

## **Private-Sector Opportunities and Responsibilities In Fulfilling the Millennium Development Goals**

**Remarks by World Bank Managing Director, Mahmoud Mohieldin**

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Thank you very much. Let me begin by expressing my appreciation to the Government of Japan for hosting the Tokyo MDGs Follow-up Meeting this week, and for its continued leadership in helping to keep the world focused on the crucial task of achieving the MDGs by 2015.

The fact that the Government of Japan has hosted the Tokyo summit at such a critical and painful moment in its modern history is testament to its deep commitment to the MDG process.

This effort to eliminate poverty and achieve shared prosperity is one of humanity's longest struggles. Fulfilling this ambition will require our continued efforts long after we have passed the 2015 deadline for the MDGs.

But even since we began the MDG process in 2000, the journey itself has begun to change dramatically. There are more opportunities than ever for the private sector to contribute to attaining the MDGs in ways that also make good business sense. The challenge is to figure out how to take full advantage of these opportunities. I suggest that we do this by ensuring that the public and private sector stick to what they do best, and in ways that complement each other.

## Opportunities

Let me start with the opportunities for private-sector engagement in development and the MDGs. If we take a long-term perspective, the opportunities that global trends offer the private sector are undeniable.

**First, markets have expanded dramatically in the developing world,** as a result of both population growth and—more importantly for long-term prosperity—faster gains in productivity and per-capita incomes. As a result, the global economic landscape is changing profoundly. The global economy is shifting to a pattern of “multipolarity,” in which wealth and political leadership will no longer be dominated by just a few developed nations. You are already familiar with the increasing prosperity in the neighborhood of East Asia, but I invite you to consider the opportunities in emerging Africa as well.

A substantial share of global demand in the future will come from what have historically been low-income countries. In sub-Saharan Africa, per-capita GDP growth has recently quadrupled, from 0.7 percent per year in the 1990s, to 2.7 percent a year in the first decade of this century.

As a result, Africa has a substantial and growing consumer market, with almost 900 million people and a growing middle class. There is certainly a market to be served – and money to be made – from the business community’s viewpoint, if these trends continue.

What does all this growth have to do with the Millennium Development Goals? Experience shows us that more rapid growth is generally accompanied by significantly less poverty and better education and

health. Yes, governments need to put the right policies and programs in place to support these improvements, but growth is clearly a necessary step.

And with the more rapid growth of the past decade or more, we have already seen significant progress toward the MDGs. Most notably, two-thirds of developing countries are now within reach of the key targets for tackling extreme poverty and hunger.

**A second major opportunity is in the area of service delivery in the health and education sectors.** In many cases, developing-country governments cannot come close to meeting the demands of their people. This is partly due to longstanding failures in the quantity and quality of schooling and health care delivered by the public sector. Rising prosperity has magnified the gaps, as people demand more education and health services and stop tolerating poor-quality government services.

The private sector is helping to meet these aspirations. In India, for example, some 80% of all health care is provided by the private sector, because of the gaps and shortcomings in public care.

In education too, a large and growing share of rural children in such countries as India and Pakistan is enrolled in private schools, because public schools cannot provide enough places, or meet the quality demands of parents.

Often this reliance on the private sector emerges not as a result of any government policy, but in spite of it. But far-thinking governments can collaborate creatively with the private sector to meet the MDGs. They can create the regulatory and quality-control framework necessary for private schools and clinics to operate effectively; finance private delivery of

education and health services, where that is more efficient than public provision; and learn from private-sector innovations.

Where governments create the right environments, there are real opportunities for private firms—including international firms—to develop new markets while also helping to meet the health and education MDGs.

The World Bank is working with governments to foster these opportunities. In Bangladesh, for example, one notable public/private partnership that the Bank is supporting, called ‘Reaching Out-of- School Children’, has brought back more than 700,000 children into the school system—children from the poorest sub-districts of the country, who had either dropped out of school, or who had never enrolled in the first place.

