

6. Foreword

6.1 Keynote address by Dr. Hafiz Pasha, UN Assistant Secretary General & UNDP Assistant Administrator / Director, Regional Bureau for Asia and the Pacific.

Honourable Vice President of the Republic of Philippines, Noli de Castro, Honourable Secretary Imelda Nicholas, Honourable Joey Concepcion, Mr. Jose Banson, Mr. Anang Riskani Noor, Ms. Debbie Landey, Mr. Robert Bestani and Dr. Jeya Wilson, Ladies & Gentlemen

I am delighted to be here in Manila, Philippines, for the East Asia Launch of the Report “Unleashing Entrepreneurship-Making Business Work for the Poor”. This report has been prepared by the Commission on Private Sector and Development set up by the Secretary General of the United Nations, This commission was chaired by Prime Minister Paul Martin and former President Zedillo and included some of the leading private sector personalities in the world.

Why this launch in Philippines – We have chosen Philippines because it faces a special challenge. It is a middle-income country with levels of poverty, which are very high – one-third of the population is poor. This level of poverty is normally associated with countries with half the per capita income of Philippines. We are pleased to note that the leadership of Philippines has recognized this and is focusing on poverty reduction as the principal objective.

I am pleased that UNDP is sponsoring this event, in partnership with the Philippines Business for Social Progress.

I welcome delegations from twelve East Asian countries: Cambodia, China, Indonesia, Lao PDR, Malaysia, Mongolia, Myanmar, Republic of Korea, Thailand, Timor Leste, Vietnam and the host country, Philippines. In addition the Afghanistan delegation, which could not join us for the South Asia launch in India, is also here.

From the country delegations we have representatives of:

- National Chambers of Commerce and Industry
- National SME Associations
- Women’s and Youth Business Association
- Private companies
- Micro credit organizations
- Anti-Poverty Commissions

I am also pleased that the Government of Philippines is taking keen interest in this event and has shown such wonderful hospitality. The presence of Vice President de Castro testifies to this. Also, we have a strong presence here of the business community of the Philippines. My thanks to the organizers of the launch.

I also thank the Asian Development Bank, IFC and the United Nations Industrial Development Organization (UNIDO) for speaking at this event. Within UNDP, BRSP, BDP, and the South-south Unit have worked with us on this event.

Ladies and Gentlemen, East Asia has made remarkable progress during the last few decades and has emerged as the fastest growing region of the world. Much of this on the back of the dynamism of the private sector in achieving primarily exports led growth. Today, many of the East Asian countries have achieved middle to high-income status.

But despite this extraordinary growth, almost 250 million people remain poor in East Asia. This is a reflection not only of income disparity among countries of the region but also of high and rising inequality within countries. What we have seen is high growth but not enough pro-poor growth. The challenge the Region faces is to achieve faster poverty reduction through the rapid growth that it has demonstrated.

It is in this context that the recommendations made by the UN Commission of the Private Sector & Development become so relevant. The Commission highlights the fact that the world simply cannot hope to achieve the Millennium Development Goal of halving poverty by 2015 without engaging the private sector in the development of new business models-models that can unleash entrepreneurship by harnessing the profit motive that is critical for investment, but in ways that can simultaneously contribute to alleviating poverty. Respecting a reasonable and legitimate profit motive is necessary if we want the private sector to replicate itself upscale its investments and sustain its commitments.

There are two key elements of the private sector development strategy suggested by the Commission. The first prong of the strategy focuses on development of local small and medium enterprises (SMEs). A sound and diversified SME sector is crucial for job creation. This is particularly important in the context of East Asia where we have witnessed in recent years “jobless growth”, especially in the manufacturing sector, as large multinational companies have focused on raising productively through capital-intensive technology in an effort to realize economies of scale. This has marginalized the unskilled poor worker and reduced the “trickle down” effects of fast growth on poverty.

For domestic private initiative and entrepreneurship, particularly within the SME segment in the rural non-farm sector and the urban informal sector, the fundamental requirement is to improve the enabling business environment for the potential small entrepreneur by reducing the costs of transactions with government including bribes, promoting a stronger rule of law and “a level playing field” for all. The banking system will need to find ways of extending more credit to SMEs while the government develops the necessary physical infrastructure and supports research and development activities for discovering and adapting low cost technology solutions.

In President Gloria Macapagal-Arroyo’s 10 Point Pro-poor Legacy Programme, the first point has the objective of creating 6 to 10 million jobs by tripling loans to micro & SMEs and developing 2 million hectares of agri-business land.

This is the only way the we can “Unleash Entrepreneurship” indigenously among the people which will enable the poor to be absorbed in productive employment and generate enough income to get out of the poverty trap and lead decent lives.

The second key component of the strategy suggested by the Commission for making business work for the poor is to focus on the provision of goods and services in the market at the bottom of the period. This market is sizeable. In East Asia 50% of the population or almost 840 million people live on less than \$2 (PPP) per day. They collectively account for over one thirds of the total purchasing power and represent a market of almost \$ 250 billion.

The Commission says that action to unleash the private sector must focus at the BOP where the poor live. Importantly, we should not see the poor just as the “target beneficiaries” of assistance but also as consumers who have the right to access cheaper and better quality goods and services.

Market development of BDP has frequently been frustrated by the problem, which has come to be referred as

“The problem of missing markets”

This represents the case where market transactions will occur only through some external intervention, due to the presence of structural constraints, like high level of risk/uncertainty or high transaction costs or high costs of supply relative to levels of affordability, which cannot be overcome by the market alone.

Therefore, development of BOP market calls for active public-private partnerships to improve the risk to reward ratio for potential private suppliers in such markets. Public support could come through provision of appropriate infrastructure or fiscal incentives or complementary inputs like credit to translate potential into effective demand.

For example, one of the most acclaimed BOP interventions in the world is the provision of micro finance to poor families in Bangladesh by the Grameen Bank. This process was facilitated initially by grant assistance to the Bank by international development agencies to cover part of the cost of socially mobilizing rural communities to receive credit on a group basis without collaterals. Over 5 million people are now being served by the Grameen Bank. In some countries, rural banking for the poor by private banks is being promoted by the provision of attractive tax rebates by government.

Therefore, as shown by the Commission, the private sector can alleviate poverty by:

- Contributing to employment and income generation, especially through the establishment of SMEs using labor intensive techniques
- Empowering the poor by providing them with goods and services through BOP interventions, which improve access and reduce prices.

Of course, we have the optimal outcome from private sector development, which jointly focuses on SMEs in BOP markets.

Ladies and gentlemen, I am very keen that we do not stop with only launching of the Commission’s report. We look forward to your discussions and creative participation on either individual initiatives at BOP or in terms of development of SMEs. In particular, I hope that you can reach the stage where you are able to identify some potential pilot projects.

UNDP is keen to take out from this event some actionable initiatives. I am pleased to announce that UNDP will be willing to finance the costs of doing the pre-investment feasibility studies, help in marketing these ideas and in brokering, if necessary, any public-private partnerships. We literally mean business.

Ladies and gentlemen, we are really excited about the diverse nature of the private sector present here and the prospect of a lively exchange of ideas. I hope that you have very productive deliberations and come up with some creative and innovative business ideas.

As I conclude, let me highlight that it is a historic day today, the 50th anniversary of the Bandung Conference. Included in the Conference today is a Business Forum. This represents a shift from the political anti-colonial thrust of the original conference to one where business development issues dominate. The private sector has come a long way.

THANK YOU & MABUHAY!

6.2 Inaugural Address by the Vice President of the Philippines, His Excellency, Mr. Noli de Castro

Dr. Hafiz Pasha, Ms. Debbie Landey, Mr. Joey Concepcion, Mr. Jose Banson, Mr. Robert Bestani, Dr. Jeya Wilson, Mr. Anang Rizkani Noor, excellencies, fellow officials of the Philippine government, leaders from the business community, delegates and participants, ladies and gentlemen :

Magandang umaga!

First of all, I would like to thank UNDP for choosing the Philippines as host to the East-Asia Sub-Regional Launch and Workshop on the Millenium Development Goals Report, “Unleashing Entrepreneurship: Making Business Work for the Poor.”

Last February, I also had the honor of attending the 2nd Localization Meeting of the 12 MDG pilot cities in the Philippines held in the Science City of Munoz, Nueva Ecija. I had the honor of joining UNDP Resident Representative Debbie Landey as well as representatives of local government of Munoz and other pilot cities. I saw first-hand, the enthusiastic response of the local residents to the MDG goals and programs being planned and implemented by the government.

The government recognizes the immense significance of the MDGs and the objective of cutting world poverty by half by the year 2015. As I said in Munoz then, the MDG represents no less than the international community aspirations to make a better world and I’m sure the delegates of this workshop are very much aware of the grim statistics that show the depth and extent of global poverty.

As of 2002, an estimated 4 billion people worldwide live at the Bottom of the Pyramid. In the Philippines, 23,509,648 Filipinos or 30.4% of the population were found to be living below the poverty line As of 2003, 10,670,897 Filipinos were also found to be living below the food poverty line.

It was the reality of widespread poverty that pushed the United Nations, led by Secretary-General Kofi Annan, to take a good look at the experiences of countries like Latin America, Asia and Africa. And what they had found was that where there is a strong private investment, there is sustained economic growth. The answer to poverty, it appeared, is in the hands of private entrepreneurs. Thus, Secretary-General Kofi Annan created a UN Commission on Private Sector and Development to prepare a report on entrepreneurship.

The UN Commission on Private Sector and Development (UNCDS) was tasked to answer two questions:

1. How can the potential of the private sector and entrepreneurship be unleashed in developing countries?
2. How can the existing private sector be engaged to meet the challenge?

In March 2004, the Commission answered these questions in a report called “Unleashing Entrepreneurship: Making Business Work for the Poor” and that is what brings us here today. The Report strongly supports the argument that sustainable private sector investment is the main factor that accelerates economic growth and reduces poverty. It offers recommendations on how the major actors can enhance the role of private sector in development. It also identifies the major challenges that confront the private sector in all developing countries.

Here in the Philippines, the 2001 National Survey shows that 91.6% of enterprises are micro-enterprises. Only 7.6% are small enterprises, 0.4% medium and 0.4% large. This structure demonstrates the wide disparity of business in the country, and also depicts the widening income disparities among Filipinos.

