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Topic A: Ensuring Equitable Urban Development

Topic B: Promoting Entrepreneurship in the Private Sector

Committee Overview

The Inter-American Development Bank (IDB) finances various development initiatives of private and government organizations in Latin America and the Caribbean (LAC). Originally founded in 1959, they seek to overcome threefold development challenges: social inclusion and equality, productivity and innovation, and economic integration. The IDB also aims to address three wider-scope issues: gender equality and diversity, climate change and environmental sustainability, and institutional capacity and the rule of law.¹

In March, 2015, the IDB updated its institutional strategy wherein it stated its intention to “work in partnership with the Region to increase productivity and reduce inequality in a sustainable way to ultimately

transform LAC into a more inclusive and prosperous society.”² Given the global import placed on addressing climate change, IADM seems to adopt a renewed focus on the salience of sustainable development.

The bank is owned by 48 sovereign nations who act as shareholders. Of the 48 countries, 26 countries are able to receive loans. Voting power is determined by each country’s shareholding. The borrowing members are the majority shareholders, with 50.015 percent control of the bank.³ For the sake of procedural ease, each state in the IDB at JHUMUNC will have equal voting power, but real power balance between shareholder states should be taken into consideration in debate and resolution writing.

¹ “About us,” Inter-American Development Bank, <https://www.iadb.org/en/about-us/overview>.

² *Update to the Institutional Strategy 2010–2020 Partnering with Latin America and the Caribbean to Improve Lives* (Washington D.C.: Inter-American Development Bank, 2015)

³ “Capital Stock and Voting Power,” Inter-American Development Bank, <https://www.iadb.org/en/about-us/capital-stock-and-voting-power%2C1352.html>.



Topic A:

Ensuring Equitable Urban Development

Introduction

The question of ensuring equitable urban development is of extreme relevance as we weigh growing global urbanization and economic growth, the resulting impact on the environment, and the need for inclusivity in reaping the benefits of economic growth.

Today, more than half of the global population live in an urban area, and it is expected that the world will continue to be urbanized. By 2030, 60% of the world's population is expected to live in cities, with most urban growth is expected in Africa and Asia.⁴

There is undoubtedly a lot to celebrate about the rise of urban centers around the world. Over 80% of the global GDP is generated in cities, and urbanization can be linked to rise in productivity and economic output.⁵ Urban centers were major contributors in reducing abject poverty rates around the world.

At the same time, urbanization brings immense challenges that requires member states to come together to foster global coordination to address this issue. Specifically relating to the IDB, a discussion on present challenges is necessary in order to guide future actions on funding development of the LAC region. As this guide will show, urbanization requires robust government support. However, in

the LAC region where urbanization is rapidly occurring, there is limited capacity to govern.

This guide aims to address three primary issues that arise with urban development: extreme bifurcation of urban and rural areas, rise of urban poor status, and concerns over sustainable development.

Historical Background

Perhaps the earliest instance of urbanization dates back to ancient Mesopotamia as a means of necessity to control surplus production and manage unpredictable of the Tigris and Euphrates.⁶ For the purposes of understanding urbanization in modern history, this guide will observe the developments during and following the Industrial Revolution. However, one lesson to take away from ancient urban development is the volatility of the environment. Rise of urban cities led to decline in rural areas. The depletion of natural resources by the populace ultimately led to the abandonment of ancient Mesopotamian civilization.⁷

An explosive growth of urban population took place in the 18th and 19th century particularly in Western Europe and the United States. While many historians dispute the existence of a “revolution” that can be precisely marked in history, the rapid surge in urban population can be

⁴ *Sustainable Urbanization Strategy: UNDP's Support to Sustainable, Inclusive and Resilient Cities in the Developing World* (New York City, New York: United Nations Development Programme, 2016),
⁵ “Urban Development,” World Bank,
<https://www.worldbank.org/en/topic/urbandevelopment/overview>.

⁶ Helen Chapin Metz, *Iran: A Country Study* (Washington D.C.: United States Army, 1990).

⁷ Joshua Mark, “Urbanization,” *Ancient History Encyclopedia*, last modified April 07, 2014,
<https://www.ancient.eu/urbanization/>.

understood to stem from the general period of the Second Agricultural Revolution and the First Industrial Revolution.⁸ To discuss broad outcomes of the Industrial Revolution germane to the committee's debate, this guide will discuss the happenings of the 19th and early 20th Century.

Innovations in agriculture led to decreased need for human labor in farms and growth in production.⁹ At the same time, there was a rise in demand for human labor in urban workforce in industrialized centers, so people flocked to cities to find jobs. Perhaps no other city better epitomizes urbanization in this time than Manchester, with its population growing 450% during the first 50 years of the 19th century.¹⁰

Massive economic development during this time brought significant social changes. While there are many social effects that merits lengthy discussion, this guide will focus on labor conditions, shortage of food and housing, and class segregation.

Government action—or corporate goodwill—could not keep pace with rapid urbanization and increased employment in factories during this time. There also was a chronic surplus of labor, meaning that there was no incentive by employers to raise wages or improve working conditions.¹¹ People had to work long hours in squalid conditions.

The increased production due to the Second Agricultural Revolutions did little to

lower cost of food or reduce starvation. Increase in output was matched, if not exceeded by, a growth in population. Malnutrition was the norm during the 19th century, and some studies even found that the average height went down during this time.¹² It wasn't until later that conditions improved due to technological improvements in transportation.¹³ The rapid influx of people into the urban centers also precipitated a housing crisis. Low-income households had to crowd into crowded slums with inadequate sanitation and no clean water.¹⁴

At the same time, there was growing class segregation with gentrified Western side of cities and slums in the East. A study posits that such development was due to the prevailing wind patterns in major cities that would have made smoke and other airborne industrial waste to travel East, making it an unpalatable place for the rich to live.¹⁵ There are echoes of this in present day United States where industrial waste disproportionately affects poor people and people of color.

A broad review of the developments during and following the Industrial Revolution in the 19th to early 20th century offers a cautionary tale of rapid, uncoordinated urban economic growth.

⁸ Peter Jones, *Agricultural Enlightenment: Knowledge, Technology, and Nature, 1750–1840* (Oxford, United Kingdom: Oxford University Press, 2016), 7.

⁹ Denis Richards and Wray Hunt, *An Illustrated History of Modern Britain: 1783–1980* (Hong Kong: Longman Group, 1983), 7

¹⁰ Emma Griffin, "Manchester in the 19th Century," British Library, last modified May 15, 2014, <https://www.bl.uk/romantics-and-victorians/articles/manchester-in-the-19th-century>.

¹¹ Jack Goldstone, "Gender, Work, and Culture: Why the Industrial Revolution Came Early to England but Late to China," *Sociological Perspectives* 39, No. 1 (1996).

¹² John Komlos and Helmut Küchenhoff, "The diminution of the physical stature of the English male population in the eighteenth

century," *Journal of Historical Economics and Econometric History* 6, No. 1 (2001).

¹³ David Wells, *Recent Economic Changes, and Their Effect on the Production and Distribution of Wealth and the Well-being of Society* (New York City, New York: D. Appleton and Company, 1890)330.

