ECOSOC High-level Segment
Roundtable on “Poverty eradication – making it happen”
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Mr. Chairman,

It is a great privilege for UNIDO to be associated with this Poverty Dialogue as a co-organizing agency and I would like to thank you for including me as a speaker in this high-level Panel.

We have already listened to rich contributions from other panelists. I want to underline one of the resounding messages delivered so far: namely that poverty reduction is simply not going to happen by government fiat but only through private sector dynamism. In this context, it is encouraging to note that the second generation of Poverty Reduction Strategies (PRSs) currently being formulated in many developing countries places a more pronounced emphasis on the contribution that the private sector will have to make – compared to the over-reliance on the social agenda that characterized earlier PRSs.

In my short intervention, I will stress just two points:

- First, the critical role of the private sector in any strategy to reduce poverty in a lasting and sustainable manner
- Second, the importance of the public and private sector, of development cooperation agencies and private business, to engage in strategic alliances and partnerships

At the outset, let us look at the following striking trend: at the beginning of the 1990s, of all resource flows to developing countries, some 30 percent were generated by private sources while approximately 70 percent were transferred as Official Development Assistance (ODA). The most recent available data (2005) reveal a complete reversal of these shares: Two thirds of resource flows now originate from the private sector with ODA accounting for only one third. A remarkable change indeed. And a change that calls for a response from development agencies.

What does this new situation imply? In my view, it clearly calls for joint approaches, for partnerships between UN agencies – and, for that matter, also bilateral aid agencies – and those private sector players that undertake commercial investments in the developing world. These partnerships must have a dual purpose: First, they must seek to direct more of these private investment flows to countries that so far have been largely bypassed (and, as we all know, these are above all the least developed countries); and second, they must seek to enhance the developmental impact of foreign investment wherever it does take place.

To achieve these increased developmental spread effects of foreign direct investment (FDI), we in UNIDO believe that the creation of sustainable linkages with local small and medium enterprises (SMEs) has proven to be the most powerful mechanism. This was also one of the keys points made by the UN Commission on the Private Sector and Development in its 2004 report entitled Unleashing Entrepreneurship, which to this day remains one of the best and most concise reports on this subject. The creation of business linkages is also a central feature of the UN Global Compact, which will convene its Leaders Summit here in Geneva tomorrow.

Indeed, I strongly believe that we all need to revisit the modalities and established practices of aid delivery. It is no longer appropriate, and certainly not effective, to look at ODA and FDI as two totally separate forces. The more we define complementarities and promote joint action, the more we will create synergies and generate tangible impact on the ground.

Allow me to refer briefly to just two examples out of UNIDO's recent work:

- In India, together with a number of global car manufacturers, we have managed to enhance the performance of hundreds of SME automotive component companies, which otherwise would have been wiped out by global competition. This has saved and indeed upgraded, thousands of jobs. This business partnership programme has been ongoing for eight years now. It moved from an initial pilot phase into the roll-out of upgrading services to SMEs in one region, from where it has been scaled up to cover the most important regional clusters of the automotive industry in India. Today, UNIDO is preparing its withdrawal from the programme, which will be fully taken over and managed by the relevant local industry associations. In a nutshell, this partnership has created a sustainable capacity in India and will soon be standing on its own feet – with companies paying for the services received.

- In a more recent partnership established in 2006 with Microsoft, UNIDO is developing, initially for sub-Saharan Africa, an electronic Investment Monitoring Platform, which will provide rich information and assessments of investor perceptions and behaviour, and in turn will facilitate evidence-based policy decisions on investment promotion. This partnership will subsequently be extended to cover other regions as well. It is further envisaged to collaborate with Microsoft on a refurbished computers programme, which will benefit local SMEs and at the same time, address serious environmental challenges created by electronic waste.

In both cases, the state-of-the-art expertise of global business players is brought to bear on local development dynamics.

On Monday, in the ECOSOC opening session, Francois Bourguignon, the World Bank's Chief Economist, spoke about the growing fragmentation of development assistance that we are currently witnessing, with an increasingly important role of emerging new donors (China and India being cases in point) and rapidly growing contributions coming from powerful private foundations. This is certainly true. But it is equally true that we are now witnessing hybrid forms of aid delivery, often with several partners from business, civil society and traditional aid institutions getting together and delivering sustainable results.

This is an exciting new development – a development that breaks down conventional barriers and does not ask who provides the much needed support (whether multilateral or bilateral, public or private agencies) but the far more important question: Does this support work? Does it provide jobs, create income and reduce poverty? In other words, there is now a healthy dose of pragmatism compared to the often ideological dividing lines that prevailed in the past.

Of course, it is also quite legitimate to see a potential danger here of development assistance being gradually privatized. Our distinguished panelists, Mr. Chairman, are from quite diverse backgrounds, and this could be an intriguing subject for our debate.