Shelter is one area where the Philippine government shows its commitment to the MDGs. Under Goal No. 1 which is to ensure environmental sustainability, one of the specific targets of the MDG is to achieve the significant improvement in the lives of at least 100 million slum-dwellers by the year 2020. The Medium-Term Philippine Development Plan for shelter explicitly mentions this MDG target in citing the accomplishments of the government and the private sector in housing, specifically the provision of shelter security to 382,285 households from 2001 to 2004.

It is easy to see why the Philippine government would place a high priority on the plight of slum-dwellers. According to the 2002 Annual Poverty Indicators Survey (APIS) of the National Statistics Office, there are 588,853 informal settler families in the country. And of this number, 51 percent are in the National Capital Region (NCR), Region IV and Region VI.

These informal settlers live in substandard dwellings, or those that are not durable enough to last at least two to five years. These are located mostly in urban slums with little or no access to auxiliary services such as safe drinking water, health centers, elementary and high schools as well as decent and gainful livelihood opportunities. These informal settlers are only part of existing housing backlog. For 2005 to 2010, we are looking at a total housing need of 3,756,072 units.

As you can see, shelter is one area where the Philippine government has already recognized the important role of the private sector, and has acted to further encourage this sector to contribute. One of the strategies adopted by the housing sector under the MTPDP is to expand the private sector participation in housing finance and construction. We hope to achieve this through the following:

- Establishing an active and liquid secondary mortgage market program;
- Fast-tracking the disposition of assets and non-performing loans to generate additional funds for housing;
- Rationalizing the subsidy mechanism for socialized housing to remove distortions and leakages; and
- Pursue strategic linkages with clients/sectoral groups, and private developers for joint venture arrangements.

Aside from this, the Housing and Urban Development Coordinating Council (HUDCC) also has two pilot projects under the Asian Development Bank (ADB) that aim to provide not only shelter security but livelihood opportunities as well to urban poor families.

The first of this initiative is the development of Poor Urban Communities Sector Project (DPUCSP), which is being implemented together with the Development Bank of the Philippines. One of the goals of the project is to enable the urban poor to avail of financial services for micro-enterprise development, home improvement and housing. This will pilot test the potential and sustainability of Microfinance Institutions (MFIs) in the provision of housing finance to the poor.

The second project is the Strategic Private Sector Partnership for Urban Poverty Reduction in Metro Manila (STEP-UP). This is being implemented by the Philippine Business for Social Progress which provides loan assistance and a viable revolving fund for housing improvements for over 4,000 households and livelihood enterprises to more than 2,500 households. The PBSP was able to harness the potential of its member corporations in building the capabilities of the poor, as well as developing a market for their micro-enterprise products.

These are some of our undertakings to tap the private sector in addressing one specific aspect of poverty, the housing problem. I think that our efforts in our undertakings and the gains that we have made so far give us a glimpse of a greater gain we can achieve in our fight against poverty if we are to fully unleash the power of private entrepreneurship. I am looking forward to a lively and dynamic participation among the delegates in this workshop so that this activity will be able to meet its objective. We are facing a formidable challenge and we need to step up our efforts, indeed.

As a public servant, I am glad that this workshop and the UN Report make us all aware of an important truth that addressing poverty is not a solo act for the government. It is time for all of us to acknowledge our part and take our own share of the responsibility to uplift the lives of over 4 billion poor around the world. It is time for us to act and act as one.

Maraming salamat!

7. Annexes:

7.1. Welcome Remarks by Ms. Deborah Landey, UN Resident Coordinator/UNDP Resident Coordinator in the Philippines

On behalf of the United Nations family and the United Nations Development Programme in the Philippines, I would like to warmly welcome you all to the East Asia Sub-Regional launching of “Unleashing Entrepreneurship: Making Business Work for the Poor,” the groundbreaking report of the United Nations Commission on the Private Sector and Development created by United Nations Secretary General Kofi Annan in 2003.

Let me most especially welcome Dr. Hafiz Pasha, our truly remarkable Assistant Secretary General in-charge of Asia and the Pacific. A world-renowned, former Finance Minister in his home country of Pakistan, he is a truly wonderful leader and boss. We are honored to have him here in Manila again. We will also have the great privilege of having the Honorable Vice President of the Philippines with us later.

The Commission accomplished its task in a year’s time, tackling two key questions germane to the role of the private sector vis-à-vis the issues of poverty and sustainable development. These two questions are: how can the potential of the private sector and entrepreneurship be unleashed in countries? And how can the existing private sector be engaged in meeting the challenge of unleashing entrepreneurship.

At the same time, the Secretary General also posed the issue as to how the private sector, business community and entrepreneurs in general can further the attainment of the Millennium Development Goals (MDGs)?

The next two days will be unique. We will launch the Commission’s report. Today, the situational analysis as well as the key and concrete recommendations of the Commission’s Report will be unveiled. Today, we will interact and share our questions, critiques, and recommendations on how best to translate the recommendations of the Report within our region.

We will then examine and learn from the best practices from the countries of East Asia on how the private sector and businesses are addressing the needs of the poor, the marginalized, and the vulnerable – the so-called Bottom of the Pyramid (BoP), those who live on less than US\$1-2 a day.

Together, we will forge a wonderful partnership of multiple stakeholders – the private sector, civil society, government and communities on the ground – towards the eventual reduction and eradication of poverty in our different countries within the next decade, which is the bold timetable of the Millennium Development Goals.

Together, we will share with one another our best practices in utilizing the dynamics of creativity, innovation, entrepreneurship and the market to break the shackles of poverty and powerlessness.

Together - and in this I have not the slightest doubt – we will succeed in this magnificent effort.

I would like to thank and make special mention of our partnership with the Philippine Business for Social Progress (PBSP). PBSP has been with us in the organization of this event since Day 1. PBSP has also been a key player in mobilizing the business community in the Philippines around the Millennium Development Goals. Under their leadership last year, a series of square table discussions on the MDGs were held culminating in a report by business leaders themselves to fellow business men and women (some 400 CEOs) during Corporate Social Responsibility Week last year on how business can contribute to the MDGs.

Subsequently, PBSP produced the Philippine business roadmap for the MDGs – ‘Responding to the Millennium Development Challenge: A Roadmap for Philippine Business’ which is a historic and visionary document.

I would like to acknowledge too, the valuable support of the various private sector organizations and networks, the Philippine Chamber of Commerce and Industry (PCCI), Bishops Businessmen’s Conference, League of Corporate Foundations, Management Association of the Philippines, Women’s Business Council of the Philippines, Mindanao Business Council, De La Salle University, SMART Communications and GLOBE Telecoms. Last but not least, I would like to thank the UNDP team, both from the Headquarters and Manila, for the extraordinary work that you always and what you have done in putting up this event. To you all, thank you very much for your support.

Again, my warmest welcome to all of you.

Thank you very much and a pleasant morning to all.

7.2. Message of Jose Antonio Banson, Member, Board of Trustees of the Philippine Business for Social Progress

United Nations Assistant Secretary General Dr. Hafiz Pasha, Vice President of the Republic of the Philippines, honorable Noli de Castro, ms. Deborah Landey, UN Resident Coordinator/ UNDP Resident Representative in the Philippines, Mr. Joey Concepcion, recently appointed presidential consultant on entrepreneurship, delegates from our neighboring Asian countries, ladies and gentlemen – good morning.

PBSP stands for Philippine Business for Social Progress. As we celebrate in December our 35th year with our 200 member-companies, not all of which are large corporations, we are today the country’s largest corporate-led social development foundation implementing poverty reduction programs and advocating corporate social responsibility.

PBSP’s Role

We take pride in saying that we have touched the lives of more than 2.9 million households by empowering the poor through livelihood and employment, providing housing and basic services, protecting the environment and much more. But despite the many farmers, fisherfolks and urban poor communities who will testify to the success of PBSP programs, we are still here today, together with hundreds of NGOs doing just as good, with poverty still looming in our country and throughout East Asia.

PBSP is honored to be today's organizing partner. We congratulate UNDP and UN for launching this report.

Deborah Landey was telling me how they had to fight hard for this report to be unleashed in the Philippines. There are so many other countries deserving that wanted to host this morning's event. And she was telling me where else do you have the national leadership headed by no less than its president to have civil society, NGOs, and business leaders behind such a noble purpose. She was saying that it is really astonishing to see such a large group with us today. It is not just the quantity of people with us, it is the quality and commitment of everybody on their level of commitment.

What a wonderful word we are using today – unleashing. Unleashing entrepreneurship. As we pause and think about it, arguably and possibly more important than profit, isn't making business work for the poor what it's really all about? For many of us in the Philippines, making business work for the poor is the key purpose of our business. Thank you for doing your share in bringing help to those who really need it most.

A priest was telling me once, working in a very poor parish, I meet many sick people, families that have problems, many who are financially hard-up, many lost souls. They can ask me for medicine and advice, counselling, and sometimes even money, but one of the hardest request I always face is when they ask me for a job. I guess that is where we have to come in. Together, we can focus our energies on coordinating our efforts to bring prosperity to those who belong to society's bottom of pyramid.

PBSP had a role in helping define the Philippine MDG Business Framework for Action which is starting to gain ground. Let us listen and participate today and learn how the potential of the private sector and entrepreneurship can be unleashed in developing countries.

Let me conclude by saying that, whether it is in the Philippines or any developing country, the business sector is constantly being challenged to look for creative ways to include rather than exclude the majority who fall below to the poverty line. Many companies say, people are most important asset. As in the Philippines which consider population an asset, not a liability. So more than our member-companies, small and large, in pbsp, we would like to invite those of you to consider enjoining us in programs, being a member, to be one with us dedicated with our more than 200 employees all over the country helping in PBSP development efforts.

PBSP looks forward to working closely with each and every one of you in order to find areas where we can complement and or synergize our efforts. Certainly, your presence today is a reflection of our common aspiration for a better life not for just the few but for the 1.2 billion people who live on less than \$1 a day.

Thank you and mabuhay!

