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Press Briefing

SECRETARY-GENERAL LAUNCHES COMMISSION ON PRIVATE SECTOR AND DEVELOPMENT AT HEADQUARTERS PRESS BRIEFING

The birth of the Commission on the Private Sector and Development was yet another illustration of the rapidly growing partnership between the United Nations and the private sector, Secretary-General Kofi Annan told correspondents at a Headquarters press briefing today, as he officially launched the new high-level Commission.

The Commission, an initiative of the United Nations Development Programme (UNDP), was created to provide analysis and evaluation of the key factors that inhibit the role of the private sector in development. According to the UNDP, its goal is to develop strategic recommendations on how to promote strong indigenous private sectors and initiate concrete programmes, with the highest potential impact in private sector development.

Joining the Secretary-General at the launch today were the Commission's co-Chairs, Paul Martin, Canada's former Finance Minister, former Mexican President Ernesto Zedillo, and UNDP Administrator, Mark Malloch Brown.

The Secretary-General said that the Commission underscored the importance of the partnership between the United Nations and the private sector in reaching the Millennium Development Goals. Ranging from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education — all by the target date of 2015 — the Millennium Development Goals represented a set of simple, but powerful, objectives that every man or woman in the street, from New York to Nairobi to New Delhi, could easily understand and support.

Those goals could not be reached, however, without support from the private sector, he stressed. Most of all, they could not be reached without a strong private sector in the developing countries themselves, to create jobs and build prosperity. He hoped the Commission would provide both a fresh analysis of those issues and practical proposals, which could have an impact on the ground. There were many promising examples of that happening already, including through the Global Compact — the United Nations corporate citizenship initiative bringing together companies, governments, United Nations agencies, labour and civil society, with the common purpose of fostering action in support of universal values.

He said that the United Nations Development Programme (UNDP) had taken the Global Compact to the local level in many countries around the world, inspiring dialogue, learning and projects. Several concrete initiatives were already taking shape. For example, it had launched strategic project partnerships and ambitious initiatives, such as "Growing Sustainable Business in the Least Developed Countries". It was the Secretary-General's hope that the Commission would build on such successful approaches and identify how to scale them up, as well as how business, in partnership with other actors, could bring about positive change.

"A large part of the work for development, after all, is about preparing the ground for sufficient private sector activity to provide jobs and income needed to build a more equitable and prosperous society", he said.

Introducing the Commission's co-Chairs, the Secretary-General said the fact they were prepared to serve reflected the importance of the Commission's work. Former Mexican President Ernesto Zedillo, who had served as the chair of the High-Level Panel on Financing for Development, in preparation for the Monterrey Conference last year, was currently leading the United Nations Millennium Project's research effort on trade and financial issues. As the former Finance Minister of Canada, Paul Martin's global vision and commitment to development, as well as his successful track record as a businessman, would greatly enrich the work of the Commission.

"We are here to build a new pillar in development", Mr. Martin said in opening remarks. While the world had made important progress in fighting poverty, it was clear that the international community was not doing well enough. Markets had to be opened to trade and the commitment to aid must be deepened. Aid was limited, however, because it separated between those who gave and those who needed. Trade was of little help to many poor countries, because they lacked local businesses strong enough to take advantage of it.

Lost in those "blunt arrangements" was any real sense of partnership, he said. That should be brought into play by adding a new focus alongside aid and trade: support for the growth of local business in the developing world. The developed countries were wealthy because they had tapped the energy and vision of their entrepreneurs. Given the chance, local entrepreneurs had the power to create the greatest change for their own countries. Basic enterprise was everywhere and did not need to be imported. Free commerce, alongside democratic institutions, had the power to forge a community, by training skilled labour, mobilizing capital and serving the needs of local markets, he said.

The international partnerships built by private enterprise were often more empowering than aid, because they reflected the different strengths of both a developed and developing country, rather than casting one in the role of the beneficiary, he went on. People wanted a chance, not a hand out. The world had both the obligation and the knowledge to create those chances for local businesses in developing countries.

The Commission's members represented the experience, heft and will to set an aggressive path, he continued. Its aim was to place the ambitions of local business at the heart of development strategy. The Commission was only one small piece of an enormous fight against poverty, however. If, through its efforts, it could mobilize the dreams of those rarely heard, it would have "unleashed a new energy for the world".

In his opening remarks, Mr. Zedillo congratulated the Secretary-General on the composition of the Commission, which included great figures from the private sector, as well as former, distinguished government officials, and well-known scholars. The Commission's high-quality membership reflected the fact that, despite recent turbulence, the United Nations was an institution, which was highly respected and supported. He was keen to participate in the Commission because of its core topic, namely the private sector and development. "This is not a small challenge", he said.

The UNDP had championed human development as a fundamental aspect of development policy more than any other multilateral institution, but, he said that some believed, that it had neglected economic growth as an aspect of development strategy. That was not true. Without economic growth, there could be no human development, and without human development there could be no economic growth. Human development provided the human capital, which was a fundamental input of economic growth.