**Third, new technologies have created a universe of opportunities for the private sector, and also for shared prosperity.** Many of these opportunities would have seemed far out of reach, and some even unimaginable, at the turn of the Millennium. To name just a few examples:

- Technology lengthens the reach of both private-sector firms and service providers.
- By improving the availability of information, technology can make development more inclusive and less susceptible to fraud and corruption. Mobile telephony is a powerful tool for banking, as we have seen in such countries as Kenya, where 13 million customers use the M-Pesa mobile banking network to make payments. It also empowers small businesses by giving them information about prices and market opportunities, reducing the power of the middleman.

- In education, inexpensive e-readers could soon replace book printing, eliminating expensive textbook-procurement which has been subject to graft and corruption.
- In health, better technology can improve monitoring of drug supplies and staff attendance, to ensure that clinics deliver the services they are supposed to provide.

In each of these areas, there are opportunities for the private sector. Consider how one company is thinking ahead toward future opportunities: Cisco Systems Networking Academy Program has been training thousands of people in developing countries to improve their education through technology. Cisco is thus doing good but also doing well, by creating long-term demand for its products.

Many other businesses are now looking at ways to use new technologies to develop products that serve the needs of poorer communities.

## **The challenge**

So the opportunities are clearly there. The challenge in taking advantage of them is to make sure that the public and private sectors complement each other; with each doing what it does best.

A move in this direction over the past 20 years has helped to fuel the resurgence in economic growth that I spoke of earlier. This growth has been driven by private firms, both domestic and foreign, that have invested and innovated in the developing world.

Although the public sector cannot be the engine of long-term growth, it has done much to make this dynamism possible. Since the crises of the

1980s and 1990s, governments throughout the developing world have reformed policies to make them more supportive of entrepreneurship and productivity growth. They have also reduced barriers to integration with the global economy by lowering tariffs and liberalizing investment regimes.

We need to build on this public-private partnership as we work to achieve better results in health and education. Governments and other development partners need to create an environment in which the private sector can flourish, and which channels growth and development toward achieving social goals.

One way to improve the investment climate is to build infrastructure and reduce the regulatory burden associated with doing business.

Another is to address the shortages of key skills in the workforces of many countries. Firm-level surveys cite skills as an increasingly important constraint to expanding business: students are not graduating with the skills that potential employers need. This is a problem for the private sector, and an even bigger problem for economic prosperity and social cohesion.

There are important opportunities here for public-private partnerships. For example, private-sector employers can advise school systems on curriculum design and standards development to increase the relevance and quality of instruction. They can also directly improve skills through on-the-job training for current employees and internships for potential future employees.

To help deliver on the potential of creating jobs in the Middle East and North Africa region which suffers from high unemployment rates, the Education for Employment (e4e) initiative was recently launched by the

International Finance Corporation, a member of the World Bank Group, and the Islamic Development Bank. My IFC colleague, Mr. Masuoka, will speak more about this during the Panel discussion. The initiative has involved public and private education providers, civil society, public sector policymakers and administrators, private employers, and the youth themselves. And e4e has explored is challenging all the partners, including the private sector, to close the deficit of skills and opportunity.

Strong public-private partnerships draw on the best capabilities within each of our sectors and institutions.

At its best, the private sector brings its goal-oriented ability of setting and meeting targets, disciplined by its market-driven focus on delivering results, but also driven by an enlightened self-interest that recognizes the importance of shared development.

And at its best, the public sector creates an environment for private-sector-driven growth. This benefits not only individual firms, but society as a whole, and in this way, economic and social progress reinforces each other. And at our best, the development partners contribute expertise and finance in ways that complement the efforts of motivated public and private sectors, and also inspire broader audiences to join public-spirited initiatives.

## **Conclusion**

As I conclude, let me repeat that progress is indeed possible if we concentrate the best of our skills to confront the most urgent of society's challenges.

And as the global economy's familiar patterns have been transformed, we all need to continue adjusting our outlook.

For the private sector, development need no longer be seen purely as a matter of philanthropy or charity. The places where many of the world's greatest human needs are concentrated will in many cases also be the places with the world's strongest economic growth. In tomorrow's economy, therefore, it is pragmatism that will be the principal motive for the private sector's involvement in development initiatives.

Thank you very much for the opportunity to join you for this important discussion, and thank you for your continued commitment to achieving the mission we all share: seeing the Millennium Development Goals fulfilled, and realizing our dream of a world free of poverty.

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