¹⁴ Anthony Wohl, *The Eternal Slum: Housing and Social Policy in Victorian London* (London, United Kingdom: Edward Arnold, 1977), 70.

¹⁵ Stephen Hebllich, Alex Trew, and Yanos Zylbergger, *East Side Story: Historical Pollution and Persistent Neighborhood Sorting* (London, United Kingdom: Centre for Economic Performance, 2016).

Contemporary Conditions

Impact on Rural Areas

Cities often accelerate economic growth, as it retains a massive pool of labor and resources. However, this concentration of capital in urban areas drains resources from rural areas, creating a tangible bifurcation between urban and rural regions in a country. In the LAC region, despite making progress, rural regions lag far behind urban regions in sanitation and access to drinking water.¹⁶

Urban Poverty

Poor management is one of the main concerns in rapid urbanization efforts around the world today, creating an unstable urban environment.

Notably, despite the growth in overall level of capital, urban poverty is rising.¹⁷ Inequitable and exclusionary cities that are highly fragmented by economic class are at risk of high levels of violence. A 2013 United Nations Development Programme (UNDP) study on crime in Latin America found a correlation between crime level and urbanization.¹⁸ 18 out of the 20 countries with the highest homicide rates are in the LAC region.¹⁹ As the region continues to grow economically and further develop urban areas, this problem is likely to only grow.

A critical sub-issue of urban poverty is the creation of slum areas. Mirroring the problems faced during the Industrial Revolution in the United Kingdom, lack of

adequate housing and infrastructure is also a main concern. This problem is especially relevant to the poor and other marginalized members of the communities, notably rural-urban migrants, who often are unable to purchase quality homes. They often end up residing in slum communities.²⁰

For the purposes of clarity in debate, UN-Habitat defines an area as a slum if it meets one of the following criteria: poor structural quality of housing, overcrowding, inadequate access to safe water, inadequate access to sanitation and other infrastructure, and insecure residential status.²¹

Various LAC governments have addressed this issue, often to the detriment of slum communities. One frequently used approach is forced evictions. An estimated 18.59 million people have been affected by this approach from 1998 to 2008.²² Notably, the Brazilian government evicted slum residents in Rio de Janeiro in preparation for the 2014 World Cup and 2016 Olympic Games in the city.²³

This strategy is not an effective method to address the serious problem of slum communities. These eviction campaigns take place without offering alternative affordable housing options.²⁴ Some evictions are part of the government's efforts of making land available for private developers that adopt strict zoning rules.²⁵ Evicted slum-dwellers find home in other slums, and this policy invariably fails to address the underlying problems that create slum communities in the first place.

¹⁶ *Inequalities in sanitation and drinking water in Latin America and the Caribbean* (New York City, New York: UNICEF, 2016).

¹⁷ Diana Mitlin, David Satterthwaite, *Urban Poverty in the Global South* (London, United Kingdom: Routledge, 2013), 2.

¹⁸ *Citizen Security with a Human Face: Evidence and Proposals for Latin America* (New York City, New York: United Nations Development Programme).

¹⁹ *Global Study on Homicide* (Vienna, Austria: United Nations Office on Drugs and Crime, 2013).

²⁰ Reinhard Skinner, *A Practical Guide to designing, Planning, And Executing Citywide Slum Upgrading Programme* (Nairobi, Kenya: UN Habitat, 2014), 53.

²¹ *Ibid.*, 10

²² Leilani Farha, *Forced Evictions: Global Crisis, Global Solutions* (Nairobi, Kenya: UN Habitat, 2016), 17.

²³ Jonathan Watts, "Brazil: Home of Favela Resident Fighting Eviction Over Olympics Razed," *The Guardian*, March 8, 2016.

²⁴ Herbert Werlin, "The Slum Upgrading Myth," *Urban Studies* 36, No. 9 (1999), 1524.

²⁵ Skinner, 13.

One attractive way to address slums is urban sprawl. Converting former rural areas for housing purposes is a low-cost endeavor. However, as seen in Mumbai, relocation of low-income groups who faced limited economic opportunities in slums within urban centers face even greater dearth of employment opportunities in suburbia.²⁶

Sustainable Development

There are several topics that merit discussion in devising ways to sustainably develop cities. This guide will touch upon a few key issues. Cities produce 70% of the world's greenhouse gases and consume 80% of the global energy.²⁷ At the same time, as climate change continues, extreme weather will have the greatest impact on urban economic and human activities. In addition, the impact of climate change in cities will disproportionately affect the poor. Slums are often located near riverbanks or on hills where landslides and flooding are prone to occur. At the same time, a lack of adequate infrastructure systems and the cramped nature of homes further exacerbates these problems.²⁸ Overheating inside homes can often be fatal.

Aside from the issue of who faces the brunt of the effects of climate change, questions around transportation baffle cities in developed countries and are equally, if not more, challenging to cities in developing countries. Traffic is one of the main contributors of greenhouse gas emissions, but cities can adopt policies to mitigate its effects. For example, the Bus Rapid Transit system (BRT) in Curitiba, Brazil revolutionized travel in the city of almost 2

million people, and the BRT has been replicated in other Latin American cities.²⁹ However, fundamental problems remain. For example, car-centric roads are much cheaper than the massive infrastructure investments that goes into setting up a mass public transit system. For many cities in developing countries, building a car-centric road has been the default choice.³⁰

Cities face similar problems in building their energy systems. There are several considerations city planners must make. The first is the question of cost versus environmental damage. While energy sources like coal-fired plants are cheaper to build they release a lot of GHGs and have higher long-term costs than renewable sources. Coal-fired plants also contribute to a public health crisis that arises from the degradation of air quality, as seen in cities in India, China, and South Korea.

Finally, waste management is a problem that cities in developing and developed countries face. According to a 2012 study, 3 billion urban residents around the world generated 1.2 kg of waste every day, which amounts to 1.3 billion tons per year. The report projects that by 2025, this figure will increase to 4.3 billion urban residents generating about 1.42 kg of waste per day. This amounts to 2.2 billion tons per year.³¹ This waste problem has several consequences. There is a shortage of land for landfill sites, leading to a public health crisis due to informal dumps and untreated waste. There also is a significant amount of GHGs, notable methane, released from waste disposal.³²

²⁶ *Sustainable Urbanization Strategy*, 12.

²⁷ "Insight: Urbanization," (Amstelveen, Netherlands; KPMG International, 2011), 6-7.

²⁸ Mitlin and Satterthwaite.

²⁹ Drew Reed, "How Curitiba's BRT Stations Sparked a Transport Revolution," *The Guardian*, May 25, 2019.

³⁰ *Sustainable Urbanization Strategy*, 10.

³¹ Daniel Hoornweg and Perinaz Bhada-Tata, *A Global Review of Solid Waste Management* (Washington D.C.: World Bank, 2012), 2.

³² *Sustainable Urbanization Strategy*, 4.

Past United Nations and International Actions

Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) are 17 goals that member states strive to work towards by 2030. They were adopted by the United Nations General Assembly in 2015.³³

The eleventh goal of the SDGs is to make cities “inclusive, safe, resilient, and sustainable.”³⁴ There are several targets associated with this goal, and they provide good general guidelines for this committee in devising solutions to address this issue.

