



United Nations Development Programme

Communications Office

PRESS RELEASE

SECRETARY-GENERAL KOFI ANNAN LAUNCHES COMMISSION ON PRIVATE SECTOR AND DEVELOPMENT

Canada's Paul Martin, Mexico's Ernesto Zedillo will lead Commission

United Nations, 25 July 2003— Secretary-General Kofi Annan officially announced the formation of a high-level Commission on the Private Sector and Development, an initiative organized by the United Nations Development Programme (UNDP) and co-chaired by Paul Martin, the former Canadian Finance Minister, and Ernesto Zedillo, the former President of Mexico.

"The birth of this commission is yet another illustration of the rapidly growing partnership between the United Nations and the private sector. It also underscores the importance of that partnership in our work to reach the Millennium Development Goals – a blueprint for building a better world in the 21st century," said Annan.

"We cannot reach these goals without support from the private sector," the Secretary-General added. "Most of all, we cannot reach them without a strong private sector in the developing countries themselves, to create jobs and build prosperity.

Secretary-General Annan was joined by Paul Martin, Ernesto Zedillo and Mark Malloch Brown, Administrator of the UNDP at a news conference announcing the establishment of the Commission today at UN headquarters.

Paul Martin, a member of Canada's Parliament and a candidate for the leadership of the governing Liberal party, has played a pioneering role in many key international economic development initiatives over the past decade, including the founding of the "Group of 20" forum that brought together finance ministers from developing nations and the G-7 countries.

"People want a hand up, not a hand out," said Martin. "The world today has both an obligation and the knowledge to create those chances for local businesses in developing countries."

"Our aim is to place the ambitions of local businesses at the heart of the development strategy," he added.

Ernesto Zedillo, who as president of Mexico from 1994 to 2000 led his country's continuing economic opening and deepening democratization, served as chair of the high-level panel that laid the groundwork for the 2002 UN Conference on Financing for Development in Monterrey. President Zedillo is currently leading the UN Millennium Project's research effort on trade and financial issues and heads the Yale University Center for the Study of Globalization.

"There cannot be human development without economic growth, nor can there be economic growth without human development," said Zedillo. "A fundamental ingredient of growth is the private sector. We are pleased that the Secretary-General is challenging the world to go deeper and try to energize small businesses in developing in countries."

The 16 Commission members were selected because they offered a wealth of real-world business and policy expertise in both the industrialized and the developing world, and because they share the belief that private investment must be the main source of income growth and job creation in poor countries as it is in the industrialized nations, Malloch Brown said.

"The Commission views this belief as the critical key to turn in the door of development," said Malloch Brown.

The other 14 Commission members are:

- Eduardo Aninat, former Deputy Managing Director, International Monetary Fund
- Jorge Castañeda, former Foreign Secretary of Mexico
- Hernando De Soto, President, Peru Institute for Liberty and Democracy
- Luisa Diogo, Minister of Planning and Finance, Mozambique
- Carleton Fiorina, President and CEO, Hewlett Packard
- Rajat Gupta, Senior Partner Worldwide, McKinsey & Co.
- Anne Lauvergeon, President and CEO, COGEMA
- Jannik Lindbaek, Chairman of the Board, Norwegian Investment Bank
- Peter McPherson, President of Michigan State University (on leave)
- Noureddine Mejdoub, Ambassador of Tunisia to the United States
- Alan Patricof, Vice-Chairman and Founder, Apax Partners
- Kwame Pianim, CEO, New World Investments
- C.K. Prahalad, Professor of Business Administration, University of Michigan
- Robert Rubin, Chairman of the Executive Committee of Citigroup and former United States Treasury Secretary
- Miko Rwayitare, President and Executive Chairman, Telcel International.

Commissioners agree too that alongside efforts to attract foreign investment, at least equal energy should be directed at mobilizing and unleashing domestic capital. In the industrialized world, private financing can underwrite essential public utilities like power plants and water systems, as is done routinely in the bond markets of the U.S. and Canada. This is rarely possible for similar projects in the developing world—often because of outmoded regulatory structures and underdeveloped capital markets. Yet many poor countries have substantial untapped financial resources.

Commission member Hernando de Soto has stressed the need to unlock the private capital potential of developing countries. He estimates that roughly \$9.3 trillion in land value, largely in the hands of the world's poor, lies unexploited for use as collateral to spur investment and growth. This contrasts with countries like Canada, the United States and most in Western Europe, where a modest home, a small plot of land or a solid credit history can be enough to secure a loan. But such small-scale loans are hard to obtain in developing countries, which often lack the necessary institutional arrangements such as credit agencies and clear property rights.

The Commission will evaluate requirements for an "enabling regulatory environment" that could spur business growth. Even when budget deficits and inflation are controlled, private investment is often inhibited by national and local bureaucratic impediments. Commission members intend to analyze how legal restrictions keep huge informal resources from taking advantage of the resources of the mainstream private sector, such as savings and credit institutions, the monetizing of assets, insurance, and clear property rights.

Commissioners also plan to study examples of companies in the developing world that are both highly profitable and clearly beneficial to their nations' overall development needs. In many of these cases, policymakers had eliminated key legal obstacles and bottlenecks or created new institutional mechanisms to facilitate the investment that allowed these enterprises to flourish.

However, too often the community of small businesses in developing countries is not part of the global development debate, in contrast to civil society organizations and the government, noted Malloch Brown.

"The lost voice in the development debate is the voice of the local businessman," he said.

The Commission will report back to the Secretary-General before the end of the year with concrete policy recommendations for developing and developed countries and multilateral development agencies. The Commission will also seek to highlight successful initiatives already underway in the field of private sector development.

"Within the Commission on Private Sector and Development our focus is on a very uncommission-like second phase where we will be trying out some of the ideas in the field to make these new approaches succeed," said Malloch Brown.

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