7.3 Message of Jose Ma. Concepcion III, Presidential Consultant on Entrepreneurship and CEO, Republic Flour Mills (RFM)

We are here together because of a shared conviction. All of us are great believers in the power and dynamism of small entrepreneurs. These SMEs are fueling the entrepreneurial spirit that is the hallmark of business today.

In the emerging markets in particular, they have shown exceptional ability to create something of great value from limited resources. Small entrepreneurs are today's wealth creators, and tomorrow's big companies. For an economy to thrive, we must give rise to more of them.

It is no exaggeration that over 95 percent of all employers are small and medium-sized. SMEs generate over 80 percent of new jobs. Furthermore, they account for over half of the private sector payroll. By large, it is small business owners who have kept economies humming along.

In part, this is due to the rapid growth of public-private sector cooperation in micro-lending programs. Not only loans have been provided, but also technical support and training. It is now common wisdom, from worldwide experience, that the very sector who traditional lenders regarded as high-risk, high maintenance customers, are showing the highest repayment rates.

For its part, the Philippine government has unified the low-cost lending schemes of six different agencies. In the first nine months of last year, they provided credit of close to 20 billion pesos, to the benefit of more than 40,000 entrepreneurs. The six Philippine agencies have a goal to disburse 24 billion pesos every year for entrepreneurial activities, particularly in the countryside.

Globally, culture has also played a big part in creating an entrepreneurial environment. Our world used to be very tough on risk-takers and those whose businesses fail. But today, these qualities are revered, especially in mass media. The optimism and determination of entrepreneurs have served to inspire others.

Early this year, I assumed the role of Presidential Consultant for Entrepreneurship with a focused mission: to fire up the culture and spirit of enterprise among my countrymen.

The other day, I was asked by Ces Drilon, "there are a lot of successful entrepreneurs out there who are pessimistic about the Philippines." So I told her, in the coming months, we shall launch a nationwide advocacy and unfurl it under the banner of a movement called "Believe and Inspire." Entrepreneurship, after all, starts with believing in your country, in oneself, and in an idea. And if you truly believe in your business idea, you will have a stronger sense of purpose and responsibility to see it through.

This belief should progress into inspiring others, inflicting them with the same optimism and determination. The movement will invite not just entrepreneurs who have success stories to share. We will also tap organizations we consider to be enablers of entrepreneurship through their current programs.

Ultimately, we want "Believe and Inspire" to be a virtual seal of approval that our members could display. It will symbolize that the culture and spirit of enterprise is alive with them.

Parallel to launching of the "Believe and Inspire" movement, we have also initiated the establishment of the Philippine Center for Entrepreneurship. This will be funded by the private sector. The Center is envisioned as the primary local institution for promoting Filipino entrepreneurship. It will focus on improving how entrepreneurship is taught in our schools. It will foster a culture of enterprise and provide a marketplace for innovation and best practices. In other words, we want the Center to spawn competitive Filipino entrepreneurs.

We believe the Center could aspire for thought leadership and give birth to studies as provocative and eye-opening as the United Nations report to be discussed here. I wish to add a modest voice of support to buttress the UN report's conclusions. Indeed, selling to those who are at the bottom of the pyramid makes very good business sense. Businessmen ignore this very potent market segment at their own peril. It has been proven many times.

The poor CAN and WILL buy their products. In India, China, the Philippines and other markets, big consumer companies are successfully retailing small, single-serve sachets of anything, from detergent to shampoo to ketchup and now to ice cream. And profits are flowing as well to tens of thousands of tiny village outlets – the *sari-sari* store as we call them in the Philippines.

Today, rural Filipinos are driving fantastic growth rates and break-neck revenues for local telecom firms. This is due to their habit to buy, sell and transmit mobile phone loads in call-card denominations as small as 20 cents. And if we talk of today's cutting-edge technologies, the poor cannot only afford these. They hunger for it. They realize what modern information and communication can do to improve their quality of life. Furthermore, they know how to harness technology for their own micro-business.

My own enterprise in branded food and beverages wouldn't have reached its full value potential, if not for a critical mass of consumers who belong to the bottom of this pyramid. Marketing to the poor, and through the poor, has afforded my Philippine company, RFM Corporation, the courage to stare the global giants in the eye.

Ladies and gentlemen, the role of the private sector in entrepreneurship development is evolving, providing financing private sector innovation, creativity and now, the ones truly unleashing entrepreneurship among us. Our country, the Philippines, needs a lot of hope. My fellow entrepreneurs in this room, I think it is our job as we have been successful in our own businesses, to continue to encourage our countrymen to believe in this country. No one can be successful as an entrepreneur if one does not believe in his own country. We must change the pessimism for this country to optimism. And as we succeed in our own businesses, we have the very obligation to inspire others to take the big step and become an entrepreneur, no matter how small that enterprise would be that he would start. We should encourage everybody to believe in their country, to believe in their great idea. And if we continue to develop more entrepreneurs, the Philippines truly would be a great nation.

Believing and inspiring can become our cycle of success. In my country and yours, it can dispel the pessimism, mediocrity and sloth that hovers above us. Imagine the opportunities lost because many succumbed to doubt. Now, it should no longer restrain the goal to uplift our people from poverty.

Entrepreneurship is the goal that should keep us going, until we see prosperity all around us. Now, more than ever, is the time to Believe and Inspire.

Thank you very much.

7.4 Message of Mr. Robert Bestani, Director General of the Private Sector Operations Department, Asian Development Bank

It is a pleasure and honor to speak in today's event and to convey to you my action for this subject. It really comes very close to home because I am a son of an entrepreneur, and for many years, I thought I'd grow up to become one. It is certainly challenging to start your own business. I can tell you this, I saw my father do this and I've seen many other entrepreneurs do it. It is

exceedingly difficult, the statistics are almost alarming. Almost anywhere in the world where you go, you can see that the success rate for starting a new business is about 1 in 10. And there seems to be some sort of law of nature about this number, I don't quite know why, because if you look at large major corporations that try new products every year, it seems that only 1 in 10 ideas really catches hold and goes forward and becomes successful. So the task confronting the entrepreneur trying to start-up a business is just monumental. And yet, they are vitally important because, again, the statistics show very clearly that it is small businesses that really are the fountain of most job creation. It is small businesses that really are the source of innovation in society. It is very instructive, I think, to take a look at the list of large corporations and see what their average life is. Just go back to a Fortune 500 list of 1950 or 1975 and see how many corporations exist. It is astonishingly low. The average life of a corporation in the United States is now down to 14.5 years and that number is shrinking fast. It is the new companies that create all the new ideas and products and it's the small companies that start new and different processing for business methods. I think it is important to realize that companies like Exxon started off very slow. But, so did companies like Microsoft and Intel and Cisco, all of this started as micro-company in garages and look where they are today.

I think my sense of entrepreneurship is also somewhat idealized by what my father used to tell me that no matter what an entrepreneur produces, be it something very hi-tech or very simple, in the final analysis, it is the integrity of the person that spells success. The ones who succeed the most are the ones who understand that their core product is their word and their integrity. So we need to help them but we need to try to be as serious in our approach to this subject as it is difficult for the entrepreneurs. If you look at all the efforts being conducted around micro-finance SMEs, it is very clear that the trend is becoming more towards professionalizing and commercializing that support. Because we owe these people the seriousness about their business and about the moneys we invested in them, that they dedicate their lives into.

So we must try ways of supporting them, that are very serious. And I'm thinking not only of providing them the skills and talents and support of society and institutions like the Asian Development Bank but also finding ways to get society or the government to provide the enabling environment for them to grow, to provide the incubators or support system for these companies. Because in the final analysis, it is not just them that we are helping, it is ourselves, and it is the whole of society.

Thank you very much.

7.5. Statement on behalf of the participating Country Delegations by Mr. Anang Rizkani Noor, Deputy Director, External Relations PT. Rio Tinto, Indonesia

Ladies and gentlemen:

It is a pleasure for me to present remarks in behalf of the participating country delegations. This is indeed a distinguished gathering to launch the UN Report on Unleashing Entrepreneurship: Making Business Work for the Poor. We would like to register a special note of thanks to the organizers for giving us the opportunity to participate in this very important event.

The Millennium Declaration adopted in September 2000 marked a worldwide commitment among national leaders to reduce poverty, improve health and education, and promote peace, human rights and environmental sustainability. From this Declaration emerged the Millennium Development Goals as a set of specific, measurable development targets for all nations to achieve by 2015. The MDGs are the world's road map to development by presenting a range of targets that are vested through creative local retailer solutions. The MDGs can only be achieved in partnerships among the stakeholders, including the state, the community and its civil society alliances and the private sector.

The task of uprooting poverty is a gigantic one. That is not possible without the participation of all sectors, including the private sector. There has been a renewed appreciation of the private sector's role as an engine of growth and job creation, and a necessary ingredient in reducing poverty.

Growth and markets are necessary to poverty reduction by creating jobs that use labor, the main asset of the tool. Growth depends on productive investments and on poor people making use of their skills. Pro-poor growth is derived from complex set of private sector interventions and policies, that allowed the poor equitable access to income-earning opportunities, resources and other social services. Some macro-economic policies and good public sector governance also determine in making growth pro-poor.

The UN Commission's Report, which will be launched in a little while, believes that the private sector can alleviate poverty by contributing to economic growth, job creation and poor people's incomes. The Commission also endorsed the view that the private sector can empower the poor by profiling a broad range of products and services at lower prices and that, any approach to private sector development should be grounded on the realization that savings, investment and innovation leading to development are undertaken largely by private individuals, corporations, and communities.

The population of developing countries, with more than 4 billion people living on less than US\$2 per day presents enormous untapped business opportunities. As noted in the Commission's Report, the private sector is central to the lives of the poor because, firstly, they are consumers and secondly, they are often entrepreneurs themselves, frequently out of necessity and operating informally. Nonetheless, the challenge before us is that the foundations of private sector growth and the pillars of entrepreneurship are often inadequate, deterring both domestic and foreign investment.

This often relates to the macro environment, the physical and social infrastructure, the rule of the law, competition and access to financing skills and knowledge. In addition to all of these determining factors, the gap between the opportunities and challenges can be filled by a mechanism that involves partnering between public-private sectors and the poor themselves, with each sector making relevant contribution as called for in the UN Commission's Report.

