Set Small Business Free to Thrive

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FROM China to Chile, from South Korea to SA, there is little debat whether or not private investment is essential for prosperity and gr private investment too rarely benefits the poorest of the poor preci those who need it most.

Some blame an unfair world trading system in which wealthy natio down all trade barriers except their own. Others point to the debt b poor countries, or to the volatility of emerging markets.

But regulatory obstacles and unexploited marketplace gaps also p private capital from flowing to the poorest countries. This also mea small businesses in poor nations and regions cannot reach their fu potential. Based on our own experiences in Mexico, which has ope to foreign investment and trade, and in Canada, which is a leading donor and a major source of private investment in developing cou are convinced that many of these problems can be identified, isola fixed.

The entrepreneurial energy is already there: visit the tiniest town ir poorest country on market day and you will see the private sector If small businesses could expand beyond the village square, they drive their countries' growth better than any aid agency.

This is why when United Nations Secretary-General Kofi Annan ar Development Programme (UNDP) administrator Mark Malloch Bro us to lead a new commission on private sector and development, agreed. For we are both strong believers in the need for substanti aid flows to the world's poorest countries. We believe equally stror public sector's role in providing essential services and infrastructu

But ultimately, private investment must be the main source of inco growth and job creation in poor countries just as it is in industrialis nations. If we can identify specific measures that work to unblock t private sector's potential, these recommendations can be adopted individual countries and by multilateral agencies like the UNDP.

Some preliminary conclusions have already emerged:

Even when budget deficits and inflation are under control, busines is often inhibited by national and local impediments. Legal framew business may be lacking, or bureaucracy may be excessive. More create an "enabling regulatory environment" could spur immense t growth;

In the industrialised world, private financing can underwrite essent utilities like power plants and water systems. This is rarely possibl developing world, which suffers from outmoded regulatory structur underdeveloped capital markets. Yet many poor countries have ur financial resources. Alongside efforts to attract foreign investment, energy should be directed at mobilising domestic capital;

In Canada, as in the US and western Europe, a modest home, a s of land or a solid credit history can be enough to secure a loan. Bu small-scale loans are hard to obtain in developing countries, which lack the necessary institutional arrangements such as credit agenc clear property rights. Hernando de Soto, a member of our commis estimates that roughly $9,3-trillion in land value largely in the hand poor lies unexploited as collateral to spur investment and growth;

Companies now tapping the huge consumer demand represented poor in developing countries are reaping big returns. We are inves what business insights and policy steps made such successes pos Legislators often eliminated legal bottlenecks or created new instit mechanisms to facilitate investment.

Of course, continuing macroeconomic reform remains necessary. liberalisation and trade expansion lifted millions out of poverty in th In other regions, developing countries that liberalised their econon encouraged foreign investment grew faster than they otherwise wc

But many countries 54, in fact were poorer in 2000 than they were as documented in the 2003 UN Human Development Report.

In most cases, these countries embraced macroeconomic reform, liberalising trade and investment rules and improving fiscal manag But these policies did not automatically prompt the expected and u needed private investment.

Part of the reason for this may be that economic reform must now from the macro level to the micro level, from trade and monetary p the web of legal and financial impediments entangling small busin When the business potential of the developing world is unleashed, benefits will be more than economic.

Indeed, private enterprise can create powerful interests vested in p

Although businesses are competitive by nature, true entrepreneurs instinctively collaborate in building new markets: a manufacturer ir country seeks marketers, financiers and distributors in other count regions. Ties among private companies enhance global stability.