

9.2. UNDP Web press releases

Unleashing Entrepreneurship: Making Business Work for the Poor

From April 21-22 the United National Development Programme (UNDP) will be hosting in the Philippines the East Asia Sub-Regional workshop on the UN Report on Unleashing Entrepreneurship: Making Business Work for the Poor. Thirteen (13) countries in East Asia are expected to tackle this UN report that offers recommendations to the global challenge of poverty eradication.

Halving global poverty by 2015 is the overarching goal of the Millennium Declaration (MD), the historic document signed in September 2000 by 189 member-states of the United Nations (UN) that pushed the agenda for the eight (8) Millennium Development Goals (MDGs) to ensure that development initiatives are effectively eradicating poverty and promoting sustainable human development.

Ten years from now, which is not too faraway, the developing world will be judged on how well it has performed and how the developed countries have truly supported the poor countries in terms of the targets set by the MDGs.

The task is formidable. Despite great progress in some countries and regions, deep poverty remains stubborn and intractable. Substantial gains in some countries have been accompanied by deep losses in others, and far too many people still earn less than US\$1 a day, suffer from hunger and lack of access to water, sanitation and energy. As of 2002, an estimated 4 billion people worldwide lived at the bottom of the pyramid (BOP), people who earn less than US\$ 1 to US\$2 a day.

In the Philippines alone, there were 23,509,648 Filipinos or 30.4% of the population living below poverty line as of the 2003 national survey. There were 10,670,897 subsistence poor Filipinos (below the food poverty line) or 13.8% of population.

It was on this note of typical realities of poverty in the developing world that in 2003, UN Secretary General Kofi Annan created a Commission on the Private Sector and Development. Grounded on empirical evidence from Latin America, Asia and Africa that **sustained** economic growth is linked to strong private investment and growth **if** translated into incomes for the poor reduces poverty, the Commission was asked to tackle two questions: (1) How can the potential of the private sector and entrepreneurship be unleashed in developing countries?; and (2) How can the existing private sector be engaged in meeting the challenge?

The result is the Commission's report on "**Unleashing Entrepreneurship: Making Business work for the Poor**" that was submitted to the UN Secretary General in March 2004. The report offers recommendations on how the major actors---government, public development institutions, the private sector and civil society organizations (CSOs)---can modify their actions approaches to significantly enhance the ability of the private sector to advance the development process.

Unleashing Entrepreneurship offers the strongest argument that sustainable private sector investment is the main driver of accelerated economic growth essential for reducing poverty and making rapid progress towards the MDGs.

But this is where the big challenge comes in. The private sector through its engine of entrepreneurship faces numerous constraints, especially in developing countries. Three (3) major structural challenges confront the private sector in all developing countries, to varying degrees: (1) microenterprises and many small and medium enterprises operate informally; (2) many small and medium enterprises have barriers to growth; (3) a lack of competitive pressure shield larger firms from market forces and the need to innovate and become more productive.

In other words, there is widespread informality for microenterprises, there are few competitive small and medium small enterprises and there is lack of competitive pressure on large companies.

Small and medium enterprises and the informal sector can be engines of job creation---seedbeds for innovation and entrepreneurship. But in many poor countries, these are marginal in the domestic ecosystem. Many operate outside the formal legal system, contributing widespread informality and low productivity. They lack access to financing and long-term capital, the base that companies are built on. They are not integral to the value chain, they create low or little value.

The case of the Philippines is again worth noting here. A 2001 national survey shows that 91.6% of enterprises in the Philippines are microenterprises, only 7.6% are small, 0.4% are medium and 0.4% are large. A structure such as this demonstrates the wide disparity of businesses here. It is a structure that can also explain the phenomenon of widening income disparities in the country.

What can be done? The report on *Unleashing Entrepreneurship* offers courses of action that are based on the foundations of private sector development, namely, the global macroenvironment, the domestic macro environment, physical and social infrastructure and the rule of law; and the pillars of entrepreneurship which are the leveling of playing field and access to finance, skills and knowledge.

This calls for reform of laws, regulations and other barriers to growth; facilitation of partnerships and cooperation between public and private players to enhance access to productive resources; encourage the development of business models that can be scaled up and replicated and that are commercially sustainable.