On that note, let me restate my thanks for the organizers, for the good arrangements of this event. And we compliment the UN Commission on the Private Sector and Development for coming up with an excellent report on Unleashing Entrepreneurship: Making Business Work for the Poor. We are confident that this gathering will allow us to not only learn how common in this Region is being addressed but also networking and partnerships.

The message we would like to take back from Manila is that there are great opportunities for cooperation and we will be actively following up on this.

Thank you.

7.6. Launch of the “Unleashing Entrepreneurship – Making Business Work for the Poor” Report of the UN Commission on the Private Sector and Development by Dr. Jeya Wilson

Greetings
Excellencies
Distinguished Ladies and Gentlemen
Delegates

I am pleased to be here in Manila to participate in the second sub-regional launch of the UN Report on “Unleashing Entrepreneurship—Making Business Work for the Poor” in East Asia.

I would like to start by thanking our partner, the Philippine Business for Social Progress, for co-sponsoring this launch. In addition, I would like to particularly thank our UNDP Regional Bureau for Asia Pacific and its Director, Dr. Hafiz Pasha, for taking the leadership of organizing this second sub regional launch of the UN’s report and our Phillipines country and its resident representative, Ms. Debbie Landrey, for hosting us.

I would like also to thank our Commission members, Mr. Pianim, who is joining us from all the Ghana and will greatly enrich our discussions. I am also well pleased to see the participations of delegations from 13 Asian countries with representatives from the wide spectrum of the private sector.

There has been a sea change in the UN’s engagement with the private sector over the last few years, greatly influenced by its stewardship of the Millennium Development Goals (MDGs). It was the urgent need to enhance the contribution of the private sector towards achieving the MDGs that prompted Secretary General Kofi Annan to ask Prime Minister Paul Martin of Canada and former President of Mexico, Ernesto Zedillo, to examine ways in which the role of the private sector in this major global effort could be maximized.

A core principle of the Commission’s findings is that the value of engaging the private sector is maximized where it is grounded in market-based incentives – namely, social impact is greatest when we find the spaces where commercial interests, the pursuit of profit, and development interests overlap. The Commission highlighted a few examples of these new “business models” where this was happening in developing countries, but emphasized the dire need for greater and broader action.

What is new about these business models? First, they are low cost – companies adapt and modify technology solutions to deliver services at a fraction of the developed country cost thus opening the door for profitable delivery to the base of the economic pyramid. Second, they are not simply “dropped in from the outside” but rather reflect a combination of international R&D and local knowledge - they are developed together with local NGOs and communities, to ensure

relevancy and appropriateness. These are market-based, “for profit” business models, which means they justify actual investment, deliver reasonable returns on this investment, and offer the potential for replication and scaling up - the keys to long-term sustainability. The other hallmark of these investments is that, by design, they stimulate local economic development, the driver of employment generation and equitable growth.

Corporate Social Responsibility is an integral part of these actions, but it is far from the only element. The opportunity exists now for the broadly defined private sector to take up the challenge of building on the outstanding examples of contributions by individual corporations to creating a broad based response capacity among the private sector at large. We are moving beyond CSR- CSR is an integral but not the only element and it is partnership for development.

It is clear the ideas that are emerging from the work of the Commission will be drawing the kind of support that is necessary to convert them from simply recommendations in a Report to real actions being taken on the ground. Many of these actions will need to facilitate the transfer of practical lessons of experience from developing countries to others. A South-South flow of ideas and experiences is essential.

At the launch of the Commission’s Report in New York on March 1, Secretary General Kofi Annan issued a Call to Action to all stakeholders to join his Coalition for Development. I would like to take this occasion today to repeat that Call to Action. It is only through this combination of actions by all stakeholders will we be able to bring the best of the private sector to development.

Thank You Very Much

7.7. Opening Statements and presentations by the Country Delegations

7.7.1 Afghanistan

Partnerships for Private Sector Development: Unleashing entrepreneurship to secure Afghanistan’s future

PPSD addresses Millennium Goal 1:

Poverty Reduction

Sustained economic growth reduces poverty

There is a clear link between strong private investment and growth

Our overall strategy is within the framework of:

Unleashing Entrepreneurship, Securing Afghanistan’s Future, Business Development

Services for Small Enterprises: Guiding Principles For Donor Intervention

PPSD objectives

- Assist the sustainable development of the private sector with focus on SMEs
- Improve and increase SME access to:
 - Domestic and international markets
 - Finance
- Improve the investment climate

PPSD focuses on the Afghan domestic business sector because:

Domestic resources can be mobilised more easily

Domestic resources are larger than actual or potential external resources
Unleashing domestic resources creates a more sustainable pattern of growth
But, we are not ignoring the potential contribution of FDI.

PPSD will address the following business constraints in Afghanistan

Barriers to growth of SMEs
A lack of competitive pressure in the economy

Knowledge accumulated from similar PSD projects:

Address informality
Assist skill and knowledge development
Facilitate access to finance
Focus on delivery of basic services
Avoid overlapping activities (Monterrey recommendation)

Government policy framework

National Priority Programmes
National Private Sector Programme
National Skills Development and Market Linkage

PPSD Beneficiaries

Direct beneficiaries: start-ups, small and medium enterprises, the investors in these businesses and business development services providers
Indirect beneficiaries: the bottom-of-pyramid market

Project structure

Component 1: Information gathering
Component 2: Information dissemination
Component 3: Partnership facilitation

Component 1: Information gathering

Business license database
Regional databases
Market Sector Assessments
Training Needs Assessment
Information packages
Guide to trade and investment in Afghanistan
WEF Global Competitiveness report, World Bank Doing Business survey

Component 2: Information dissemination

Establish a national network of Afghan Business Centres
Enter with an exit strategy: ensure sustainability
Identify and engage local partners on the principle of subsidiarity
Introduce pilot models for BDS provision
Develop BDS market (supply and demand side)

Afghan Business Centres

Support projects in sectors with SME development potential
Focus on businesses with potential for growth
Create a financial institution group
Deliver demand-driven BDS (operational and strategic)

Phases and activities

Phases	Preparatory To March 2005	Start-up From April 2005	Expansion 2005-2006	Sustainability 2006-2007
Market development	<ul style="list-style-type: none"> •Undertake BDS market assessment •Form financial institution group • 	<ul style="list-style-type: none"> •Create demand: public awareness campaign; •Design and test finance schemes (e.g. vouchers, matching grants) 	<ul style="list-style-type: none"> •Identify provincial BDS partners and providers •Increase local demand • 	<ul style="list-style-type: none"> •Move to cost recovery •Focus BC on market-driven activities, implement longer term strategy for public service BDS •
Activities	<ul style="list-style-type: none"> •Partnership agreement •Employ local and international consultants •Prepare training curriculum 	<ul style="list-style-type: none"> •First ABC in Kabul, early provincial outreach •Deliver BDS •Employ local and international trainers 	<ul style="list-style-type: none"> •Open provincial BC: Herat, Mazar, Jallalabad, Kandahar, Kunduz •Employ local and international consultants for provincial BC •Develop curriculum 	<ul style="list-style-type: none"> •Privatize the national network •

Quality assurance and capacity building →

BDS performance measurement

Client impact	Institutional performance	Market development
Change in SME performance (sales, value added, profitability) Broader social and economic impact (employment, poverty alleviation)	Outreach Cost-effectiveness Sustainability	Private sector BDS providers Price and quality of services SME awareness Trial and repeat usage SME satisfaction Reach underserved markets

Component 3: Partnership facilitation

From integration of information and knowledge to catalyzing investments in SMEs:

- Build institutional capacity and awareness
- Facilitate development of commercial eco-system and promote role of SMEs
- Facilitate private sector involvement in public sector projects (demand and supply)
- Set corporate standards
- Put Afghanistan on the map
- Capacity building for AISA
- Raising awareness of PSD-FDI issues at central and local government level

Strengthening Afghan Chamber of Commerce and Industry
Co-operate with MIGA, IPANET, FIAS and UNCTAD

Facilitate development of commercial eco-system and promote role of SMEs:

Entrepreneurs' roundtables
Public private consultations on regional, national and local levels
Strengthening ACCI
Co-operation with private sector advisory group for the Global Corporate Governance Forum

Facilitate private sector involvement in public sector projects (demand and supply):

Promote and explain the potential of private sector involvement in small scale power projects, health provision, education, transport infrastructure
Co-operate with public-private advisory facilities such as the Public Private Infrastructure Advisory Facility

Set corporate standards:

Advocacy and advisory on corporate governance
Partnerships with
Global Compact
IBLF
OECD
Global Corporate Governance Forum

Put Afghanistan on the map:

Supporting public sector institutions
Mobilizing the private sector to promote Afghanistan
Providing the information they need
Link to Bishkek initiative (regional trade)

PPSD: Institutional arrangements

PPSD is a joint project of The Ministry of Commerce of Afghanistan and UNDP
Project implementation: UNDP
Project strategic partner: AISA
BC implementing partners: chambers, business associations, local BDS providers
BC strategic partners: local authorities, other BDS facilitators
BC legal form: owned by MoC to be privatised on completion of project

PPSD: Why UNDP?

Globally trusted brand
Extensive private sector development expertise
50 year presence in Afghanistan
Presence throughout Afghanistan
Close relationships with government, donors and PSD players in Afghanistan
Strong international networks of partners

UNDP focus on SMEs: success stories

Atyrau Business Advisory Centre in Kazakhstan
Supply Chain Project in Mexico
Enterprise Africa
Enterprise Fund in Angola
Job Opportunities in Business Support Project in Bulgaria
Network of Small Business Development Centres in Egypt

UNDP work with the private sector

How UNDP works with business:

www.undp.org/business/index.html

UNDP's partnerships with business:

www.undp.org/dpa/publications/bus0612e.pdf

UNDP lessons learned in SME development:

www.undp.org/eo/documents/Essentials-on-SME.pdf

Information on the GSB initiative:

www.unglobalcompact.org/content/Dialogue/PolicyDialogues2002/SustainableDevelopment/Idc.htm

PPSD: Funding issues

Program period: 2004-2006 (3 years)

Budgeted activities: USD2.4million

Shortfall: USD1.4million

Donor contributions: Germany (trust fund), World Bank (cost share), USAID, UNDP core

Expanded component 2: USD7million

(3 years)

7.7.2. *Cambodia* (Missing)

7.7.3. *China*

A Case in China of Unleashing Entrepreneurship- Making Business Work for the Poor

Background

Realdor Bedclothing Limited is a private company established in 1998 in Zhejiang Province. It buys silkworms and raw silk from sericulturists and produces high-quality silk quilts.

