

*Introductory remarks for the panel discussion on “Eradicating Poverty through Enterprise”, 2 November 2007, 10 a.m. – 1 p.m., Conference Room*

4

Excellencies, Ladies and Gentlemen,

It gives me great pleasure to welcome you today to discuss the subject of “Eradicating Poverty through Enterprise” with our four distinguished panelists.

This meeting seeks to discuss how enterprises – micro, small, medium and large -- can best contribute towards the eradication of poverty, and to identify lessons for policy makers, especially in the developing world. After all, successful entrepreneurship and sustained investments are required for sustained employment and income generation.

Encouraging private sector development has often been linked to policies to encourage ‘entrepreneurship’. However, in order for such policies to contribute meaningfully to economic development, we need to understand entrepreneurship broadly. Entrepreneurship involves not only the creation of new and innovative enterprises, but also the development of these firms into successful ongoing entities.

So, the questions that we need to ask here go deeper, and relate, not just to the policies and conditions necessary for new businesses to emerge, but also how to successfully transform these ventures into viable, established concerns. More broadly, we need to discuss the environment required for countries to develop and sustain a competitive and innovative business sector that serves to further economic development.

Besides the legal and regulatory environment, it also seems useful to consider the socio-economic conditions under which enterprises allocate resources, as well as the incentives for producing higher quality and lower cost products and services, which in turn, shape the economic development process. Questions of corporate governance, industrial organisation and the relationship between producers and financiers effect the incentives for efficiency, learning and innovation in corporations.

These are, in turn, influenced by historical experience, institutional context as well as broader development strategies. Such considerations shape the norms for business organisation and governance as we can see from the major differences in corporate organisation in Japan, the United States and within Europe.

It is, in this sense, imperative for us to look beyond the standard measures of how to encourage the establishment and improve the performance of productive and efficient enterprises. These conditions may

include access to stable finance and incentives for workers and managers to undertake successful learning and innovation.

They are, in turn, likely to be shaped by the historical experience, institutional setting and industrial strategies of countries, which were also relevant to the growth of the private sector in today's developed countries. In this respect, examination of the historical experiences of today's industrialized countries shows that governments have played an active role in shaping the conditions for entrepreneurial activity and behavior. Such policies have varied among countries, but all experiences point to the important role of the state in supporting entrepreneurship in the broad sense.

Over the last two decades, there has also been a great deal of interest in the potential of microcredit in ameliorating, if not eliminating poverty. The success of the Grameen bank, recognized by last year's Nobel laureate for Professor Yunus, has renewed interest in the potential of microcredit.

There has also been greater interest in what has been termed *inclusive finance*, recognizing the variety of unmet and poorly met credit needs which need to be served to ensure balanced economic development. There is growing recognition of the importance of stable finance to generate innovation and learning in companies, as well as the variety of financial arrangements which may best meet such needs.

Of late, there has been some excitement as to how large companies can make profits by selling to poor people at the 'Bottom of the Pyramid' and, by doing so, help eradicate poverty by increasing purchasing power, employment and incomes. All ideas to promote development and reduce poverty are welcome, but should nevertheless be examined thoroughly.

Enterprises help alleviate poverty and improve the quality of life for the poor principally by providing employment. While there have been considerable management demands for greater labour flexibility, it is crucial that reforms of labour laws do not undermine income security and progress towards decent work. In this and other ways, it is important to ensure that enterprises remain fully accountable to the societies they operate in.