

**ERADICATING POVERTY THROUGH ENTERPRISE
an Israeli Viewpoint**

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by Ms. Shula Ferdman

The Golda Meir Mount Carmel International Training Center (MCTC)

The Center for International Cooperation - MASHAV – Ministry of

Foreign Affairs

Israel

BACKGROUND

As the **end of the 20th century** approached, greater focus was concentrated in the international arena on issues which could impact on eradicating poverty, or at least alleviating it, among others those of **women's empowerment** and **micro, small and medium enterprise development, (MSMEs)**. Discussion on these issues culminated in the adoption of the Millennium Development Goals, with poverty eradication high on the list. However, the Secretary-General's recent Report on the Implementation of the First United Nations Decade for the Eradication of Poverty merely emphasizes that addressing the root causes of world poverty still remains an ongoing urgent international concern.

All authorities recognize the importance of raising the standard of living in the community by **job creation**. Yet is increased employment the absolute answer? Most of the poor in developing countries are not unemployed, but it is estimated that in 2006, 1.4 billion did not earn enough to lift themselves and their families above the poverty threshold. Seventy per cent of these people are women and the feminization of poverty is recognized today as a global phenomenon. As stated by the UN Secretary General in his Report, the objective should be **creating decent and productive employment**. Promotion of **Micro, Small and Medium Enterprises (MSME's)** could be one step in the direction of **eradicating poverty through enterprise**.

MSME DEVELOPMENT

On an individual level, because of changes in their socio-economic environment, starting-up a small business venture has sometimes been the only solution for vulnerable groups in society, e.g. women, younger people and former public sector workers. Creating their own microenterprises thus becomes a tool of **self-empowerment**, offering a way of achieving **economic independence** and sometimes constituting the only **option for survival**. Moreover, increased income brings with it **access to health and social services, education, gender equality and empowerment of weak groups in the community**.

Some Insights

MASHAV, the Center for International Cooperation of the Israel Ministry of Foreign Affairs and its affiliated training institute, the Golda Meir Mount Carmel International Training Center, have been working with 147 developing countries for more than forty six years. From their accumulated experience some insights can be drawn regarding further attempts to **eradicate poverty through enterprise**:

1. When promoting enterprise for poverty eradication, all sectors should be involved in creating a support system for the entrepreneur: **civil society, the local and national authorities, the education sector and the private business sector**. All have an interest in raising the standard of living of those so called "*Bottom of the Pyramid*" (BOP) since the benefit will reflect on all of them.
2. Regarding women - In the developing world particularly, where the problem of the status of women is at its most acute and where there are fewer jobs than people, **entrepreneurship** can offer both a personal solution and a national benefit. The **role of women entrepreneurs** as contributors to the socio-economic development of their societies cries out for our attention. Women need **support and training** in the type of entrepreneurial activities and fields in which they could most profitably engage. A

favorable environment for micro enterprises, with supportive organizational, legal, economic and social incentives, could encourage the successful participation of women in the economic life of their country

3. A **comprehensive/holistic approach to enterprise development** that comprises not only **microcredit** or **training** or **counseling** as isolated elements of support for MSMEs, but a package that will guide the entrepreneur from the early steps of checking the feasibility of a business idea until the actual launch of the economic venture and its everyday operations – be it a small shop in a village or a high tech start-up - should be adopted. Small Business Development Centers (SBDCs) established at local and regional levels with governmental support have proved to be an effective tool for avoiding failures in newly started businesses that tend to die in the early stages of their existence for lack of a support system.
4. A **practical approach of “bottom up development”** - addressing the grassroots levels has proved to be successful in many parts of the developing world as a contribution to poverty reduction.
5. **Capacity building** is an important part of enterprise development. However, when training, business and managerial concepts sometimes need to be “translated” into a language that the beneficiaries will understand (academic terms are not always suitable) and transferred into terms that can be **adapted** to the social environment in which the target population operates. Similarly, **practical tools** rather than theories should be provided.
6. Communities should be encouraged to rely on **local available resources** when establishing enterprises.
7. The use of ICTs to facilitate more equitable access to new technologies, in order to turn existing inequalities into opportunities and resources and contribute to the economic and social empowerment of disadvantaged groups such as women, youth and populations living in remote areas should be encouraged, as governmental support is vital in terms of infrastructure and providing access to technologies.