BOP Strategy

The peasants in the northern hilly areas of Zhejiang Province rely on mulberry tree growing and sericulture. Silk industry has been the proud of Zhejiang Province. However, traditional silk fabrics and other products need professional cares, they can hardly meet the busy modern life. In 1995, silk industry in Zhejiang Province declined to the bottom; many silk textile factories operated in a loss or simply closed. It impacted the life of the mulberry and silkworm farmers, too. Silkworm cocoons

could not be sold and mulberry trees were cut down. Because of the limitation of natural environment and skills, it is hard to turn to grow other crops there. The sericulturists there were facing great challenge.

Traditional silk quilts also need remaking every year by professionals. Although modern people appreciate the super quality of silk quilt, the troublesome caring made the market declined. Realdor Bedclothing developed a patent in manufacturing quilts with pure silk fillings in 1999. Realdor quilts do not need professional caring, can be managed as quilts of chemical fibre fillings, but are healthier and more comfortable. Starting from a small production of 1,000 quilts in 1999, Realdor's output grew to 5,000 quilts the next year. Realdor sold 13,000 quilts in 2001 and 26,000 in 2002. The demand of the local silk quilt market started to grow and many small quilt factories emerged. Realdor Bedclothing developed 2 more patents in 2004 and increased

its capacity. It sold 70,000 quilts that year, which comprised one third of the silk quilt market in China.

A quilt requires about 0.5 kg of silk, so the demand for raw materials is much higher than silk fabric industry. It brought good news to the mulberry and silkworm raising farmers in the northern hilly areas. In order to ensure the quality and quantity of silkworm supply, Realdor has been working with two major silkworm-raising counties with assistance of the local governments. Realdor developed a win-win strategy for its cooperation with farmers in 2002. It designed a two-way contract with sericulturists. Realdor purchases high-quality silkworm eggs and relevant raising know-how to ensure quality of raw silk. It sells the eggs and know-how at affordable price to the farmers. Farmers pay 10 to 20% of the total cost of eggs in July and put in raising for 3 harvests in a year. Realdor buys back qualified silkworms, and the rest of the cost of eggs can be deducted at that time. Local governments consider it is beneficial to the local people and economy. The county agriculture offices introduce Realdor to relevant villages and help in technical training. Realdor signs selling and buying contracts with village heads and the heads manage the execution in their villages. Because of quality eggs, the raw silk could be sold back at a price 30% higher than the average. Therefore, the sericulturists and the local officials appreciate very much the way to work with Ruide. Till now, more than 700 households are involved with raw silk supply to Realdor and the total contract value exceeded 17 million yuan (about 2 million US dollars) last year.

Zhejiang is one of the places in China with highest population density. The cultivated land per capita is lower than average. Many villagers need to find a job other than farming, but it is hard for women of older age to be accepted by manufacturers. Silk quilt making is labor-intensive. It needs 4 people to work together in a group to make one quilt. Realdor takes in unskilled workers from the countryside and trains them. At present, Realdor employs 200 workers, 60% of them are women aged about 30s and 40s from neighbouring villages. It brings not only income to those women, but also a skill that can generate sustainable income.

Impact

By this win-win strategy, Realdor has ensured its leading position in the silk quilt market. The brand name Ruide is regarded as the provincial famous brand. The silk quilt market has been expanding rapidly in last 6 years and created jobs for the local society. Realdor was nominated as the only representative of manufacturers in drawing of the state standard for the newly emerged mulberry silk quilt in China. Its silk quilts sell not only in Wal-Mart, Carryfour and Metro in China, but also in luxury shops in major cities in China.

Realdor aims to forge a trade name of quality and innovation in the following years. Its capacity will increase to 200,000 silk quilts in 2006 and it is looking for opportunities in the international market. Its cooperation with sericulturists will expand, too. More counties are looking forward to working with Ruide, or with other manufacturers, but in the mode of Ruide.

Mr. Lin Defang, the Chairman of the Board of Realdor Bedclothing believes in that everybody has the right to pursue a good life and nice things in the life are for everybody.

7.7.4. Indonesia

Distinguished delegates,
Ladies and Gentlemen:

First of all, let me introduce the Indonesian delegation comprising:

- Mr. Anang Rizkani Noor, Deputy Director – External Relations, Rio Tinto Indonesia
- Mr. Muslich Zainal Asikin, Chair of Standing Committee for the Development of Business Network, National Chamber of Commerce and Industry
- Ms. Titik Winarti, Executive Director, Tiara Handicraft
- Mr. Abdurrahman Syebubakar, Programme Manager for Poverty Reduction and Civil Society, UNDP Indonesia

It is a privilege for the Indonesian delegation to be a part of this forum. It gives us an excellent opportunity to share experiences and ideas with our colleagues from the region and to also benefit from the expertise and technical inputs that our colleagues from the UN system have to offer.

Poverty reduction is the main priority in Indonesia's national development, articulated by two main strategies, namely:

1. raising income levels through expanding employment and business opportunities and increasing the productivity by the poor; and
2. reducing the cost of food, education, health and infrastructure for poor families.

The corporate sector's awareness and participation in responding to the challenges of poverty has been encouraging in the past few years. A number of large private companies have come up with financial and technical assistance on entrepreneurship training programmes for small businesses and cooperatives. As a result, thousands of small business owners such as farmers, cattle breeders, fishermen and weavers have taken part in these types of programmes.

The formal economy in the country comprises about 2 million employers and a workforce of about 29.5 million, representing 33 per cent of the total national workforce of 90 million. The informal economy holds over 60 million of the workforce or 67 per cent of the total.

There are about thirty four million four hundred and two thousand business units consisting of two thousand units of big companies, thirty seven thousand units of medium enterprises and the rest are small enterprises. The small enterprises comprise agricultural sector reaching sixty four percent, or thirty one point two million, seventeen percent or six point eight million in trading, and seven point five percent or two point five million in manufacture industry. This more than thirty four millions of small businesses cover only thirty three point nine percent GDP whereas the two thousand big companies cover sixty one point one percent of GDP, and the rest, about five percent of GDP, is owned by thirty seven thousand medium enterprises.

In 2003, the data shows that micro, small, and medium enterprises employed ninety nine point forty five percent manpower, but only fifty eight point three percent created added value. The result of this striking disparity is on the manpower productivity and efficiency. The ratio of productivity between manpower of micro, small, and medium enterprises and that of big companies reaches until one to one hundred and twenty nine.

Not all workers/employers in the informal economy are poor; but many are, or live with the constant risk, that some event may push them into poverty. Work in the informal economy is generally characterized by low levels of skill and productivity, low or irregular incomes, long working hours, small or undefined work places, unsafe and unhealthy working conditions and lack of access to information, markets, finance, training and technology.

Most of the recommendations of the Commission's Report are relevant to the context of Indonesia. The challenge, however, is how to get the message of the Report across to and accepted by the different partners at the national and sub-national levels including the

government, the private sector, civil society and its alliances. Therefore, support from the UN system including UNDP and other international organizations to communicate the message of the Commission's Report and to do actional initiatives at the national and sub-national levels would be of great help for the participating countries like Indonesia.

Thank you.

Hon'ble Chairman, distinguished delegates,

We would like to immensely thank the UNDP, UNIDO and CII for inviting us to participate in the workshop titled "Unleashing Entrepreneurship, Making business work for the poor" and launching of the book "The Fortune at the Bottom of the Pyramid" written by Professor C K Prahalad.

The Country delegation of Bhutan consists of Mr. Toshihiro Tanaka, Deputy Resident Representative, UNDP-Bhutan; Mr. Phub Dorji, Head, Entrepreneurship Promotion Centre, Ministry of Trade and Industry; Mr. Tandin Dorji, HR Officer, Department of Human Resources, Ministry of Labour and Human Resources; and Mr. Tashi Penjor, General Manager, Bhutan Development Finance Corporation

Bhutan is a land locked country with an area of about 45,600 square km. The population of Bhutan is estimated at .7 million. Economic development started in 1961 with the launching of the first five year plan. Bhutan joined United Nations in 1971 breaking the self-imposed isolation to the world. The economic activities in Bhutan are mainly centered on micro, small and medium enterprises. The main source of revenue is hydro power followed by trade and tourism.

We are indeed glad to be here and look forward to a fruitful deliberation held here at New Delhi.

Thank you.

7.7.5. *Laos*

Lao-PDR

Unleashing Entrepreneurship: Making Business Work for the Poor

Background of PSD in Laos

Before 1986, economic development in Laos had traditionally laid emphasis on public and state owned enterprises.

After 1986, the 'New Economic Mechanism' increasingly recognized that private sector is a cornerstone of achieving sustainable economic development and poverty reduction.

The Lao Government has in recent years emphasized the need for strengthened PSD in its socio-economic development plan.

Challenging factors for PSD in Laos

However, many challenges remain in further "unleashing entrepreneurship", and a number of important country specific factors need to be taken into account in the development of successful "bottom of the pyramid" proposals.

Laos is still in transition from the former central planning system. Therefore, the enabling environment for supporting PSD is also in transition.

About 50% of GDP is generated by agricultural sector, providing livelihoods for some 80% of the population.

Poverty rate is about 30 % of the total population and most people at the Bottom of the Pyramid in Laos live in isolated rural areas on small holder plots at low levels of health and education.

The domestic private business sector remains quite small and constrained by challenging enabling environment.

A challenging enabling environment

There is a need for further development and effective implementation of a range of policies, laws and regulations to support the development of a competitive private business sector.

Business member organizations are relatively small, weak and lacking of capacity to provide visible and attractive benefits to potential members.

The voice of the domestic private sector remains quite weak and diffuse.

Roles of UN in PSD in Laos

UN system in Laos remains fully committed to support PSD under the UNDAF.

