

## **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 62<sup>nd</sup> 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

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 invest