One of the main targets is to make safe and affordable housing in an equitable way while reducing the number of people living in slums and other informal settlements. This task has been made more difficult due to a growing number of people moving to urban centers from rural areas.

New Urban Agenda

Towards the objectives outlined in the SDG 11, the United Nations Conference on Housing and Sustainable Urban Development, or Habitat III, took place in Quito, Ecuador in October 2016. This marked the first global summit on issues regarding urbanization since the adoption of the SDGs.³⁵

The primary objective of the conference was to agree on the New Urban Agenda (NUA), a global strategy for urban development for the next two decades. The NUA includes provisions to bolster urban

planning mechanisms and a notion of a “right to the city.”³⁶ The inclusion of the right to the city provision was a spectacular progressive accomplishment that aims to distribute equitable and democratic distribution of resources in a city, heavily focusing on individual human rights. Aside from its vagueness in implication, there has been some criticism that this provision is too idealistic to be in-line with the capabilities of cities.³⁷ The NUA refers to other UN agreements, such as the Paris Climate Accords, Sendai Framework for Disaster Reduction, and the SDGs, reaffirming its commitment to sustainable development and climate action.

Rise Up

Rise Up is an educational initiative within the IDB that aims to encourage the youth to devise climate solutions. The initiative includes various games, videos, and lesson plans that allow teachers in the LAC region to teach climate science to students. This is a continuation of the IDB’s efforts to support education in the LAC region by investing close to 4 billion dollars in the previous five years.³⁸

Central American Alliance for Sustainable Development

In 1991, the Central American Integration System (SICA) was formed as a political and economic organization of Central American states. Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Belize, and the Dominican

³³ “Transforming our world: the 2030 Agenda for Sustainable Development,” United Nations, <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

³⁴ “Goal 11: Make cities inclusive, safe, resilient and sustainable,” United Nations, <https://www.un.org/sustainabledevelopment/cities/>.

³⁵ “About Habitat III” *The United Nations Conference on Housing and Sustainable Urban Development*. <http://habitat3.org/the-conference/about-habitat-3/>

³⁶ “HABITAT III: UN conference agrees new urban development agenda creating sustainable, equitable cities for all,” *UN News*, October 20, 2016.

³⁷ Ivan Turok, “‘Right to the city’ and the New Urban Agenda: learning from the right to housing” (London, United Kingdom: Taylor and Francis, 2018).

³⁸ “Initiative: Rise Up,” Inter-American Development Bank, <https://www.iadb.org/en/sector/education/rise/home>

Republic are members of this system. SICA states adopted the Central American Alliance for Sustainable Development (ALIDES) in 1994 that mapped out short- and long-term visions to sustainably develop respective nations. ALIDES also included various social justice reform agendas, including the elimination of discrimination against women, humane

treatment of refugees, and reduction of poverty.³⁹

In 1994, the United States, along with Center American states, signed the Central American-United States of America Joint Accord (CONCAUSA). This made the United States the first extra-regional partner of ALIDES.⁴⁰

³⁹ "Alliance for the Sustainable Development of Central America," United Nations Office of the High Commissioner, <https://www.ohchr.org/EN/Issues/RuleOfLaw/CompilationDemocracy/Pages/Alliance.aspx>

⁴⁰ "Fact Sheet: CONCAUSA Accord," U.S. State Department, <https://2001-2009.state.gov/r/pa/prs/ps/2001/3325.htm>.

Questions a Resolution Must Address

1. *How do we incentivize growing cities as well as existing cities in LAC region to adopt sustainable solutions that have higher up-front costs than cheaper solutions that are less sustainable?*

Bearing a massive technological innovation in a variety of fields, the up-front cost of adopting sustainable solutions to the various issues arising from urbanization—for example, energy production, traffic control, or waste management—can be significantly more expensive than traditional solutions that are less environmentally friendly. This problem is an especially large challenge for developing LAC countries that lack sufficient revenue sources to adopt sustainable solutions that matches the rapid growth in urban population.

Thus, a successful resolution would address how the IDB could best provide incentives to different levels of government in order to promote sustainable urbanization. It also needs to focus on how we can incentivize existing cities to transform how their city is run for it to be more sustainable—this may be an even more daunting task than starting from scratch.

In addition, a resolution could address the pace of innovation of variety of technology that could make sustainable urbanization and transformation of cities far cheaper. Supporting such scientific innovation within the structure of the IDB would be an intriguing approach to this problem. Solutions that look at fundamental ways to encourage innovation—such as promoting educational opportunities in LAC region—also could be an interesting way to promote sustainable urbanization.

2. *How practical and realistic is a “right to the city” provision included in the New Urban Agenda (NUA)?*

This is one of the major points made in the NUA and should be considered by draft resolutions in this committee. The idea in and of itself is an ambitious one that merits serious consideration and adoption.

However, there is growing literature on the efficacy of a “right to the city” as it is understood today. There obviously are practical and political barriers to implementing a specific policy across member states, which may suggest the vagueness behind the term. Resolutions must weigh these concerns as they address one of the key goals of the NUA.

3. *How can we prevent an urban sprawl in the developing cities? Is there a way to address existing urban sprawl?*

As seen in many cases of rapid urbanization, urban sprawl is an attractive option for many rapidly developing cities that aim to lower housing costs to city residents as well as avoiding urban slums and overcrowding. However, it is a solution that impedes on efficient running of the city and may very well exacerbate issues regarding the urban poor that it intended to address. Urban sprawl also has a horrible track record on sustainability, notably seen in the development of the suburbs in the United States.

As resolutions weigh different solutions to avoid overcrowding and high housing prices, they must address the issues associated with urban sprawl. In addition, as with other questions posed by this guide, resolutions need to address not only preventing an inefficient urban sprawl but also explore ways to curb and even reduce existing urban sprawl around many cities in the LAC region.

4. How can we ensure that newly arrived urban populations are living and working in acceptable conditions?

This question relies heavily on the idea of opportunity. Are there enough adequately paying opportunities of employment for often low-skilled workers from rural areas in urban centers? There needs to be thought put into weighing availability of adequately paying jobs and the absence of government policies to encourage sufficient wages.

Aside from policies relating to wages, the resolution could also discuss solutions that address more immediate issues of access to basic housing and adequate living conditions.

5. How do we address the growing bifurcation of urban and rural regions inside a country?

While this point has not been addressed in detail in this guide, it nevertheless is an important factor to consider. Development of urban centers mean that a disproportionate amount of resources and opportunities get sucked up in the urban centers, leaving rural areas of the country consistently lag behind their urban counterparts. That is not an equitable way to pursue urbanization.

As mentioned earlier, resolutions could address whether there are any merits to rapid urbanization. Under this view, resolutions could even address how to curb migration to cities. Either way, resolutions should consider what opportunities could be provided to rural areas so that a palpable “Tale of Two Cities” situation.

6. What role can the IDB play?

This question has been, to a degree, addressed via previous five questions. However, it cannot be stressed enough that resolutions must bear in mind the specific focus and goals of this committee. It also is important to keep in mind the committee’s ability to allocate funds as well as the limits of the committee. While delegates need not debate over specific numbers, they must be cognizant of the IDB’s approved budget for the fiscal year.