UN country team supports key reforms to enhance private sector activities and investment.

UNDP and UNIDO have developed a national programme on strengthening PSD.

Statement

Unleashing Entrepreneurship - Making Business Work for the poor. By Representatives from LAO PDR

Distinguished Guests,
Ladies and Gentlemen.

On behalf of the participants from Lao PDR, I would like to thank the organizers of this workshop for providing an opportunity for Private Sector representatives from various countries in this region to take part in this important workshop that seeks to encourage best practice sharing across countries and of tapping into innovative strategies for improved market access for all.

As clearly stated in the UN Commission Report, about 4 billion people globally earn less than 1500 US dollars per year and they make up what is called the 'Bottom of the Pyramid'. We feel that the private sector and its various actors can play a central role in both addressing the needs and in tapping the potential of those impoverished and at the bottom of this pyramid. We feel that in such an orientation of the private sector perhaps lies one of its greatest strengths, which is not yet fully explored. We strongly support for the call for public and private partnerships that aim to convert what the report calls, 'missing markets' into 'functioning markets' for the poor.

In Lao PDR, the Lao government has in recent years emphasized the need for strengthened private sector development. Prior to our country's economic reforms in 1986, socio-economic development had traditionally laid emphasis on public and state owned enterprises. Nearly two decades since the introduction of the 'New Economic Mechanism' in Laos, it is being increasingly recognized in all sectors of society that private sector is a cornerstone of achieving sustainable economic development and poverty reduction.

Presently, the Government's strategy and commitment to private sector development, in particular the development of small and medium-sized enterprises (SMEs), are primarily

emphasized in its socio-economic plans, its nationalized-PRSP, which is called the National Growth and Poverty Eradication Strategy (NGPES) and a Prime Ministerial Decree on the promotion and development of small and medium-sized enterprises in Lao PDR. The NGPES, or national Poverty Reduction Strategy, calls for the “Creation of an enabling environment for enhancing growth and eradicating poverty through specific measures that accelerate private sector development”. Indeed, the further development of the private business sector is seen as the engine of future growth, employment and poverty reduction. Hence, the private sector is slowly coming into its own as a more open enabling environment is being created for businesses and entrepreneurs.

However, many challenges remain in further “unleashing entrepreneurship”, and a number of important factors need to be taken into account in the development of successful “bottom of the pyramid” proposals. As you may know, Laos is still in transition from the former central planning system. As a result, the enabling environment for supporting private sector development is also still in transition. Moreover, the country remains largely agrarian with some 50% of GDP generated by the agricultural sector, providing livelihoods for some 80% of the population. The poverty rate is estimated at some 30% of the population, mainly in rural areas. Notably, most of those at the bottom of the pyramid live in rural areas on small holder plots, and at low levels of health and education.

As a result, rural infrastructure, especially the further development of the rural road system including feeder roads, and access to electricity at reasonable costs will likely be essential to the success of most bottom of the pyramid proposals, as will be improved access to quality basic social services.

Available data also suggests that the domestic private business sector remains constrained and quite small relative to the rest of the economy. The further development and effective implementation of a range of policies, laws and regulations will be needed to support the development of a competitive private business sector, especially as the country integrates more deeply into AFTA, and seeks to accede to WTO. The need for a more transparent and less costly business registration system has been singled out by some observers as especially important.

Similarly, the further development of market supporting institutions will be essential in the coming years, especially contract enforcement mechanisms and transparent dispute resolution mechanisms. Further reform of the banking system and SOEs will be needed to level the playing field, and support and allow greater space for the domestic private business sector.

Especially important will be the development of a much better understanding between the state and the private business sector on the best way forward for supporting the rapid development of a competitive employment generating private business sector that contributes substantially to poverty reduction.

Reducing information asymmetries, and closing gaps in understanding between the state and the domestic private business sector will be essential to improving the functioning of existing markets, as well as converting some “missing markets” into functioning markets.

In this context, Business Member Organizations or BMOs such as chambers of commerce and business associations have a critical role to play in sharing such information among members, as well as channeling related needs to the government for supportive actions.

Unfortunately in the case of Laos, the various business member organizations are relatively small and weak. Most have insufficient financial resources and this limits their scope for providing effective advocacy and business services. Lacking the capacity to provide visible and attractive

benefits to potential members, Laotian Business Member Organizations (BMOs) have faced difficulties in increasing their memberships.

Given these difficulties, I am happy to note that the UN system in Lao PDR remains fully committed to support private sector development under the current UN Development Assistance Framework (UNDAF) covering the period 2002-2006. Under the heading “Developing and Maintaining an Enabling Macroeconomic Environment, and Strengthening and Deepening the Reform Process, the UN Country Team supports key reforms to enhance private sector activity and investment. Such reforms include concerted measures to strengthen macroeconomic stabilization, development of the enterprise sector, promotion of private sector development and trade liberalization as well as to the development of a dynamic, outward-looking private sector that contributes to increased per capita income and a reduction in poverty incidence.

As many of you would be aware, in September 2004, UNDP and UNIDO concluded a global cooperation agreement whose main purpose is to develop joint programmes in the area of private sector development. The aim of such programmes is to stimulate broader inter-agency coordination on private sector development.

It gives me pleasure to share with colleagues from the private sector and international agencies gathered here today, that in Laos, the Lao Chamber of Commerce and Industries, of which I am a member of the Board of Executive Directors, has been working closely with a joint UNDP and UNIDO team to develop a national programme on strengthening private sector development along the lines of what the global UNDP-UNIDO agreement seeks to address. I am joined here today by colleagues from both the UNDP and UNIDO offices in Laos and even though we are in the early formulation stages of our joint efforts, we hope that the overall outputs and outcomes of this planned initiative will contribute to the Government’s strategy and commitments as outlined in its Socio-economic Development Plans, the NGPES and its SME Decree.

On behalf of the team from Laos, I look forward to interacting meaningfully with colleagues from other countries in this region and to take back lessons learned from this workshop, which we hope will serve to strengthen our ongoing national efforts in strengthening Private Sector Development in Lao PDR.

Thank you.

7.7.6. *Malaysia*

MALAYSIA’S STATEMENT ON THE COMMISSIONS REPORT ON “UNLEASHING ENTREPRENEURSHIP

1. The Malaysian delegation would like to begin by highlighting the development context of Malaysia.
 - The economy is open, export driven and largely private sector led.
 - GDP growth averaged 7% in the past 30 years with per capita income increasing tenfold from \$370 to \$4,350 in the same period.
 - Poverty has declined from 49.3% of households in 1970 to 5.1% in 2002.

- Growth has been achieved with equity – an important factor in a multi ethnic and multi religious society like Malaysia.
2. Malaysia would not have achieved rapid growth and decimation of poverty without the significant contribution of the private sector. The private sector remains an engine, of creating value added, jobs and income, not by chance but a deliberate policy of government.
 3. Suffice to say at this point that Malaysia has adopted most of the recommended actions contained in the Commission's Report to the Secretary General in bringing the country to its current state of development. The delegation would like to highlight some of the more important actions taken to provide an enabling environment for the growth of the private sector in general and SME's in particular.
 4. On actions in the public sphere: -
 - Malaysia adopted laws and regulations that provided investors with a satisfactory level of protection. It also signed international and regional agreements on arbitration, taxation and investment.
 - In formalizing, the economy, Malaysia adopted a number of Industrial Master Plans, (three to date,) aimed at liberalizing and deregulating the economy and subsequently improving resilience and international competitiveness of industry.
 - One of the most notable strengths of public policy, is the adoption of the concept of Malaysia Incorporated. Government consults regularly with the private sector on the most important development policies and strategies. Modalities include the National Economic Consultative Council chaired by the Prime Minister himself. Other regular consultations include the Annual National Budget Consultations, Annual Industry Central Bank Dialogues with interest groups, including civil society.
 5. In regard to actions in the public private sphere, the public sector has been working together with the private sector to enhance access to financing, skills and basic services. The financial sector and non-financial intermediaries provide a host of financial loans, and grants to finance SME's. A Credit Guarantee Corporation has been set up to guarantee loans and trade financing provided to micro enterprises and an SME bank is being established to provide for the special needs of SMEs. To support the development of SME's, the Small and Medium Industry Development Corp. was established to provide skills and advise to SME's. Today SME's contribute 60-70% of employment and a large proportion of new jobs created, account for 92% of total manufacturing establishments and 98% of company's operating in the service sector.
 6. Allow me now to highlight actions in the private sphere. In response to calls by government to industry to nurture SME's, multinationals and large domestic corporations have developed links with small enterprises through a Vendor Development Programme. With this program SME's have gained access to markets, financing, skills and know how. A computer matchmaking database (Subcontract Exchange) has also being established to enable potential SME vendors to cater to the needs of large companies in the supply of industrial inputs.

7. On pursuing business opportunities in the bottom of pyramid, UNDP Malaysia has undertaken a number of partnership projects with the private sector.

- Working with Carrefour, UNDP has supported rural poor women to produce food products and services required by their communities through the provision of microcredit and training in skills including tailoring, hairdressing, baking and the like.
- With Coca Cola, IT services were provided with the establishment of IT links in a number of rural schools to cater to the needs of poor rural communities.
- The UNDP-GEF Small Loans Program has also partnered with a number of private sector companies to assist poor single mothers to cultivate medicinal plants and herbs and commercialize the output into oils, candles and soaps for the local market.
- Malaysia has also established a non-profit trust agency to provide microcredit to the poor, particularly poor women producing a range of goods and services for poor communities. Amanah Ikham Malaysia, modeled after the Grameen Bank provided loans totalling 230 million to 500,000 borrowers, 90% of whom are poor women.

In concluding, I would like to highlight that momentum is being created to increase corporate social responsibility (CSR) initiatives in Malaysia. UNDP Malaysia in partnership with the business community launched a CESA or Corporation and Environmental and Social Awareness in 2003 aimed at engaging business in development per se. The main challenge currently faced by CESA is one of channeling CSR from philanthropy to supporting efforts to nurture SME's to become commercially and environmentally sustainable businesses.

With these remarks, I would like to conclude our delegations presentation for this afternoon.

Thank you.

