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**ENTREPRENEURSHIP AND SMEs IN THE CONTEXT OF
ALLEVIATION OF POVERTY AND SOCIAL INEQUALITIES:
A PROPOSAL FOR NEW ACTIVITIES OF THE WORKING PARTY ON
INDUSTRY AND ENTERPRISE DEVELOPMENT**

Note by the secretariat

Introduction

1. One of the major strategic development goals proclaimed by the heads of States and Governments at the United Nations Millennium Summit, held in New York on 20-22 September 2000, is poverty eradication:

“We will spare no effort to free our fellow men, women and children from the object and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected. We are committed to making the rights to development a reality for everyone, and to freeing the entire human race from want.

We resolve, therefore, to create an environment – at the national and global levels alike – which is conducive to development and to the elimination of poverty.”¹

2. The goal of poverty eradication is closely intertwined with other strategic goals of the international community, especially, with preservation of international peace and stability. Poverty breeds conflicts and wars, which, in turn, breed poverty and misery. Obviously the only way to break this relationship is the eradication of poverty through the creation of conditions that spur development and allow for income-generating activities.

¹ The United Nations Millennium Declaration, ACC/2000/POQ/INF.7, p.5, 13 September 2000

3. Entrepreneurship has been traditionally viewed as an important source of economic growth. It should be also seen as a powerful means to alleviate poverty and social inequalities, which, in turn, if not properly addressed, may reduce the potential for development. In addition, entrepreneurship should also be seen as an economic means to prevent conflicts.

4. Over the last two decades, many countries in the ECE region have undergone dramatic systemic changes, which, in some instances, have had a disproportional negative effect on vulnerable and disadvantaged groups, in terms of social welfare. These changes, apart from transition towards a market-based economy, include disintegration of unitary states, ethnic and interstate conflicts, and implications of globalization. On the whole, the vulnerability to economic shocks at the national and group levels has increased in many countries, posing a threat to stability and security of the region.

Major characteristics of Poverty and Social Inequalities

5. Poverty in the ECE region can be characterized as follows:

- S Feminisation of poverty, in particular through reduced access to stable and secure employment for women in all countries of the region;
- S Young families with children are among the most poor, especially in some countries in transition;
- S Ethnic minorities are generally more poor than the majority of population;
- S Rural poverty incidence is higher than urban, practically in all economies in transition; and
- S Poverty incidence is higher among people with low-educational attainments than among people with secondary and high education in all countries of the ECE region;
- S Growing number of people in some countries in transition rely on informal sources of income; and
- S Poverty in specific regions affected by economic restructuring.

6. In the ECE region, social inequalities mainly manifest themselves in:

- S Increased discrimination in the labour market based on gender, age, health status and ethnicity in many countries in transition;
- S Limited access to financial resources for the majority of population in many countries in transition for starting-up individual business activities; and
- S Shrinking access to educational opportunities, especially in some countries in transition.

ECE Strategic Directives for addressing the poverty challenge through the promotion of entrepreneurship.

7. The ECE has been active in the area of SMEs in transition economies, especially in promoting the role of SMEs in absorbing surplus labour and providing income-generating opportunities through sharing national experiences in business incubation, providing training and developing advisory services to Governments and SMEs organizations. Recently, these activities have been enhanced with the introduction of the gender dimension. However, a further reinforcement of the **dimensional approach** is needed in order to overcome specific barriers faced by groups of population which are affected by various forms of poverty-related vulnerability, e.g. geographical remoteness, cultural and ethnic origin, lack of education, family status, etc. Such barriers which handicap the opportunity-set of these groups, should be taken into consideration at both the institutional and organizational levels.

8. At the **institutional level**, it is important to remember, that, if specific needs of vulnerable groups of society are not addressed through normative acts (such as specific legislative acts, envisaging the provision of public support for entrepreneurial activities of these groups), then they will be not able to utilize the opportunities offered by the market. Therefore, when designing a normative system, an institutional framework for business activities, it is necessary to ensure that it empowers, and not marginalize the vulnerable groups.

9. Normatives are needed to legitimize government' actions, such as setting-up public targeted programmes or funds, using fiscal stimuli and/or other policy instruments to ensure that vulnerable groups have access to financial resources from both the public and private sectors.

10. At the **organizational level**, actions should be undertaken to ensure that the public support is made available, in terms of providing expertise, legal advice, training and information, necessary for starting up business activities by such groups.

Proposed activities

11. It is proposed to establish an integrated **Team of Specialists on Entrepreneurship and Poverty**, which could:

- S** raise the awareness of the importance of the dimensional approach in enterprise development for poverty alleviation;
 - S** review the impact of normative acts, regulation and policies aimed at promoting entrepreneurial activities and to assess their impact on the poor and vulnerable groups;
 - S** identify policy instruments, which proved to be effective and efficient in reducing poverty and social inequalities through entrepreneurial activities, and provide policy recommendations;
 - S** exchange best practices in eradicating poverty through promotion of entrepreneurial activities and self-employment. Such exchange could cover the following areas: “train the trainers” schemes on business management targeted to selected groups of the poor; search of partnerships and markets for their products and services; creation of technology parks;
 - S** exchange experiences and ideas on how to reduce rural poverty through entrepreneurship;
 - S** identify technologies, organizational forms and support services, that could reduce costs of starting-up and running SMEs created by the poor and vulnerable groups;
 - S** improve the access of family businesses and small and medium enterprises initiated by other groups of the poor, to technology;
 - S** suggest specific programmes to encourage entrepreneurship activities among specific subgroups of the poor and the vulnerable, especially for countries and areas that are at high risk of conflict or affected by economic restructuring;
 - S** identify possible areas of public-private partnership, which could benefit the poor, in particular to consider the creation of solidarity funds and other micro-credit schemes among select groups of the poor with the support of the private and public sector; and
 - S** assist governments, at their request, in designing income-generating, entrepreneurial, programmes.
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