Bloc Positions

▪ *Regional Non-Borrowing States: United States and Canada*

This past March, the annual IDB meeting in China was cancelled due to differences between the United States and China over the question on Venezuela. China remains one of the few international allies to Nicolás Maduro and refused to grant a visa for Ricardo Hausmann, the Venezuelan delegate to the IDB representing Juan Guaidó.⁴¹ Delegates should note that the IDB recognizes Juan Guaidó as the Acting President of Venezuela.

On a broader note, the trade war between the United States and China has contributed to lower-than-expected growth in the LAC region.⁴² While there are signs that the trade war might be deescalating, it is difficult to predict the policy direction of the current administration.

The United States has the greatest stake in the IDB, holding 30% of the total shares. Of non-borrowing states, Canada has the third highest stake with 4% of shares. Both countries have significantly invested in the Latin America via foreign direct investments (FDIs) outside of the IDB structure.⁴³ Canada has also actively funded climate action projects in the LAC region through the IDB. In 2012, Canada committed 250 million Canadian dollars to establish the Canadian Climate Fund for the Private Sector to mobilize the private sector to devise cleaner technologies.⁴⁴

▪ *Non-Borrowing States*

Chinese has a relatively low stake in the IDB, holding 0.004% of total shares.

Chinese capital via the IDB and its Belt and Road Initiative has expanded China's influence in the LAC region. The Trump administration has expressed concern about Chinese motives behind expanding their influence overseas in the form of capital assistance to various infrastructure projects.⁴⁵

In addressing the issue over granting Hausmann entry into China, Beijing proposed excluding Venezuela entirely from the conference that year to depoliticize the conference.⁴⁶ This led local media to speculate China's declining support for Maduro.⁴⁷

Of non-borrowing nations aside from the United States and China, EU member states have the greatest stake in the IDB. They pursue several significant incentives with the bank to further the organization's objectives in the LAC region.

Recently, the United Kingdom launched the Green Bond Transparency Platform to help the inchoate green bonds market in the region.⁴⁸ Germany and Switzerland also helped launch the TVET fund in order to help grow technical and vocational education and training (TVET) in the LAC region.⁴⁹

In general, the IDB provides a unique economic opportunity for borrowing states given that all IDB-financed projects must be completed with goods and services from IDB member states.⁵⁰

⁴¹ Lesley Wroughton and Roberta Rampton, "IDB cancels China meeting after Beijing bars Venezuela representative" *Reuters*, March 22, 2019.

⁴² Luc Cohen and Alexandra Valencia, "Latam's 2020 growth may turn negative due to U.S.-China trade war: IDB," *Reuters*, July 17, 2019.

⁴³ "IDB and the United States," Inter-American Development Bank, <https://www.iadb.org/en/news/idb-and-united-states>.

⁴⁴ "Canada, IDB to co-finance climate-friendly investments in Latin America and the Caribbean," Inter-American Development Bank, <https://www.iadb.org/en/news/canada-idb-co-finance-climate-friendly-investments-latin-america-and-caribbean>.

⁴⁵ Andrew Chatzky and James McBride, "China's Massive Belt and Road Initiative," *Council on Foreign Relations*, May 21, 2019.

⁴⁶ "The Inter-American Development Bank cancels its big bash in China," *The Economist*, March 18, 2019.

⁴⁷ Parsifal D'Sola Alvarado, "The Real Chinese Message Behind the IDB Impasse," *Caracas Chronicles*, March 31, 2019.

⁴⁸ "IDB and UK Announce Partnership to Support Green Finance Growth," Inter-American Development Bank, <https://www.iadb.org/en/news/idb-and-uk-announce-partnership-support-green-finance-growth>, last modified October 21, 2019.

⁴⁹ "Caribbean countries to benefit from new TVET fund," *Jamaica Observer*, October 19, 2019.

⁵⁰ "Non-Borrowing Member Countries," Inter-American Development Bank, <https://www.iadb.org/en/about-us/about-us-11>.

▪ *Borrowing States*

Of borrowing states, Argentina and Brazil have second and third-most, respectively, stock in the IDB after the United States. Last December, the IDB approved a 600 million USD loan to Brazil to improve municipal infrastructure. This loan offers good perspective on how to pursue transforming existing outdated system of roads or energy production. Brazil is the only country that the IDB interacts directly with sub-national governments. An internal report recommended that relationships between the IDB and sub-national governments outside of Brazil could benefit more efficient usage of funds.⁵¹

Since 1999, the IDB began to categorize borrowing states into two groups based on each states' GNP per capita. It has committed to directing 35% of its annual lending volume to "Group 2" countries, referring to all borrowing states aside from Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.⁵²

⁵¹ Office of Evaluation and Oversight, *How is the IDB Serving Higher-Middle-Income Countries?: Borrowers' Perspective* (New York, New York: Inter-American Development Bank, 2013), 38.

⁵² "Ninth General Capital Increase (IDB-9)," Inter-American Development Bank, <https://www.iadb.org/en/capital-increase/ninth-general-capital-increase-idb-9>.

Conclusion

This topic is a particularly difficult one to address as it challenges delegates to confront moral decisions on top of debate over policy objectives. Every aspect of addressing urbanization and determining ways to pursue it equitably involves a question over what priorities the government *ought* to have.

Questions can come in the form of balancing the health of the planet that is hard to gauge in real-time and the immediate speed of development – does the government choose cheap, polluting sources of energy because of the immediate costs involved with sustainable sources of energy? Resolutions also need to consider who a city works for. Does it work only for those who are already rich? Or does it provide basic protections for the most vulnerable members of society and set up ladders of opportunities for them to climb? If we choose to do the latter, how can we overcome the political situations in many countries in the LAC region that hinder doing so?

This guide aimed to lay out a few key issues of importance while providing a general outline of Topic A. The question of equitable urban development is a challenging one, rife with difficult questions about fair allocation of funds, revision of past mistakes, and responsibility to the environment. Such questions are even more daunting when faced with the rapid expansion of urban population and the rapidly growing need for greater accommodations. Balancing these concerns while devising ways to operate the IDB more efficiently will be the core of the debate in this committee.