7.7.7 *Mongolia*

Unleashing Entrepreneurship in Mongolia

Mongolia: QUICK OUTLOOK

Population: 2.48 million

Land (1000 sq km): 1,567

GNI per capita: \$480

GDP growth rate (2004): 10%

National poverty rate: 36%

Informal Economy: 18.1% GNI

Market economy (1991-)

* Source: World Bank report Transitional Economy

YEAR OF "ENTREPRENEURSHIP"

Business Development Forum (May 2004)

First largest forum for business development organized by MNCCI in partnership with GOM

The Government resolution #143 passed into law - "Creating favorable business environment"

National Summit on Microfinance and Entrepreneurship (18-22 Nov 2004)
Co-organized by National Coordinating Committee and UNDP for UN Year of Microcredit with support of GOM.

I. Public Sphere:

Positioning & Experiences
Regulations & Rule of Law
SME Promotion Strategy Underway: deregulation, policy framework for SME
Tax reform in progress
Tax incentives – key for formalization
Positioning & Experiences
The Private-Sector' engagement in Policy Making Process
Department of SME established in MOIT
GOM-Private Sector Consultative Committee (chaired by MNCCI/MOIT)
Public hearings conducted by the Government
Formalize the informal sector
“Enterprise Mongolia” (2005- UNDP)
Progressive regulations/policy-change = How to accelerate the growth?

Public-Private Sphere:

Capacity Development Initiatives = try to solve “mismatching”
Training Centers: Business Incubation Centers, National IT Park (GOM), SME Promotion Center (MNCCI), Enterprise Mongolia Business Support Programme (UNDP) etc
Renovation of vocational training centers necessary
Set Standards = key to create the linkage between global/local large firms and SMEs
Transparency, accountability – not common yet
Human capacity – needs development (e.g. auditing)
Access to financial services = improving!
600+ financial institutions operating
Microfinance Development Council (MNCCI)
National Coordinating Committee consists of representatives from all concerned parties
Microfinance Innovation Grant Awards (UNDP)
Sub-Sector Review of Microfinance 2004 (UNDP)
Make the stock market friendly for SMEs
Strengthen small, local MFIs (e.g. credit unions, saving & credit coop) for serving MFIs
Protection of Investors
Channel private initiative into development efforts = on the way
Business Awards in support of MDGs (MNCCI/UNDP)
Global Microentrepreneurship Awards (UNCDF, Citigroup, UNDP)
Public/User training by private companies
MNCCI – 2E approach: “Entrepreneurship & Empowerment”
Bottom of the Pyramid = just started!
A few success cases – promising!

Civil Society Initiatives = large in number, playing key roles in some areas
Coalition of NGOs for anti-corruption
Women's NGOs, environment groups, etc.
How to achieve “common interests”
Establish effective industry associations

7.7.8. *Myanmar*

Outline

Myanmar – the country
The Business Model
The Private sector
The Poor
A Suggestion

Myanmar – the Country

The largest country in SE Asia
52 million population
Rich in natural resources
Over 60% of the workforce engagement in Agriculture
Over 90% of the private enterprises are SMEs or Micro Enterprises
One of the poorest nations in SE Asia

The Business Model

Stackholders

Shareholders
Creditors
Governments
Unions
Employees
Etc

→

Profits Market Share Stock Prices Strategic Positioning
--

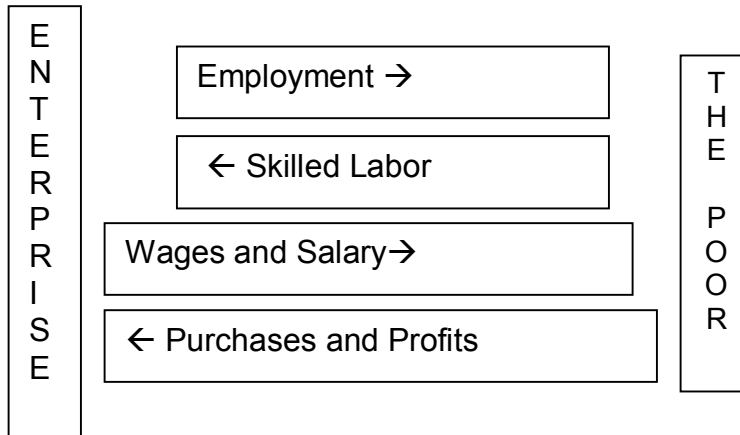
The Private Sector

The private sector is mainly comprised of SMEs who are struggling to survive
Large corporations can absorb business risk losses. SMEs usually cannot
Do not possess the financial, technical or marketing capabilities to attain national, let alone regional or global growth
Growth and profits are necessary for survival
SMEs must depend on larger companies for survival
Engaging in the poor market is too risky for the survival of SMEs

The Poor

A conducive and encouraging environment must be created for the poor to join functioning markets
For them to do so, they must be able to contribute to the needs of the enterprise.
They must be able to afford to buy at prices that are profitable for enterprises to function
Therefore, they need income generating employment.
However, to effectively contribute to an enterprise's operations, they also need to possess skills and knowledge.
Therefore, human resource development also plays a crucial part.

The Exchange



Suggestions

The majority of the poor are from undeveloped countries.

The majority of the businesses in these countries are SMEs, who have little capabilities to help the poor.

Entrepreneurship involves taking risks to capitalize on the opportunity that is presented.

You cannot afford to take risks if you are struggling for survival

Let the larger corporations in these countries act as the cushion of SMEs growth.

However, a cushion will also need support and the governments should act as the pillars.

Benefits

Large Companies	Undeveloped Country Governments	Small Companies	The Poor
Incentives from governments	Economic development	Access to international markets	Employment
Lower cost of goods	Increase in employment rate	Knowledge transfer Opportunity to grow	Income
Larger supply market	Greater income through taxes	Lower cost of goods Can afford to reinvest and grow	Education
More bargaining power	Increase foreign investment	Greater access to skilled labor	Hope and Chance
Stability of supply	Technology transfers		
Reciprocal opportunities	Human resource development		

Structure of Enterprises in the Philippines

23.5 M Filipinos or 30.4% of population living below poverty line & 10.7 M subsistence poor Filipinos (2003)

Unemployment rate is 13.7% or 4.98M (2004)

Underemployed is 18.5% or 5.83M

1M join workforce every year

10% of population is OFWs

52% of labor force or 15.6M belongs to the informal sector

Division of Enterprises: SMEs make up 99.6% of all companies.

91.6% are micro enterprises

7.6% are small

0.4% are medium

0.4% are large

Phil. Government's Anti-Poverty Agenda

Creating 6-10 M jobs

Helping 3M small entrepreneurs grow bigger

Development 1M hectares of raw farmlands for agribusiness

Concrete Steps

Generate Employment

Support Small and Medium and Micro Enterprises by providing and expanding credit facilities and loan opportunities

Share business competencies through mentoring or employee engagement

Develop and support social entrepreneurship

Advocate for tax incentives for start up business and hasten registration processes

Encourage businesses to pursue business opportunities with BOP markets

Let us make our profit, the profit of all

Malaysia Statement

Good afternoon to everyone. I have been assigned to deliver this statement on behalf of the Philippine Delegation on the positioning and experience in the light of the Commission's Report on "Unleashing Entrepreneurship: Making Business Work for the Poor."

This is not actually the first time that the Philippine Delegation group has gathered together to tackle the recommendations of the UN Commission's Report presented earlier. Since January 2004, the private sector, through the leadership of the Philippine Business for Social Progress (PBSP) and support of the UN, has been conducting a series of consultations and discussions with business executives and leaders of corporate foundations, NGOs, funding institutions and government agencies to help craft the Philippine Millennium Development Goals (MDGs) Business Framework for Action. As we all know the Report on Unleashing Entrepreneurship was prepared in the context of the MDGs.

To initiate the process, square tables were organized as consensus groups. We call it square table because 4 major sectors are represented to help the private sector make an enlightened decision. The square table decided to cluster the MDGs into four major areas of focus – Poverty, Education, Health and Environment.

Specific to this workshop, the group would like to share with the other East Asian delegates the consensus of the square table group on poverty...but before that, let me present facts and figures first in order for you to appreciate how huge the poverty challenge is for us Filipinos:

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.
- As of April 2004, unemployment rate jumped to 13.7%, equivalent to 4.98 million men and women and 18.5% or 5.83 million are underemployed.
- Every year, one million young men and women 18 years of age, join the workforce.
- In addition, 10% of the population is OFWs and 52% of the labor force or 15.6 Million are informal sector.

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.

The response to the MDG Goal 1, Target 1, does not only dovetail with the current administration's anti-poverty agenda of creating 6-10 million jobs, helping 3 million small entrepreneurs grow bigger and the development of 1 million hectares of raw farmlands for agribusiness but also, adheres to the pillars of entrepreneurship, as recommended in the Commission's report on Unleashing Entrepreneurship.

Concrete action points are as follows:

1. Generate Employment through hiring among local communities and looking into the community's micro-entrepreneurs to be part of the large company's supply chain.
2. Support of Small and Medium and Micro Enterprises by providing and expanding credit facilities and loan opportunities to them.
3. Share business competencies such as managerial skills, tools and resources to micro-entrepreneurs through mentoring or employee engagement, as well as providing market linkage.
4. Develop and support social enterprises to ensure sustainability of funds for MDG project and not dependent on livelihood projects, donations, sponsorships, fund raising campaigns that are 'optional' and 'irregular.'
5. Advocate for tax incentives for start up businesses and hasten business registration processes.

6. Encourage businesses to pursue business opportunities in bottom-of-pyramid markets, which entails innovative product development and marketing strategies that tailors to the 5 billion people world poor.

Indeed, this Sub-Regional Workshop among East Asian countries is the right venue to commit ourselves to making business work for the poor not only contributing part of our incomes to social investment but also by consciously addressing poverty at the very heart of our operations, in the products we develop, in our workplaces and along our supply chains. Let us make our profit, the profit of all.

Thank you.

