, underperforming sector with huge potential





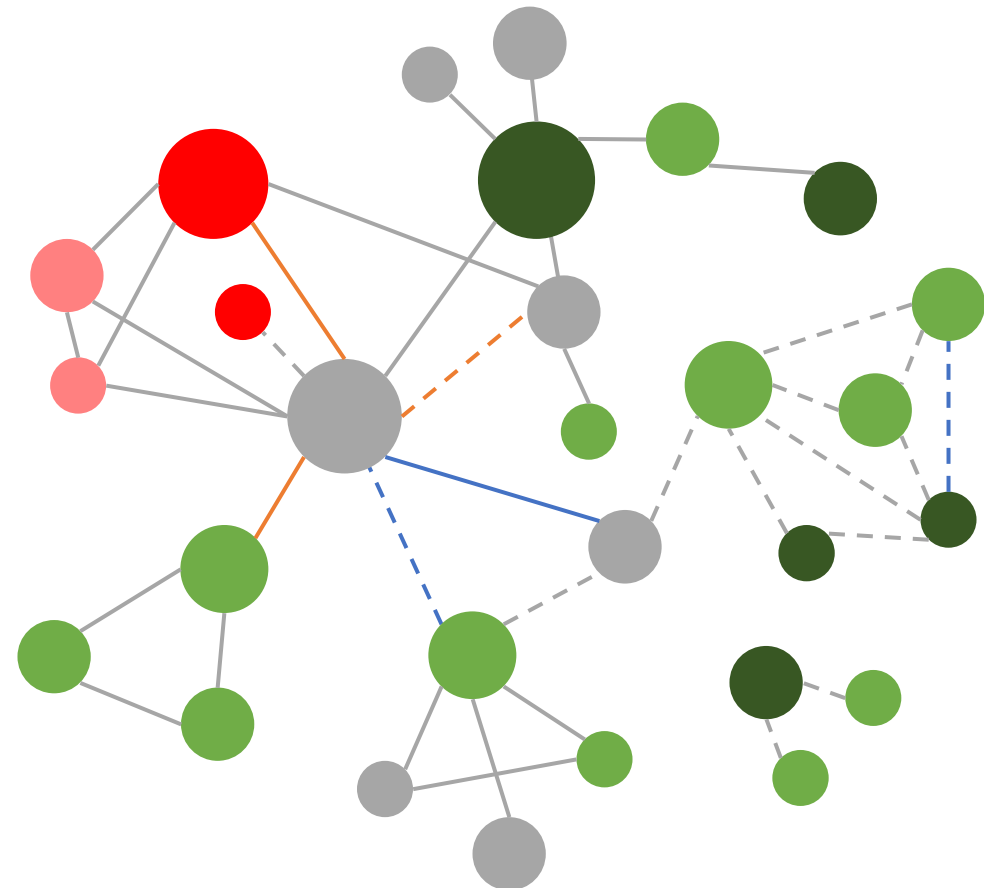
## *Understanding the context*

Government, Private Sector and other stakeholders

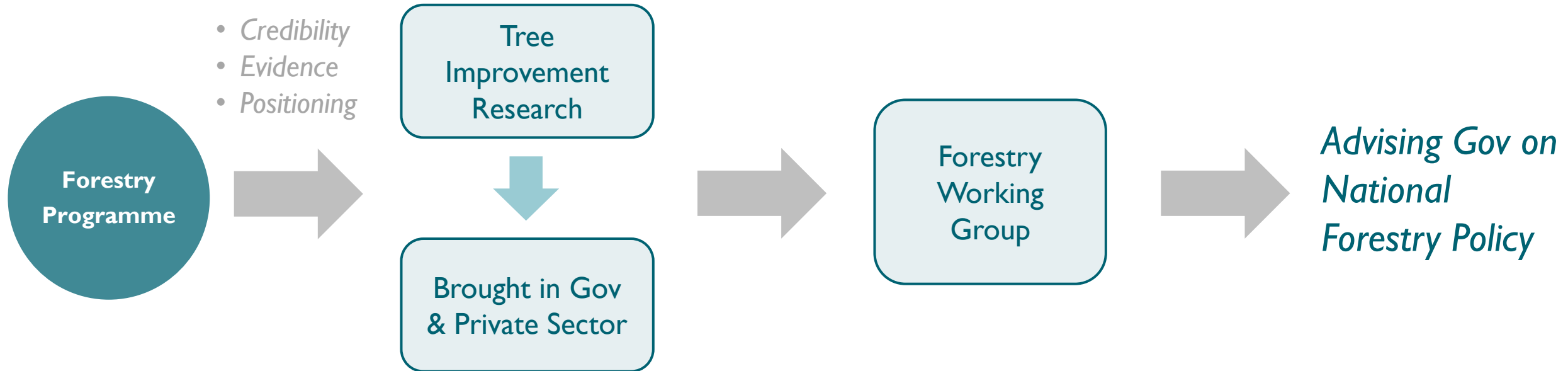
- Norms
- Interests & power dynamics
- Formal and informal relationships