Topic B:

Promoting Entrepreneurship in the Private Sector

Introduction

Entrepreneurship, the act of creating and growing a new business, is a basic cornerstone of economic growth in a nation. It has been a growing trend in Latin American and Caribbean nations in the late 20th and early 21st centuries, supported by increased private sector investment and regional free trade compacts like the Latin American Free Trade Association (LAFTA) that have provided business owners with lower operating costs, widespread access to goods, and greater market reach. Entrepreneurship has also opened new opportunities for women in Latin American and Caribbean states and could serve as an important tool for socioeconomic advancement. A 2019 study found that women in the region tended to participate in entrepreneurial activity at a higher rate than their European counterparts.⁵³

However, entrepreneurship faces various challenges in borrowing member states. Three factors among these are Latin America's unique venture capital structure, low institutional stability, and a lack of educational culture that supports entrepreneurship.⁵⁴ Latin American startups generally rely on initial investment from its own founders, and the existing venture capital structure is still in a nascent development phase. Institutional stability, the ability of civilian and state institutions to consistently operate, is important for

encouraging investors to support domestic businesses and for encouraging citizens to build up new ventures. Companies prefer operating in environments with reliable and predictable economic institutions. However, political corruption and lack of accountability negatively affect these processes in democratic states, and subsequently suppress the process of entrepreneurship.⁵⁵ In addition to weak government support, Latin American and Caribbean nations are still in the process of modernizing their education and infrastructure systems to meet the needs of the modern economy. Cultural attitudes toward entrepreneurship have been a barrier to teaching and developing entrepreneurial traits. In recent years, LAC nations have been working to address this through higher education reforms.⁵⁶

In spite of these challenges, Latin America and Caribbean nations have incredible potential to innovate and generate growth in exports through new private businesses. The IDB has been an important resource for economic policy and development investment among Latin American and Caribbean states. Over the past decade, it has conducted research on the qualities of successful entrepreneurs and funded new firms, particularly those that tackle the development issues of the

⁵³ Pasquali, Marina. "Latin American startups - Statistics & Facts", (Statista 2019).

⁵⁴ Harvey, Matt. "Challenges to Entrepreneurship in Latin America", (Stanford University, 2011).

⁵⁵ Fjelde, Hanne. "Political Corruption and Institutional Stability", (Springer US, 2014), 267-299.

⁵⁶ Harvey, Matt. "Challenges to Entrepreneurship in Latin America".

region.⁵⁷ The IDB looks to new strategies for encouraging innovation and entrepreneurship in Latin America and the Caribbean as the region moves into a new decade of growth and development.

Historical Background

The first manifestations of entrepreneurship can be traced back to the year 17,000 BCE, when the first trade between humans took place. Locals of New Guinea traded volcanic glass for other necessary goods such as food and tools. This same dynamic continued for thousands of years as hunter-gatherer communities would benefit from trade with other regions in order to expand their basket of goods.⁵⁸

One of the most important events in the history of entrepreneurship is the Agricultural Revolution, also called the Neolithic Revolution, which took place around 10,000 BCE.⁵⁹ During this time period, human populations started to domesticate plants and animals as a successful way of creating a completely self-sufficient lifestyle. Consequently, communities settled along fertile bodies of water and food production became an established profession, allowing specialization and, eventually, entrepreneurship. Within villages and towns, citizens sold and exchanged goods to satisfy the needs of the whole population and increase the overall standards of living.⁶⁰

Some of the most successful civilizations were located along the Nile and Euphrates rivers where areas of specialization ranged from tool making to fishing.⁶¹ Slowly, these same communities realized that they could enhance their profits by trading across regions and cultures, and so trading routes were developed. For example, the legendary Silk Road connected Eastern and Western China through commerce of horses, fruits, textiles, gold, weapons, tea, medicine among other goods. Marco Polo is a great example of entrepreneurship during this time. As a merchant-traveler, he was one of the first Europeans to travel along this important route, passing through mountains and deserts, encountering hundreds of different communities and cultures.⁶²

The next big event in the history of entrepreneurship was the invention of money or currency. Before the year 2000 BCE, the exchange of goods and services was dependent on the need or want of every person involved in the transaction, and the availability of the materials exchanged. This was known as the barter system. With the invention of money, which evolved from silver, among other objects, to coins and paper money that allowed a more proper placement of value and therefore facilitated any economic interactions.⁶³

During the medieval period, around the 15th century, a large population spurt fueled a rapid period of growth in the establishment of marketplaces and

⁵⁷ "IDB presents report on entrepreneurship in emerging economies: Creation and Development of New Firms in Latin America and East Asia", (IDB, 2002).

⁵⁸ Hur, Johnson. "History of Entrepreneurship." *From 17,000 BC to Present Time*, 4 Dec. 2018, <https://bebusinessed.com/history/history-of-entrepreneurship/>

⁵⁹ History.com Editors. "Neolithic Revolution." *History.com*, A&E Television Networks, 12 Jan. 2018,

<https://www.history.com/topics/pre-history/neolithic-revolution>.

⁶⁰ Ibid.

⁶¹ Hur, Johnson. "History of Entrepreneurship." *From 17,000 BC to Present Time*, 4 Dec. 2018,

<https://bebusinessed.com/history/history-of-entrepreneurship/>

⁶² History.com Editors. "Marco Polo." *History.com*, A&E Television Networks, 30 July 2012,

<https://www.history.com/topics/exploration/marco-polo>

⁶³ Lanchester, John. "The Invention of Money." *The New Yorker*, The New Yorker, 7 Aug. 2019,

<https://www.newyorker.com/magazine/2019/08/05/the-invention-of-money>.

businesses.⁶⁴ In order to satisfy the growing demand for certain products and facilitate interactions, banking became a fundamental aspect of daily life. Additionally, the need to create more effective methods of production led to the development of technological breakthroughs such as the printing press and the paper mill. Most importantly, this led to the birth of the philosophy of mercantilism in the 16th and 17th centuries, founded on a belief that a country's value was based on how much gold the government held, and thus valued trade surpluses.⁶⁵

The Industrial Revolution is also crucial in the history of entrepreneurship. During this time period, the development of new sources of energy allowed large scale production to reach new heights. Electricity, coal and engines, among other new factors of production, were used in factories for faster and more effective production. In European countries, large portions of the population moved from rural to urban areas and provided cheap labor, giving companies and businesses the opportunity to gain enormous profits.⁶⁶

One decade after the end of World War II, there was a period of rapid economic expansion worldwide also known as the golden age of capitalism. During this time, productivity was improved by the use of automated machinery and equipment, in combination with infrastructure spending and a higher supply in the labor market. Additionally, there was a new possibility for

countries to sell products in strong international marketplaces due to the creation of institutions created for promoting stability and order.⁶⁷ Countries like the United States of America, Japan and Germany were particularly successful when taking advantage of this unique combination of factors through entrepreneurship. Over 20 years, the United States' GNP, one of the most common measures of a country's wealth, increased from 200,00 to 500,000 million dollars. Overall, the Post-War Economic Expansion was characterized by a constant growth and full employment throughout the European, Asian and American nations.⁶⁸ In Latin America, however, new economic policies were implemented based on the notion that export-led development would not work for this region. Instead, they focused on domestic industrialization as a way to improve technology, employment and productivity. "As a result, Latin America's GDP grew at an annual rate of 5.1% annually from 1951 to 1960."⁶⁹

The Third Industrial Revolution, or the Digital Revolution, took place in the latter half of the 20th century and is distinguished by the invention of computers and the Internet. During this time period, communication was facilitated by the incorporation of digital technology to the daily lives of citizens worldwide. Cellular phones, in particular, played a fundamental role in the growing interconnectedness. Business saw particular benefits from this

⁶⁴ Hur, Johnson. "History of Entrepreneurship." *From 17,000 BC to Present Time*, 4 Dec. 2018, <https://bebusinessed.com/history/history-of-entrepreneurship/>

⁶⁵ Ibid.

