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## UN Will Back Entrepreneurs In Bid To Lift Poor Nations

Nearly a decade after micro-financing took hold as a method of stimulating the growth of grass-roots private sectors in developing countries, the UN is beginning a new effort to support entrepreneurial efforts that could help lift countries out of poverty, the [New York Times](#) (07/27) reports.

Secretary General Kofi Annan said Friday that a new commission would work to eliminate the institutional, legal and cultural roadblocks that could inhibit the development of small and medium-size businesses in poor countries. The co-chairmen are Ernesto Zedillo, the former president of Mexico and the current director of Yale University's Center on Globalization, and Paul Martin, a member of the Canadian Parliament and a former finance minister.

The creation of such a commission, with its emphasis on developing the free market and on deregulation, underlines a new willingness at the UN to experiment with concepts and practices that have often been distasteful to the nonprofit institutions with which the international organization has worked most closely over the years.

Referring to the internationally endorsed goals of the United Nations for improving health, education and living standards in developing nations by 2015, Annan said: "We cannot reach these goals without the support of the private sector. Most of all, we cannot reach them without a strong private sector in the developing countries themselves, to create jobs and bring prosperity."

The [FT](#) (07/28) also reports that Mark Malloch Brown, head of UNDP, said the commission reflected the "next big thing" in third world development policy, an increasing engagement by the UN of private enterprise. In parallel, the UN claims its three-year-old "Global Compact", which brings together the UN, non-governmental organizations, labor and multinational companies, is beginning to spawn initiatives with real results. It cites the example of Shell, the international oil company, which has initiated solar energy and water projects with the Care and Oxfam charities in Ethiopia. Gavin Power, a Global Compact adviser, says there is a new confluence of interest as development policymakers realize they need private sector resources, while private companies come to see commercial advantage in acting responsibly.

There is, however, growing disquiet in the non-governmental sector that this hand-holding may herald something rather less savory: encouraging cronyism and public relations stunts. "It's clear that neither states, markets or NGOs have the key (to development), so the current fashion for partnership offers important possibilities," says Nicola Reindorp, from Oxfam International. "The private sector has a role in generating more equitable growth.

Malloch Brown acknowledges the skepticism: "There are certain in-built biases against it in the development community." But, he says, the latest initiative is crucial to involving a vast but often unheard constituency. "In developing countries, often the businessmen do not write in English, do not have the patience to engage in long international consultation exercises. They are in some way the lost voice."

[AP](#) (07/26) notes that Zedillo said the UNDP has asked the commission to think beyond foreign investment as a catalyst to economic growth and come up with strategies "to allow developing countries to tap the enormous potential in the bottom of the pyramid." The commission, which will make practical recommendations and run pilot programs to test them, aims to determine "how to empower people to

overcome poverty," he said. The private sector is no "silver bullet" guaranteeing development but can play a strong role along with democracy, rule of law, free trade, international cooperation and good economic policies, Zedillo added.

In related news, the New York Times reports that given current economic conditions in the United States, foreign aid could be especially important -- not just to make us feel good about ourselves, but also as an investment. The United States sends economic aid abroad through the World Bank, the International Monetary Fund, its own Agency for International Development and other organizations. It amounts to a tiny portion of the federal budget. In some cases, the aid has worked wonders. In others, it has appeared to evaporate.

The debate about making aid more effective has achieved consensus on only a limited number of points. But an important one is that foreign aid rarely turns into progress in countries riven with internal disputes or ruled by corrupt governments. In such situations, a different kind of aid can help a country take the first step on the ladder to better health, education and incomes: peacekeeping. If the troops' presence in Iraq leads to a stable government and vibrant economy, it could be money well spent on a market of about 25 million consumers, many of whom enjoyed a relatively high standard of living in the past.

Of course, that sort of market also benefits the world's other exporters, rich and poor. For that reason, at least from an economic perspective, they ought to share some of the costs of peacekeeping. At the moment, there is often little connection between investment in peace and economic return. To align those incentives would require more than the voluntary contributions of troops and money upon which the United Nations and other multilateral organizations rely. Perhaps a grander, more comprehensive form of coordination is in order.

Also in the New York Times, new research conducted by William Easterly, Ross Levine, and David Roodman states that "policymakers should be less sanguine about concluding that foreign aid will boost growth in countries with good policies." In a forthcoming article, these authors claim that the findings of Craig Burnside and David Dollar, which laid the basis for the Millennium Challenge Account, don't hold up. "We no longer find that aid promotes growth in good policy environments," write the three researchers. Even when aid does seek to promote development, though, how recipients spend it is only part of the story. Mr. Easterly stressed problems on the donor end: "You have bloated, inefficient bureaucracies that don't really know what they're doing as far as achieving results."