The “Business Labs” as a successful model

A comprehensive model of entrepreneurial training for youth, implemented all over Latin America and the Caribbean in cooperation with the **Young Americas Business Trust (YABT) of the Organization of American States (OAS)**, with the aim of contributing to enterprise development has been developed, based on the Israeli experience. Its underlying philosophy is to **eradicate poverty through capacity building**, preventing young people from becoming caught up in the cycle of poverty, by encouraging them to start up their own small businesses.

The **Business Labs** concept is based on the idea that for young people, gaining skills through experience is as essential, and often more effective than learning by presentation, “talk and chalk.” This motivates learning, stimulating action, and deepening understanding of entrepreneurship. It is a strategy to incorporate action learning into business education, much as a “hands-on” lab does in science classes. The Business Labs concept uses low-cost simple tools for transferring managerial skills and has been applied with various target populations, as different as prison detainees and university undergraduates and graduates.

To date over **17,000 young people** have been trained through the Business Labs project, in **29 countries** across the Americas. The effectiveness of the methodology is demonstrated in the sustainability of the project and the ability of local organizations and YABT national chapters to use it to give young people an introduction to entrepreneurial skills. The project began with four initial training exercises **to train trainers**, with experts provided directly by MCTC through YABT. From this, a core of group of trainers who work for YABT was created and continues delivering localized versions of the program in OAS Member States. Different stages have developed, from training to the establishment of **Support and Resource Centers** (Small Business Development Centers) for entrepreneurs and introduction of technologies in small businesses.

The Business Labs are now being adapted in a project sponsored by the Ministry of Education in **Panama** to be used in the final year of every student's secondary school education. It has also been used with the Small Business Authority's programs and with universities there. In **Brazil** it has obtained funding from USAID to be offered to at-risk youth. In **Bolivia** a special version has been developed for rural indigenous communities, as well as in Ecuador, where it is sponsored by the Ecuadorian Amazonian Eco-development Agency. Organizations from other parts of the world also intend to apply the philosophy and methodology behind the "Business Labs" in their own settings.

Small Business Development Centers (SBDCs) have been planned based upon the Israeli model and are being established in **Panama, Colombia, Ecuador, Paraguay, Argentina and Mexico**. These business resource centers are a one-stop shop for entrepreneurs and are able to screen potential business ideas, assist in searching for markets, guide the individual to the most suitable loans and provide training in specific skills needed for running the business. With a reduced administrative staff and an ad hoc pool of professional advisors, the SBDCs are capable of catering for hundreds of applicants in their surroundings, addressing their clients in the local language and guiding them in entering the complex world of business, so that their new ventures can be sustainable in the long run.

Another two of examples of impact from India and Guatemala reflect my conviction as a practitioner that enterprise development DOES contribute to poverty alleviation, if not eradication ..

In 1998 an On-the-Spot course on *Women and Entrepreneurship* was organized by MCTC at the request of the Agency for Rural Development, a community development agency which works in some **120 villages**, with a direct and indirect target population of around half a million people. The Minister of Social Welfare of Tamil Nadu State, with a population of 70m.) came into contact with this agency as a result of the training. Impressed by the work of the agency and with the development of knowledge and skills being acquired by the course participants, she offered government backing to the Agency and loans and grants for the application of the projects planned by the trainees, which is a direct contribution to poverty reduction. Moreover our continuous cooperation with the Agency benefited over **700 self-help women's groups**. In 2005, cooperation with Tamil Nadu was still continuing with an OTS course on Community Development with Emphasis on Volunteer Work and Leadership in an area hit by the 2004 Tsunami

While working in 2006 in the small town of Tecpan, outside Guatemala City, the target population was a group of young Mayans (indigenous people) from rural areas around the country. A follow up survey was then carried out in April 2007 and found that 20 microenterprises had been created, including a computer shop with the only computer in town, which many sectors of the community – including children - who pay for using the computer by the hour, now have access to. Apart from the young entrepreneur who benefits from the income, the whole community enjoys the exposure to the new technology.

Conclusion

Promoting small scale enterprises is **one** means of **eradicating poverty** and is a joint effort of local, national and international organizations. It has to be part of a comprehensive plan for raising the standard of living of the population. In a world where poverty alleviation still remains one of the greatest global challenges, the linkage between training and increasing income generating opportunities is generally acknowledged. Sustainable development in a **self-employed entrepreneurial capacity** and involving the grassroots population remains an ongoing, pertinent and vital part of Israel's International Cooperation policy.