Strategy / Tactics  
When and how to intervene

## *Stakeholder mapping*



# Engaging with the Political Economy / Government Engagement



*Be patient & responsive: Wait for the right opportunities*

## Some lessons learnt

Credible,  
senior, local  
staff

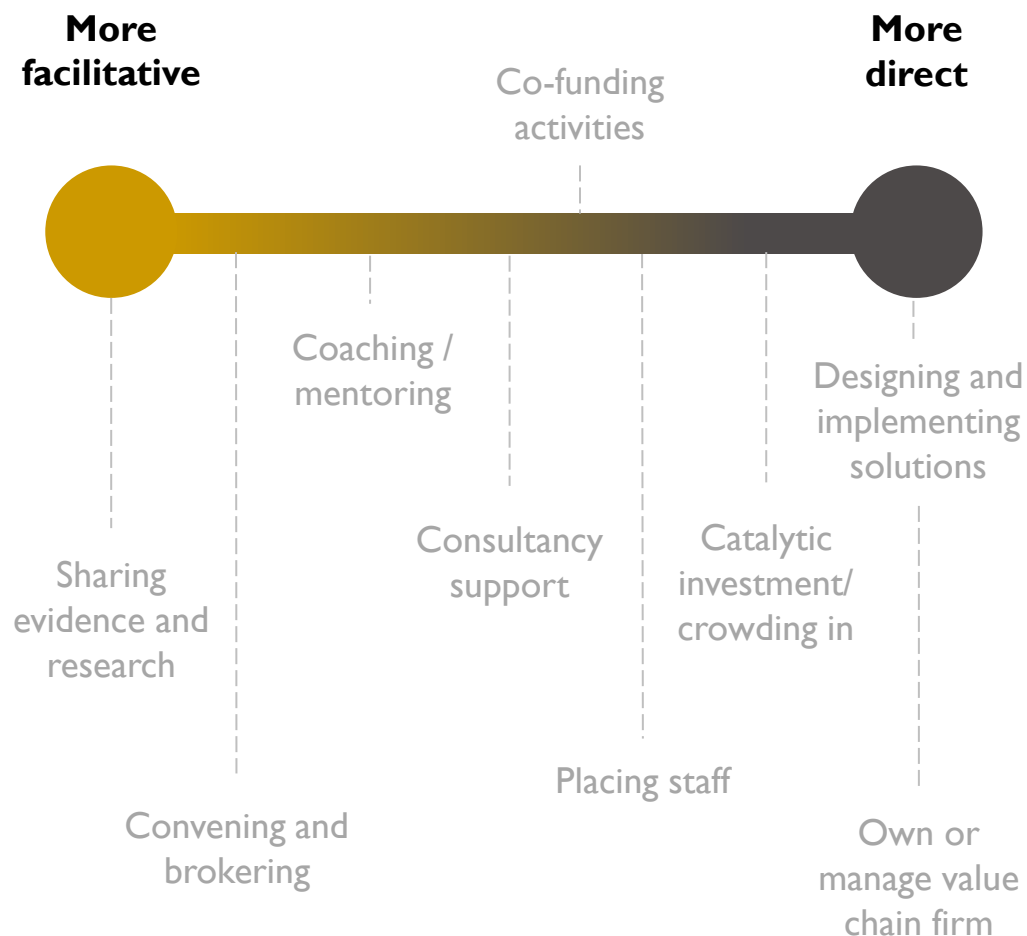
Positioning –  
independent,  
long-term  
commitment

Strong  
evidence &  
technical  
expertise

Informal and  
formal  
relationships –  
identify  
champions

Flexible  
relationship  
management

# Flexibility to choose the right approach & tools for your interventions



Building the market



*Importation of improved seeds*

New solutions



*Geo-spatial tree-site matching*

Catalysing growth and investment



*Investment in pioneer fish farm*

*But... consider sustainability*

# Reflections: Promoting Economic Transformation

*Kåre Johard, Policy Support Unit, Sida*

- **Improving BER by integrating an MSD approach and stimulating new sectors**
- **Sequencing support to ET within development agencies**
  1. On an **agency level** – get a common understanding and identify its role
  2. On the **country level** – start with the analysis supported by the MSD approach and sector identification methodologies
  3. **Prioritize** key bottlenecks and actions for transformation
  4. **Review and shape portfolios** to get complementary interventions and combined instruments

# Reflections: Promoting Economic Transformation

*Gun Eriksson Skoog, SME Unit, ILO*

## **On Economic Transformation**

- Rendered all the more important by Covid-19
- Crisis creates opportunities for transformative change

## **On MSD for ET**

- Systemic approach acknowledges complexity and uncertainty of social change
- Complement with support for enterprise development
- Consider relationships among actors within value chain