⁶⁶ Ashifur. "What Is The History Of Entrepreneurship?" *The Gritti Fund*, 14 Mar. 2019, <https://thegriffund.com/startup-investment/history-entrepreneurship>

⁶⁷ Golden Age of Capitalism: Reinterpreting the Postwar Experience - Oxford Scholarship, <https://www.oxfordscholarship.com/mobile/view/10.1093/acprof:oso/9780198287414.001.0001/acprof-9780198287414>.

⁶⁸ U.S. Department of State. "The Cause Behind the Post-War Economic Housing Boom After WWII." *ThoughtCo*, ThoughtCo, 29 May 2019, <https://www.thoughtco.com/the-post-war-us-economy-1945-to-1960-1148153>.

⁶⁹ "Economic Policy Trends in Post-World War II Latin America." *Federal Reserve Bank of Atlanta*, https://www.frbatlanta.org/research/publications/economic-review/1999/q4/vol84no4_economic-policy-trends-in-post-world-war-II-latin-america.aspx.

invention, as it led to more effective and efficient productivity. Overall, the Information Age brought about extreme changes to society in the political, economic and social aspects.⁷⁰

Contemporary Conditions

Nowadays, entrepreneurs are seen as essential factors of production in market economies worldwide and the term itself has been commonly affiliated with innovation and progress. Entrepreneurs serve as the motor of international competition in the economic level, leading to further expansion and development of nations. Additionally, technology continues to play an important role in the increase of potential growth for businesses and corporations.

The End of the 20th Century

In the 1990's Latin America and the Caribbean were finally beginning to see improvement after a decade of high inflation and low economic growth.⁷¹ The "Lost Decade", which began in the 1980's was characterized by a decline of capital inflows and domestic deficits in the region.⁷² Most of the LAC countries saw an enormous fall in foreign funding and were forced to finance almost entirely by the central banks.⁷³ In Peru, inflation reached 7,500 percent, while other nations such as Argentina, Guatemala and Brazil also faced hyperinflation.⁷⁴ As a result, policymakers started to realize that a protectionist model was no longer appropriate for the region, especially in

times of economic crisis.⁷⁵ By 1990, many Latin American and Caribbean countries decided to implement market-based reforms that directly contrasted with those in the Post World War II Period.⁷⁶ According to the Inter-American Development Bank, the success of Latin American nations during the end of the century was driven by effective domestic reforms, instead of growth of the overall world economy.⁷⁷ Consequently, the 1990's were characterized by increased capital flow and financial integration, due to the fact that the region showed much more resilience under a free market system and moderate economic growth was forecasted.⁷⁸

Financial Crisis of 2008

From 2003 to 2007, Latin America and the Caribbean experienced a remarkable economic boom due to the unique combination of four factors: high commodity prices, booming international trade, exceptional financing conditions and high levels of remittances.⁷⁹ The economic growth seen throughout this period resembled that of Post-World War II, and made many of these nations hopeful of a developed future.⁸⁰ However, the global financial crisis of 2008 made all of the factors mentioned above collapse, therefore severely impacting the LAC region. Countries such as Colombia, Mexico and Venezuela saw almost immediate reductions in GDP per capita, while a large portion of the region faced one of its worst recessions.⁸¹

⁷⁰ "What Is the Digital Revolution? - Definition from Techopedia." *Techopedia.com*, <https://www.techopedia.com/definition/23371/digital-revolution>

⁷¹ *Science, Technology and Innovation in Latin America and the Caribbean Region*. United Nations Commission on Science and Technology for Development (CSTD), 9 Jan. 2013, https://unctad.org/meetings/en/Presentation/cstd2013_AMR

⁷² Ibid.

⁷³ Ibid.

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ Ibid.

⁷⁸ Ibid.

⁷⁹ Ocampo, and José Antonio. "Latin America and the Global Financial Crisis." *OUP Academic*, Oxford University Press, 1 July 2009, <https://academic.oup.com/cje/article/33/4/703/1734029>.

⁸⁰ Ibid.

⁸¹ Ibid.

Latin American and Caribbean Innovation

The unique set of characteristics that constitute the Latin American and Caribbean context, such as troubled economies, enormous social inequality, and lack of modernization and private investments are must be considered when it comes to formulating solutions that can lead to progress and development in the region.

Modernization

According to the Global Innovation Index of 2017, a ranking of over 120 countries in the world, Latin America is doing worse than the Southeast Asian, Eastern European and African countries when it comes to improving and modernizing their products and services.⁸² This study takes into account multiple measurements, such as the amount of new patents filed by each nation and educational achievements in terms of innovation.⁸³ Economists believe that this is due primarily to tough government regulations that prevent creativity from developing into businesses and provide very limited means of funding.⁸⁴

Investment

One of the main issues that prevents the Latin American and Caribbean region from further expanding and developing is a lack of investment in innovation.⁸⁵ According to data gathered by the Organization for Economic Cooperation and Development, investment in research and

development in the LAC region only increased 0.13% of GDP annually from the year 2004 to 2009.⁸⁶ Additionally, this growth in investment is incredibly inconsistent throughout the region, with countries such as Brazil investing much higher proportions than other nations such as Colombia.⁸⁷ This problem is largely due to a regional trend of specialization in labor intensive sectors, which is why they prefer machinery acquisition over innovation.⁸⁸ It is believed that such problems can be resolved through higher private investment in research and development and promoting the creation of startups.⁸⁹ Increased investment in research and development, higher education standards, and greater support for the private sector are needed for the region to grow.

World Bank Study on LAC Region

In the year 2014, the World Bank released a document titled 'Latin American entrepreneurs: many firms but little innovation', in which innovation is recognized as one of the most important tools for economic growth of nations.⁹⁰ Given the lack of innovation in the LAC region, the document also identifies the four main challenges that these nations face when attempting to progress and improve.⁹¹ Laws and institutions are not strong enough, there is a lack of human capital, there is not an appropriate environment of competition, and finally the quality of education is relatively low.⁹²

⁸² Miami, and Andrés. "Latin America Has a Surplus of Talent - and a Shortage of Innovation." *Miamiherald*, Miami Herald, 30 June 2017, <https://www.miamiherald.com/news/local/news-columns-blogs/andres-oppenheimer/article158908574.html>.

⁸³ Ibid.

⁸⁴ Ibid.

⁸⁵ "Innovation in Latin America." *OECD Observer*, http://oecdobserver.org/news/fullstory.php/aid/4231/Innovation_in_Latin_America.html.

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ "El Emprendimiento En América Latina: Muchas Empresas y Poca Innovación." Latin American Development Forum, <https://elibrary.worldbank.org/doi/abs/10.1596/978-1-4648-0284-3>.

⁹¹ Ibid.

⁹² Ibid.

