

Introduction



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Deliberations around the expiration of the Millennium Development Goals and what comes after them are infused with optimism that the end of extreme poverty is within the world's grasp.

When United Nations secretary-general Ban Ki-moon convened a high-level panel to forge a new global post-2015 Development Agenda, the centerpiece of the group's final report called for "eradicating extreme poverty from the face of the earth by 2030."¹ The prospects for achieving this goal do not seem so far-fetched; half a billion people have been lifted out of extreme poverty (those living under \$1.25 per day) since 2000 alone. However, further progress will require broad-based and sustainable economic growth across the developing world, innovative and affordable ways to deliver basic needs for the poor as well as major new investments to tackle global challenges such as climate change. Addressing these issues will require



an all-hands-on-deck approach from all the players involved in international development. Notably, the private sector—from small and medium-sized enterprises to major global corporations—must play an expanded role if this vision is to be realized.

By some measures, this shift is well underway. In 2011, the combined private flows of the 23 traditional donor countries (members of the Organization for Economic Cooperation and Development's Development Assistance Committee) were four times larger than their official development assistance.² Private equity funds have become increasingly significant players in the developing world, even in Sub-Saharan Africa, where the size of investment funds and private capital investment in the region expanded 15-fold and 5-fold respectively in the 2000s. Meanwhile, the developing world is benefiting from the proliferation of thousands of social enterprises that seek to lower the price and increase the accessibility of a range of goods and services for the very poor while still turning a (modest) profit.

But while the private sector's emergence as a major contributor to international development is gaining recognition, it remains the fact that the private sector's pursuit of profit is its primary purpose and responsibility—not achieving development impact in low-income countries. The question of how these divergent interests can be better aligned so that the private sector can more effectively play a key role in international development is the focus of the first essay in this report, "Reimagining the Role of the Private Sector in Global Development."

This introductory essay identifies actionable areas that can enhance the development impact of private sector activity while overcoming the mistrust of other development stakeholders. These include promoting norms and business standards that raise levels of transparency and accountability, as well as resolving the constraints to blending commercial

with philanthropic and official finance. In addition, it puts forward a taxonomy of private sector actors that distinguishes the range of constraints facing private sector actors and points to the need for more effective measurement of the contribution of the private sector to development.

The second essay in this report, "Goods, Services and Jobs for the Poor: Creating the Conditions for Private Investment," argues that investments in individual enterprises serving low-income customers can be complemented by focused efforts to foster the industry "ecosystem" within which enterprises operate. Improvements in industry-specific value chains, public goods, and policy and regulation have a direct impact on the viability and profitability of businesses and can act as a draw on private capital. This approach, it is argued, may offer the most promising path for accelerating discovery of enterprise solutions and the speed with which they are brought to scale.

The final essay, "Advancing US Leadership in Development," explores key issues concerning the US government's engagement with the private sector in pursuit of development goals. Specifically, the essay suggests practical reforms for US development finance institutions against a complex political environment. It ends by charting a way forward for the US government as it deepens its engagement in the post-2015 Development Agenda process.

The 2013 Brookings Blum Roundtable on the Global Economy was convened in August 2013 to explore how the contribution of the private sector can be enhanced in the push to end extreme poverty over the next generation and how government and other actors can work more effectively with the private sector to leverage their investments. This report's three essays highlight some of the most prominent themes discussed and debated at the conference, while both summarizing the roundtable discussion and exploring the issues further through independent research.

1. "A New Global Partnership: Eradicate Poverty And Transform Economies through Sustainable Development—Executive Summary," <http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf>.

2. Index of Global Philanthropy and Remittances 2013, <http://www.hudson.org/files/documents/2013IndexofGlobalPhilanthropyandRemittances.pdf>.