Noting that an inescapable ingredient of economic growth was private investment, he said he was hopeful that the series of recommendations the Commission would produce would energize the private sector in developing countries, particularly in the least developed countries. It would not be an easy task and the Commission would have a very tight schedule. He believed, however, that the Commission would be able to produce good results by the end of the year.

Providing a context for the new Commission, Mr. Malloch Brown said he had approached the Secretary-General with the proposal to form the Commission as a result of a trip to Africa. That

trip had confirmed what he had observed on many other field trips, namely, that despite the many real successes of development, a strategy of economic diversification and the development of a small- and medium-sized business sector was missing at the centre of development. The issue of building a private sector in developing countries was the critical next development challenge — “the great mountain we need to climb together in this area”, he said.

He said that the Commission had been borne both of a real need — the absence of an effective organized private sector in many developing countries — and of strong institutional sponsorship. It would deliberately have a short writing period, so that it could focus on a very “un-commission-like” second phase, namely a pilot phase where its ideas would be tried out in the field. Finding a way of building and igniting a private sector across the developing world was a critical key to turn in the door of development, he said.

How would the Commission engage the private sector in developing countries in the project? a correspondent asked.

Outstanding business people from around the world served on the Commission, Mr. Martin said. The small- and medium-sized business sector was the most dynamic “big business” sector of any country. Enormous amounts of initiative came from the small- and medium-sized business sector and the Commission wanted to engage people in that sector.

Having more private investment in developing countries was important for achieving growth, Mr. Zedillo added. It was just one of many conditions, however. The Commission had been challenged to think, not only about foreign direct investment, but also about policies and strategies to allow developing countries to tap the enormous potential at the “bottom of the pyramid”: the informal sector had enormous potential for entrepreneurial activity. If the Commission made recommendations on how to tap it, the growth potential of those countries would be enhanced.

Asked how he would balance his many new jobs, Mr. Martin said he was very excited about what the Commission would be doing, namely opening up the greatest area of growth and poverty alleviation. In terms of his possible other new job, he believed that Canada should play an important role in the international areas where it was breaking new ground. Concerning the Commission, enormous amounts of preparatory work had already been done, so that job would not require much travel, but it would require time.

What kind of results did the Commission plan to deliver by the end of the year? another correspondent asked.

The Commission's mandate was very clear, Mr. Zedillo said. It had been asked to produce a set of concrete policy recommendations. He hoped to produce recommendations on best practices and policies to tap the private sector potential in developing countries. He would be happy if the Commission's report clearly put forward best ideas to foster the domestic private sector in poor countries. What had been done in the rich, developed countries could not mechanically be repeated. The particular characteristics of developing countries would have to be taken into account. Private investment, democracy, the rule of law, sound macroeconomic policies, international cooperation and free trade were needed. “There is no such thing as a silver bullet for development”, he said.

Asked to what degree multinational corporations posed a threat to the development of small businesses in the developing world, Mr. Martin said he hoped that multinational corporations would become partners in the work of the Commission.

Responding to a question on the idea of an international bankruptcy court, Mr. Martin said the International Monetary Fund (IMF) had come up with such a plan. Discussion on the matter was ongoing. He believed that the concept had enormous merit.

Asked if there was a threshold level of development before there could be any serious entrepreneurship, Mr. Zedillo said that significant domestic entrepreneurship had already existed in most developing countries. The problem was numerous bottlenecks in terms of infrastructure, rule

of law, corruption and access to local and foreign markets. Some practical policies had already been tried successfully in some countries. The threshold varied according to the particular circumstances of every country and there were some very critical cases, including in sub-Saharan Africa. For the most part, sub-Saharan Africa was a huge human tragedy. More than one tenth of the world's population lived in Africa, yet, their participation in world capital flows was less than one per cent.

If private sector development was the "next big thing", were governments ready to accept the political consequences of empowering a large middle class? another correspondent asked.

There were certain built-in biases against that in the development community, Mr. Malloch Brown said. The most inarticulate voice in the development debate was the local businessman. The private sector in developing countries was actually much bigger than that in developed countries. The problem was that it had difficulty developing beyond a handful of big, oligarchical firms, and fragmented, one-person businesses. Development often did not hear the voice of local concerns. He did not wish to imply that the Commission was playing a pioneering role. The World Bank's International Finance Corporation (IFC) had been in that sector for a while.

Responding to a further question, Mr. Zedillo said that the Commission's report would seek to follow up on the implementation of the Millennium Development Goals. It would contain a number of practical recommendations on how to empower people to overcome poverty. The international community was not doing particularly brilliant work in keeping track of the Millennium Development Goals.

Asked whether the report would focus on Africa, Mr. Malloch Brown said that while Africa was a challenge to all involved in development, the report would not be limited to Africa. The issue of private sector development was common to the whole developing world.

Mr. Martin added that "what you really want to do is take a vicious circle and turn it into a virtuous circle". The entrepreneurial spirit was very much alive. The question was why some countries had tapped into it, while others had not, he said.

Similarly, Mr. Zedillo said that if a country was able to tap into the bottom of the pyramid --- to empower the poor to particulate in the market economy --- then economic growth became a win-win situation.

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