At the same time, new partnerships for development with major business corporations can go a long way in terms of nurturing the smaller businesses. Large companies can do business and stand to benefit from nurturing and building links with the bottom of the pyramid (BOP)---the local entrepreneurs and smaller companies.

Recognizing the size and complexity of the challenge, government, the private sector and CSOs must work together to eliminate the barriers that have kept energies and opportunities for entrepreneurship untapped for so long. Some countries that have chosen to take this path earlier, many of them in Asia, have shown the way for those which remain beset by poverty.

Post Workshop Press release

The East Asian sub-regional launch of '*Unleashing Entrepreneurship: Making Business work for the Poor*' was held in Manila, Philippines, (April 21-22). The event brought together more than 800 people from a broad range of backgrounds. The launch which culminated in a substantive workshop emphasized establishing partnerships between the private and public sector. Outcomes of the

workshop included proposals and practical initiatives where private and public sector work together to cater to the needs of the poor.

The UN Commission of Private Sector Development, in its report on “*Unleashing Entrepreneurship*” calls for active **public-private partnerships** to facilitate access to financing, to assist the development of skills and knowledge, and to enable sustainable delivery of basic services to people living below \$2-day. The report encourages public-private partnerships that help convert “missing markets” into functioning markets by offsetting the high risks that prevent private sector from serving the poor. The purpose is to create win-win opportunities that benefit the poor as well as help companies yield profits.

The Vice President of Philippines, Noli de Castro delivered the inaugural address. Dr. Hafiz Pasha, the UN Assistant Secretary General and Regional Director of the Bureau for Asia and the Pacific of the United Nations Development Programme (UNDP), delivered the keynote address. Mr. Kwame Pianim, Member of the Commission from Ghana and CEO of New World Investments, shared recommendations of the Report. Mr. Jose Conception III, Presidential Consultant on Entrepreneurship, noted that the role played by domestic entrepreneurs in economic development has often been undervalued while Dr. Jeya Wilson, Director, Division for Business Partnerships/BRSP, UNDP emphasized that private initiative — driven by market — based incentive can foster new business models for businesses that provides goods and services to the poor. Moreover, the Asian Development Bank (ADB), International Finance Corporation (IFC), Australia and New Zealand Banking Group Ltd. (ANZ), Energy House, SMART Communications Inc., GLOBE Telecoms and thirteen participating countries delegations shared experiences on how the “wealthy” private sector can work with the poor at the bottom of the pyramid (BOP).

Participates from thirteen East Asian countries namely, Cambodia, China, Indonesia, Laos, Malaysia, Mongolia, Myanmar, the Philippines, Republic of Korea, Thailand, Timor Leste, Viet Nam and Afghanistan presented public-private partnership initiatives that were aimed at improving the welfare of the populous living at the Bottom of the Pyramid. The Country Delegations came up with innovative project ideas using the BOP approach, some potentially promising initiatives were:

- New forms of financial services (Cambodia)
- New solutions to women empowerment in ethnic minority areas (China)
- Enhancing agricultural producers’ access to regional/global markets (Indonesia & Malaysia)
- IT access for the poor and for SMEs (ROK & Mongolia)
- Improving the supply chain between processors and distributors by means of an information center (Myanmar)
- Developing innovative contract modalities to fill the gap between small farms and large processors (Thailand, Viet Nam & Laos)

The workshop has also led to new South-South private sector contacts established; between IT companies from Mongolia and the Philippines. One of the issues the two companies discussed was the means to develop systems that benefit and empower the poor using appropriate third-world technology. Also, Afghanistan and Malaysia proposed cooperating on dry fruit processing. As Afghanistan was once one of the leading exporters of dry fruits products, the purpose was to devise ways and means to regain this position. Malaysia could potentially help in the certification, branding and marketing process of dry fruits products. Another interesting initiative developed was

between Thailand, Vietnam and Laos where through developing and linking small farms and large processors access to local and global markets could potentially be enhanced. In this manner small farm households would be able to generate greater incomes as they would have greater and more reliable market access.

Not all was work, on the second day of the workshop, a promising Pilipino singer **Riza Navales** performed during the lunch break. The workshop concluded with concrete initiatives from the country delegations, some of which will be followed up by pre-feasibility studies financed by the Regional Bureau of Asia and Pacific.