Past United Nations and International Actions

United Nations Conference on Trade and Development

The United Nations Conference on Trade and Development was established in 1964 as a permanent organ of the UN General Assembly. With over 180 members, its mission is to promote trade, investment and development in developing countries by creating measures and methods that can slowly incorporate them to the global economy. Some of the most important roles it plays are analytical research, technical assistance, dialogue and negotiations.⁹³

Entrepreneurship for Development

In August 2014, the United Nations Conference on Trade and Development (UNCTAD) developed a report titled 'Entrepreneurship for Development'. The document begins by outlining several of the reasons why entrepreneurship is crucial for the development of nations in the contemporary scene.⁹⁴ Not only does it play a fundamental role in sustainability, but also in job creation. In other words, entrepreneurship is believed to be "capable of improving social conditions and addressing environmental changes."⁹⁵ The rest of the document focuses largely on initiatives that contribute to entrepreneurship development. In this regard, UNCTAD identified six priority areas: "formulating a national strategy, optimizing the regulatory environment, enhancing entrepreneurship education and skills development, facilitating technology

exchange and innovation, improving access to finance and promoting awareness and networking."⁹⁶ By focusing on the areas above, it is possible to create a holistic approach for developing entrepreneurship both at the local and international level, with possible collaboration of global institutions and particular nations.⁹⁷

United Nations Economic Commission for Latin America and the Caribbean

The United Nations Economic Commission for Latin America and the Caribbean (ECLAC) is one of the five regional commissions of the United Nations and focuses on promoting economic growth and development in Latin America and the Caribbean. Headquartered in Santiago, Chile, it undertakes important actions towards the success of LAC nations in attempting globalization. For example, ECLAC encourages regional and sub regional cooperation, researches and interprets information regarding economic and social development in the area, advises government in relation to future actions, organizes forums and brings together the region for a common purpose.⁹⁸

Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship

On April 20th 2017, the United Nations Economic Commission for Latin America and the Caribbean launched, in collaboration with the Development Bank of Latin America and the Organization for Economic Cooperation and Development a

⁹³ "History." UNCTAD, <https://unctad.org/en/Pages/AboutUNCTAD/A-Brief-History-of-UNCTAD.aspx>

⁹⁴ *Entrepreneurship for development: Report to the Secretary-General* (New York, New York: United Nations General Assembly, 2014).

⁹⁵ Ibid.

⁹⁶ Ibid.

⁹⁷ Ibid.

⁹⁸ "Organization of the secretariat of the Economic Commission for Latin America and the Caribbean", Secretary-General's bulletin, 7 February 2000, ST/SGB/2000/5.

report titled 'Latin American Economic Outlook 2017: Youth, Skills and Entrepreneurship.'⁹⁹ Some of the key ideas mentioned in this document are: Latin America's economic growth is slowing down, workers in this region are not adequately prepared for various jobs and positions and public and private partnerships (PPP) are some of the most popular methods by which gaps between skills and labor market are addressed.¹⁰⁰ Additionally, some other plans of action are suggested, for example, "investment in education, training and skills development" that are particular to each individual country in the LAC region, as a way to guarantee their success.¹⁰¹

Technology and Innovation for Sustainable Development: Regional experiences to promote youth employment and address inequality

On July 17th 2018, the executive secretary of ECLAC, Alicia Bárcena, participated in a High-Level Political Forum on the topic of developing new technologies for progress in the Latin American and Caribbean region.¹⁰² On her proposed interventions, she highlighted that an improved digital ecosystem can successfully promote sustainability and reduce poverty levels.¹⁰³ In her own words: "They represent an opportunity, but only if our societies, if our educational systems and the way in which we forge a new social compact between governments, the private sector, academia and young people, change the paradigm through which we address technological problems."¹⁰⁴ Additionally, she specifically suggested regional cooperation through the use of digital platforms that gather information for the development of better public policies.¹⁰⁵

⁹⁹ "Youth, Skills and Entrepreneurship in Latin America." *The Dialogue*, <https://www.thedialogue.org/analysis/youth-skills-and-entrepreneurship-in-latin-america/>.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

¹⁰² Cepal.org. (2019). *Technology and Innovation are Fundamental for the Implementation of the 2030 Agenda in Latin America and the Caribbean* | Press Release | Economic Commission for Latin America

and the Caribbean. [online] Available at: <https://www.cepal.org/en/pressreleases/technology-and-innovation-are-fundamental-implementation-2030-agenda-latin-america-and> [Accessed 20 Nov. 2019].

¹⁰³ Ibid.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid.

Questions a Resolution Must Address

1. *How can Latin American and Caribbean States negotiate beneficial free trade practices?*

Free trade between member states of the region allows for easier movement of goods and services across national borders, lowering the cost of business for budding startups. However, free trade comes with its own costs, including outsourcing and increased competition.

2. *What measures can be taken to increase transparency and accountability?*

Many borrowing members struggle with corruption, lack of transparency, and lack of accountability in government and business dealings that stifle domestic entrepreneurship. What regulatory measures would be appropriate to combat these challenges?

3. *Where should states focus their financial and human resources?*

The IDB does not have an unlimited funding pool, and individual governments and businesses are likewise limited in their ability to mobilize financial and human resources. Which areas of development should be prioritized, and why?

4. *How can member states promote diversity of entrepreneurship?*

As Latin American and Caribbean economies have developed, they have moved away from reliance on mineral wealth and agriculture to prop up their economies and into a more diverse pool of goods and services. How can resolutions encourage and sustain competitive startups in a wide range of enterprises?

5. *What measures can member states take to remedy domestic skills gaps?*

Startups require a steady flow of technical expertise and talented businesspeople to thrive and grow, but those in the LAC region may run into a shortage of skilled workers to match their openings. What measures can be implemented to narrow this “skills gap”?

6. *What social problems must be addressed for entrepreneurs to succeed?*

Access to education, job training, and employment opportunities are different for those of varying socioeconomic backgrounds. Latin American entrepreneurs are also overwhelmingly male. Resolutions should consider the barriers that disadvantaged groups face when attempting to enter the business world.

7. *How will policies address the variations in economic development between borrowing states?*

There is a high degree of variation among IDB’s borrowing member states with regard to development status. Member states also differ in their geography, natural resources, and socioeconomic needs. How will resolutions address these different conditions?

Bloc Positions

Borrowing Members

- *North and Central American States*
(Belize, Costa Rica, El Salvador, Guatemala, Honduras, México, Nicaragua, Panamá)

Entrepreneurial activity is uneven among North and Central American states, as is economic reform. While Mexico is a perennial regional forerunner in the World Bank's "Doing Business" economic rankings and Costa Rica has risen as an attractive location for businesses and investors, Belize suffers from underdeveloped economic institutions and policy shortfalls that impede entrepreneurial activity.¹⁰⁶ El Salvador's private sector is recovering from the effects of centralized government control over economic affairs, but poorly structured bureaucracy still hinders business prospects in the nation.¹⁰⁷ Common issues that need to be addressed are the strengthening of economic and judicial institutions, ease of acquiring funding, and prohibitive tariffs and non-tariff costs imposed on business operations.

- *South American States*
(Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Perú, Suriname, Uruguay, Venezuela)

South American nations are highly resource rich, but have suffered from a history of social unrest, weak governance, statist economic policy, and drug violence. Most recently, several South American states have been hit by the effects of the political and economic crisis in Venezuela, with Colombia and Peru dealing with the aftermath of a mass exodus of Venezuelans.

Neighboring countries, like Chile, Colombia, Ecuador, and Peru, as well as other regional trade partners are projected to see a decline in economic growth. In addition to the short-term economic effect, Venezuela is potentially losing a generation of entrepreneurial talent in the mass exodus. Restoration of rule of law and rescuing a floundering economy are key priorities. Nonetheless, some nations have seen impressive growth in its private sector - in 2017, 16.3% of all new LAC businesses were founded in Brazil.¹⁰⁸ Chile also ranks amongst the most business-friendly nations in the Americas, with "transparent regulatory environment and strong rule of law".¹⁰⁹ Corruption, weak fiscal policy, and slow privatization among many member states remain key challenges to private sector entrepreneurship in South America.

