

Summary of informal hearings of the business sector on financing for development (New York, 11 October 2007)

Opening of the meeting

1. The Chairperson of the meeting, **H.E. Mr. Maged A. Abdelaziz (Egypt), Vice President of the 62nd session of the General Assembly**, opened the meeting and welcomed all panellists and participants. In his opening remarks, Ambassador Abdelaziz pointed out that one of the unique aspects of the financing for development process has been the deep-set and structured engagement between governments, multilateral organizations and the business sector. He emphasized that a recurring theme throughout the Monterrey Consensus is the need to foster a dynamic and well-functioning business sector in developing countries and that this topic is likely to feature prominently in the deliberations at the forthcoming High-level Dialogue and the Doha conference itself. Ambassador Abdelaziz ended his remarks by hoping that the hearings with business representatives would contribute to furthering interactions between member states and the private sector to the benefit of the financing for development process.

Presentations by panellists

2. The panel discussion was moderated by Mr. Oscar de Rojas, Director, Financing for Development Office, Department of Economic and Social Affairs (DESA), United Nations. In his remarks, Mr. de Rojas reiterated the importance of the business sector in the financing for development process, terming it as a ‘partner’ in the endeavour to implement the Monterrey Consensus. He then introduced the panellists who were Mr. Parag Saxena, Co-founder and CEO, Vedanta Capital; Mr. John Sullivan, Executive Director, Center for International Private Enterprise; Mr. Aram Zamgochian, Project Director, Middle East and Africa Affairs, US Chamber of Commerce; and Mr. Raul Calvet, President, Calvet and Associates.
3. Mr. Saxena’s presentation was titled “Perspectives on Venture Capital”. He pointed out that venture capital is today an important driver of employment and growth in the United States and Europe; it can, under the right conditions, also be encouraged in developing countries. Mr. Saxena cited figures showing that venture capital, in the United States, provides 9% of private sector employment. He, moreover, argued that its reach extends beyond information technology to encompass sectors such as media, financial services and bio-technology. In Europe, according to Mr. Saxena, employment growth rates in venture-backed companies have far exceeded those in many other sectors. Given these benefits, Mr. Saxena argued that developing countries should strive to create a favorable environment for venture capital to flourish through measures such as the provision of tax incentives, investor education programs, investment in research and development, and the setting up of enterprise zones. He also indicated that, in some countries, diasporas have played an important role as venture capitalists; especially in India where expatriate entrepreneurs based in Silicon Valley have generated a significant number of start-ups in technology centres such as Bangalore. The contributions made in this regard by ‘The Indus Entrepreneurs’, a global network of mainly Indian-origin entrepreneurs, in fostering

- entrepreneurship in India through a combination of mentoring, networking and education was also emphasized by Mr. Saxena.
4. Mr. Zamgochian's presentation was titled "International Investment Criteria in Emerging Markets". He discussed the important factors that make a country attractive to international investors and provided examples of how the US Chamber of Commerce has worked to strengthen the enterprise sector in Thailand and Lebanon. Mr. Zamgochain set out a number of criteria that international investors look for including the size/purchasing power of the internal market in a country, the access to this market, availability and quality of labour force and raw materials, regulatory and tax environment, protection of property rights, infrastructure support, political and currency risk, and predictable macroeconomic management. He described a US-Thailand Business Partnering program that was developed by the US Chamber of Commerce, and supported by a grant from USAID, that has increased long-term business relationships between Thai Small and Medium Enterprises (SMEs) and US firms. According to Mr. Zamgochian, this has in turn served to strengthen the capability of Thai business organizations to motivate and assist SMEs and improved the quality of information about Thai firms. In Lebanon, he pointed out that the US Chamber of Commerce has trained over 350 small business owners, executives and employees at the American University of Beirut, which has helped to improve the management and organizational capabilities of a number of local enterprises.
 5. Mr. Sullivan's presentation was titled "Designing a reform agenda for developing democratic governance and market institutions". This, in particular, refers to reforms to promote a sound business climate coupled with a democratic system of government and, in this regard, his speech summarized the lessons learned at the Center for International Private Enterprise from their experience of working with the private sector in developing countries. According to Mr. Sullivan, the key steps in designing a reform program include identifying the key initial conditions in the investment climate of a country and the main reforms that are required; mobilizing business associations, think tanks and other civil society groups to collectively advocate for these reforms; generating specific policy recommendations and setting out achievable goals; and providing recognition to government officials, political leaders and business people who act upon the reform agenda. Lacing his presentation with examples from several countries, Mr. Sullivan emphasized that a good business climate does not appear in a vacuum; rather, it is a result of comprehensive reforms in both the political and economic arenas. Effective business associations can help facilitate the reform process, as can transparent policy making.
 6. Mr. Calvet's presentation was titled "Changing government and private sector relations". He argued that government policy in many countries has focus on improving conditions for larger companies or micro-enterprises, while devoting insufficient attention to the needs of Small and Medium Enterprises (SMEs) who are important engines of employment creation. In order to understand and act on the needs of the private sector, including SMEs, Mr. Calvet asserted that governments need to have systems and tools that enable them to be effective in their outreach to these entities. In particular, he advocated the use of interactive communications systems that identify impediments to investments, facilitate dialogue between public and private sectors, and highlight best practices and success stories. An example of such a tool is the intranet-based 'Government-Investor Network' that has been