- *Caribbean Nations*
(Barbados, Cuba, Dominican Republic, Haiti, Jamaica, Trinidad and Tobago)

Caribbean nations are highly culturally diverse, and also vary in their degree of economic development. High prevalence of crime and unemployment and a nascent private sector are key challenges for these countries.¹¹⁰ Policy is often focused at addressing these base socioeconomic development factors first before closer attention is dedicated to the role of entrepreneurs.¹¹¹ Entrepreneurs working in the Caribbean also struggle with acquiring funding and working through unwieldy bureaucratic processes. However, many in the Caribbean show a willingness for entrepreneurial activity. Caribbean nations must address the problem of low-tech transfer and strengthen education and

¹⁰⁶ "Belize," *Index of Economic Freedom*. (The Heritage Foundation, 2019).

¹⁰⁷ "El Salvador," *Index of Economic Freedom*. (The Heritage Foundation, 2019).

¹⁰⁸ Pasquali, Marina, "Latin American startups".

¹⁰⁹ "Chile", *Index of Economic Freedom*. (The Heritage Foundation, 2019).

¹¹⁰ "Fostering Entrepreneurship in the Caribbean", (IDRC, 2016).

¹¹¹ Matalon, Joseph. "True Economic Independence Requires a New, Indigenous Entrepreneurial Class", (The Gleaner, 2019).

training for entrepreneurship if they are to harness the power of innovation to drive their economies.

Non-borrowing Members

▪ *Regional*

(Canada, United States)

Canada and the United States have strong private sector support for new businesses. The US and Canada are respectively first and second in entrepreneurial activity in the world, with about 13% of the Canadian workforce reporting as entrepreneurs and 15 million Americans who are self-employed.¹¹² The US and Canada attract students from around the world with its higher education institutions, producing skilled individuals who are supported by cultural attitudes favoring innovation and entrepreneurship. In the Global Entrepreneurship Monitor US Report, it was noted that strong perceived opportunities for starting a business, focus on innovation, and increased participation of women distinguished the United States from other nations.¹¹³ However, entrepreneurship in the United States has been declining over the past decade, accompanying a slowing the US economy. This has been attributed to difficulties retaining talent¹¹⁴, slower population growth, a decrease in available capital for startups, and changing regulations.¹¹⁵ Canada has seen a similar downward trend of new entrepreneurship, with high concentration of firms in various industries, improved labor market conditions, and

higher student debt cited as potential explanations for the decline.¹¹⁶ Both nations seek to reinvigorate domestic entrepreneurial activity and support small business growth.

▪ *Europe*

(Austria, Belgium, Croatia, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, United Kingdom)

In spite of its wealth of technological knowledge and relatively stable political and economic conditions, Europe lags behind the United States and China in innovation and entrepreneurship.¹¹⁷ However, various European nations rank among the top 10 nations with healthy a “entrepreneurship ecosystem” as ranked by the Global Entrepreneurship and Development Institute (GEDI) using an assessment of hard infrastructure capabilities and human capital.¹¹⁸ Northern Europe and Baltic states have risen as hotbeds for enterprising new business owners, with Sweden, Netherlands, UK, Denmark, and Austria topping the World Economic Forum’s ranking of European nations for entrepreneurship.¹¹⁹ The European Commission has identified several barriers entrepreneurs must overcome, including an educational foundation for entrepreneurship, “difficult access to finance and markets”, “difficulty in transferring businesses”, “the fear of ‘punitive’ sanctions”, and “burdensome administrative procedures.”¹²⁰ Another consideration is the deep reliance of EU nations on the European Investment Fund,

¹¹² “Entrepreneurship in Canada ranks 2nd in the world, report says”, (CBC News, 2015).

¹¹³ Kelley et al. *Global Entrepreneurship Monitor United States Report 2016*, (Babson, 2016).

¹¹⁴ Carr, Sean. “Entrepreneurship and the US Economy: Concerns and Implications”, (UVA, 2018).

¹¹⁵ Pethokoukis, James. “Explaining the decline in US entrepreneurship”, (AEI, 2017).

¹¹⁶ St-Amant et al. *Trends in Firm Entry and New Entrepreneurship in Canada*. (Bank of Canada, 2015).

¹¹⁷ Porcellena, Silvia. “The EU is Not Entrepreneur Heaven - But It Could Be” (Entrepreneur Media, 2018).

¹¹⁸ “Global Entrepreneurship Index”, (GEDI, 2018).

¹¹⁹ Gray, Alex. “Europe’s most entrepreneurial country? It’s not the one you might expect” (World Economic Forum, 2017).

¹²⁰ “Promoting Entrepreneurship”, (European Commission, 2019).

which backs nearly 45% of all venture capitals.¹²¹

▪ *East Asia*

(People's Republic of China, Japan, Republic of Korea)

East Asian nations are known for their rapid industrialization and economic growth following the ravages of World War II, and are currently in the process of transition from a state-directed economy into a free market economy. Until recent years, entrepreneurship has been largely government directed - in China, state-run businesses still dominate some industries while in Japan and Korea, large conglomerates built on former government ties pose a challenge to new startups hoping

to gain footing in the market. Government-funded efforts are working to support greater private-sector entrepreneurship, often through direct investment in developing businesses - for example. Corruption, gender inequality, and cultural barriers are still major challenges for entrepreneurs in the region. A 2002 IDB analysis found that East Asia companies are highly productive and grow quickly, relying on high skills “knowledge-based technology” to expand their businesses.¹²² Most East Asia entrepreneurs are from lower or middle classes and succeed due to strong financial support from both government and private funding.¹²³

¹²¹ Porcellena, Silvia. “The EU is Not Entrepreneur Heaven”.

¹²² Quesada, Charo. “How to cultivate entrepreneurs” (IDB, 2002).

¹²³ Ibid.

Conclusion

Entrepreneurship is a crucial economic driver for any modern economy, and is an especially potent tool for growth and development in middle-income nations. While Latin America and the Caribbean have become rising hotspots for new businesses, much still needs to be addressed if entrepreneurs are to succeed in their business ventures. Political instability and weak rule of law threatens the confidence of foreign investors. Policy makers must also assure nascent startups a sufficient share of the market so they may survive and grow, but must not sacrifice the power of open trade and free markets in the process. Basic infrastructure and education needs should be addressed in order to develop and retain rising domestic talent. In an increasingly

skills-based modern economy, members served by the Inter-American Development Bank must overcome the skills gap in its workforce to escape the “middle-income trap”. While the region has benefitted from integration and free trade compacts, it still suffers from non-tariff measures that impede the flow of goods between nations and constraints in the exchange of services. These barriers will need to be taken down if member states’ domestic private businesses are to be competitive in the international market. It remains to be seen if borrowing and non-borrowing states can reach a productive agreement encompassing private sector investment, infrastructure development, and greater regional integration.

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