developed with Swiss government funding. According to Mr. Calvet, this has served to enhance coordination and communications within and between governments and businesses in Nicaragua and, as a result, has led to actions to improve infrastructure and services, reduce red tape and strengthen security.

Discussion

7. A number of issues were highlighted during the ensuing discussion, including the following:
 - a. There was discussion regarding the problems faced by countries emerging from conflict in constructing an enabling business environment. A business representative pointed out that such countries tend, above all, to lack the institutions necessary for the effective operations—including chambers of commerce, business assistance organizations, and legal systems. According to him, foreign assistance in the form of capacity building should help to bridge these gaps while, in certain areas, setting up investment zones to kick-start business development may also be pertinent. At the same time, another business representative asserted that overseas investors may still operate in post-conflict regions if there were adequate business opportunities. In this regard, the example of Lebanon was given, where a number of large US corporations have pooled resources to provide training and finance for SMEs—an instance of private sector capacity building, driven by the business interests of the corporations who view the assisted SMEs as potential partners and suppliers.
 - b. The issue of climate change and the possible measures that the private sector could undertake to address this was highlighted by both delegations and business representatives. The growing importance that companies attach to corporate social responsibility was cited as a positive trend that should lead to companies developing processes that limit the emission of negative externalities. There was also a suggestion by a business representative for the setting up of an insurance scheme to encourage companies to invest in cleaner technology, by limiting losses accruing from such efforts beyond a certain level.
 - c. In response to a question by a delegation, the importance of education was emphasized. The panel participants stressed the importance of specific training, geared to the identified needs of industry in respective countries. A participant also bemoaned what he considered a distortion in the allocation of educational resources in some developing countries, with too many resources going into universities and too little into primary, secondary and vocational education.
 - d. There was discussion of the impact on the poor of the privatization of utilities in a number of developing countries. A representative of civil society, in the audience, argued that such measures have had an adverse impact on poorer people by raising the cost of essential services. While agreeing on the importance and sensitivity of this issue, a business representative argued that some of the negative results do not necessarily represent a case against privatization per se. Instead, the impact of privatizing utilities can vary across countries, in line with prevailing regulatory and institutional conditions.

- e. The importance of empowering women entrepreneurs and employees was emphasized. In particular, it was asserted that advances in technology could provide women in developing countries with a greater configuration of professional choices and opportunities. Nevertheless, panellists also emphasized the need to improve conditions in the informal sector, where many women work, and to strengthen the access of women to financial loans.
- f. There was considerable discussion of issues relating to trade and investment. While panellists agreed on the need for freer trade, a business representative accepted that countries may have reasons for protecting specific industries. The importance of regional and sub-regional integration was emphasized with panellists pointing out how cross-country cooperation could assist in capital market development and in the building of critical infrastructure. With respect to investment, a delegation emphasized the need to ensure that FDI leads to technology transfer and modernization. In response, some business representatives asserted that the enforcement of intellectual property rights would serve to spur the transfer of technology by investors. The success stories relating to the transfer of knowledge and technology by diaspora investors were also highlighted. While pointing to the contribution of diasporas in India and Armenia, and the growing importance of remittances in Nicaragua, panellists agreed that the levels of expatriate investment, like other foreign investment, are influenced by the quality of the business environment in the recipient country.

Closing of the meeting

8. The chairperson, Ambassador AbdelAziz, closed the meeting. In his closing comments, Ambassador Abdelaziz expressed appreciation for the quality of the presentations and the discussions that followed between member states and the business representatives. He thanked the business representatives and looked forward to their participation in the forthcoming High-level Dialogue on Financing for Development.