7.7.10 *Republic of Korea*

BOP Approach in Korea Social Solidarity Bank in Korea

Contents:

1. Bottom of Pyramid in Korea
 2. Support to BOP in Korea
 3. Microcredit in Korea
 4. Unleashing Entrepreneurship in Korea
 5. Project for Unleashing Entrepreneurship Expansion
-

BOP in Korea: The Situation

Unstable

Employment Situation

Underemployment,

Youth unemployment

Long-term unemployment

Increase of working poor

Trend of Unemployment Rate

Year	1997	1998	1999	2000	2001	2002	2003	2004
%	2.6	6.8	6.3	4.4	4.0	3.3	3.6	3.7

Inequality of income level: Tremendous gap between the rich and the poor

Gini's coefficient : 0.286 (Average of Year 1990-1997)

0.315 (Average of Year 1998-2003)

Rapid increase of defaulters: Expanded unbankable persons

No. of defaulters : Around 3.6 millions as of Mar. 2005

(Data : Korea Federation of Banks)

Poverty: estimated 5.2% (2003) of the population live below the poverty line

Support to BOP in Korea

Public	Temporary support to the poor with in-kind and cash aid program
Private	
NGO	

Paradigm shift → since IMF crisis

Public: Transition to job creation
NGO: Transition to job creation
Private: starting to participate in it

Lack of strong will of self-support, self-assurance, → **Highlight of the importance of Microcredit institutions** and hope

What do we support to the poor

Funding

Consulting & Evaluating Business Plans

Training and Education

Management and Technical Support

Social and Psychological Support

- ✓ Strong will of self-support
 - ✓ Self-Confidence
 - ✓ Hope
 - ✓ Social Relation Restoration
 - ✓ Vision
-

Microcredit in Korea

Success Story : Kkot-Da-Ji (Flower Shop)

Before
Birth in 1970
Head of a family
Divorced by family violence
After divorcing, anxiety about residence and mentality due to ex-husband's threat
Emotionally unstable status owing to the isolation from her

After
Start business with US\$6,000; Two jobs (day : flower art, night : part-time at a restaurant)
Social Solidarity Bank's support and marketing
US\$15,000 sales per month
Expanded to landscape gardening business
Stable residence
Restoring psychological stability owing to the plan of reunion with her children
Self-confidence for life

Unleashing Entrepreneurship in Korea

In order to achieve “Making Business Work for the Poor” for the BOP approach in Korea, collaboration of three parties (public-private-NGO) is getting involved each other.

Public sector

Establishment of social enterprise

Plan to review the related laws and regulations for promotion and self-support of social enterprises

Special budget appropriation

NGO

Mutual cooperation of financing and services

Introduction of business concept & mind

Network development for the capabilities enhancement

Specialization of each field

Private Sector

Public-private cooperation of basic services

Fund raising

Development of capabilities

Building up the private sector's own field

Newly developed approach for constructive cooperation

Slow progress development

**Creation for new model of support system under the collaboration with each party
(Searching for the synergy effect by win-win scenario)**

HanHwa

- Preparation for the establishment of family assistant agent
Collaboration model of three parties; Private-Public-NGO

Private : Fund for the establishment
of company

Public : a portion of the establishment
fund for training center

NGO : Training and operation

CJ

Planning to establish a manpower supply corporation of food bank

Kyobo Life Insurance

Nursing business, changing into a social enterprise

Typical development area of the private sector

Newly developed approach for the constructive cooperation with private sector

Project for Unleashing Entrepreneurship Expansion

Conception: Setting up ideal model and concept of Korean Unleashing Entrepreneurship

Public Relation

Meetings

Symposiums

Positive cooperation with public opinion

Workshops

Driven by NGO

Frame

Concrete execution plan by each party

Public Sector

Supporting law of Korean Unleashing Entrepreneurship, tax deduction, preference purchasing system, etc.

Privatization and consignment of public service

Private Sector

Donation

Cooperation of Marketing & Training

Follow-up of BOP business

**For expansion of participation and support by the general public they move from
Conception → Public Relation → Frame.**

7.7.11 Thailand

Points for discussion on the development of Thai SMEs Presented
by: Mr. Viraj Klewpatinond
Deputy Secretary General, the Federation of Thai Industries

1. The challenge

- a. Despite the practically collapsed of WTO free trade has prevailed in today's economies. As countries all around the world have increasingly dependent a great deal on international trade, there is no choice for them other than adhering to this free and open market system.

- b. In such a market environment, a major challenge faced by Thailand particularly, is how SMEs can survive and even flourish without too many government subsidies and market interventions, which can no longer be freely provided to protect SMEs.
- c. The open and free world market shall not therefore be a menace to Thailand, but on the contrary, it shall be beneficiary to our domestic enterprises, especially SMEs. They are now challenged to be capable of operating not only in the domestic market, but more so in the international markets with high competitiveness (at least in the regional markets).

2. Main issues to be addressed

Common and foremost shortcomings which are characteristic to SMEs are generally:

- a. Market access. Their capability in *marketing* is limited. Traditionally they need to be given preferential market allocation for their products, either through government regulations or through vendor/subcontracting relation schemes with large industries. To meet very high product standards in the international market is another crucial issue, it is a costly effort for SMEs.
- b. Financing. SMEs generally do not have enough accumulated funds as *working capital* to start production activities. They also lack the ability to meet the requirements and procedures in borrowing money from banks due to insufficient collaterals and know-how on using banking instruments. For SME starters; the problem is even worse, because past business track records are required to be eligible for access to banking facilities, which they have not accrued yet.
- c. Human resources management and technology. The existing human resources are *still* used to traditional ways and "small-scaleness" in conducting their business, which are generally family businesses. They are not so much acquainted with corporate business applying modern management and technology to ensure economic scale *with* higher productivity and efficiency. Although numerous SMEs are skilled and well ahead in applying modern technology and management, SMEs at large are *still lacking of such corporate culture.*
- d. Stability in supply of raw & processing material. SMEs are vulnerable *to instability in the supply of raw & processing material* needed for their production of good and services, because they are not in control on the market of these material. Usually they would need government intervention either through regulations or through market intervention, to stabilize supply and price of these material.

3. Governments as regulators

- a. In general Royal Thai Government has special policies, regulations and facilitation to stimulate the growth of SMEs. These main issues are well realized and taken care of in the trade/economic policies and regulations.
- b. As free trade and open market system prevail that one can not avoid today, the main challenge faced now by our government as regulator *is* to adjust the policies and regulations on SMEs to stay in line with this market environment A shift in policy and

regulation regime concerning SMEs must be devised from taking protective measures to one that invites open competition. Of course the policy of SME development *is* legitimate for a particular government to undertake, but *it* should no longer be pursued through protective measures, but through capacity building approach.

4. The role of the Federation of Thai Industries (F.T.I.)

- a. The Federation of Thai Industries and Thai Chamber of Commerce should play a vital role in making endeavours to enhance the development of SMEs. We absorb *issues* and problems faced by SMEs directly from the field and devised them into recommendations to the government for policy and regulation changes concerning SMEs. As dialog partners to the government we must be effective in giving concrete inputs to the government.
- b. The Federation of Thai Industries also play a vital role in capacity-building, particularly to help SMEs cope with modern corporate practices.
- c. In order to achieve effectiveness in our role, the Federation of Thai Industries should create good database providing continuous updated information related to SME, particularly in the areas related to the 4 main issues as mentioned earlier.

Through these networks FTI intensifies our exchange of information on available business and market opportunities which are to follow up with proactive networkings among the *SMEs*.

5. What F.T.I. can do in dealing with SMEs development issues

- a. The Federation of Thai Industries *is* a sole representative of the entire industrial sector in Thailand which 80% of our members are Thai SMEs. Not only the FTI is operating organization to actually give solutions to the problems of SMEs, but our governments are really the one in forefront in providing solutions to SME problems.
- b. FTI can be an effective intermediating channel to bridge the private sector and the public sector. At national levels, close cooperation with SMEs and Government should be fostered where business aspirations and problems are collected and solutions devised together, then conveyed to the government. FTI could exercise its influence through our government to expedite actions on our recommendations.
- c. The 4-main issues of SME development mentioned in paragraph - 1 could certainly be the focused areas of attention that FTI should deal with, and given high priority. Concrete results in form of workable recommendations to Royal Thai Government must be conceived. The recommendations once accepted and decided by the government should without delay be conveyed to local private sectors and consolidated for serious follow-up and actions by the government.

6. Several pressing issues affecting SMEs

With the above mechanism, and from F.T.I. perspective, a number of presently pressing

issues concerning the development of SMEs need urgently to be addressed. These are among others:

- 1). On market access. In *food processed industry* for example, with the high product standards endorsed by the developed countries, the situation becomes even worrying to SMEs in Thailand where they may soon and quickly lose their traditional markets. While such high standards are understood to be beneficial for all in the long run, in the short run cooperation in capacity building to improve quality standard of products exported by SME producers to meet the standards need urgently to be concretely executed. So far cooperation programs in capacity building, especially in product standard conformance have not materialized in a significant way.
- 2). On financing. Government needs to be politically committed to help SMEs in financing their production and/or project executions. This can be done through taking a certain financial risks for the sake of SME development. It is unfair that on one hand the government would take big risks in bailing out large enterprises with huge debts while not doing the same thing to SMEs with relatively negligible amount of debts. To help SMEs the government actually needs only to provide sovereign guarantee against financial institutions (domestic and abroad) which are willing to help SMEs with financing. Meanwhile, SMEs need to be given technical assistance in acquiring financial support from banks, namely in making their industries/projects bankable.
- 3). Human resources, management and technology. FTI cooperates with government to develop technical assistance programs (including establishing training/incubation centers) to nurture SMEs in attaining “corporate culture”, and help lobbying with regional/multilateral financial institutions for the financing of these programs. Cross-accreditation of training is necessary to ensure the acceptability of the quality of human resources internationally. Meanwhile modern corporate managerial techniques should be adopted by SMEs to ensure that they can operate in economic scale and competitive in the world market. This would lead to the extensive employment of IT and E-Commerce by SMEs.
On
- 4). On stability in the supply of raw & processing material. Since development of SMEs implies that industries tend to grow more on the downstream side (rather than upstream), outsourcing of raw & processing material will be an important factor for SMEs to succeed. Stability in SMEs outsourcing needs to be ensured by availability of outsourcing suppliers of these needed materials. Strong databases of outsourcing suppliers provided by F.T.I. is therefore of utmost importance. Such databases would simultaneously serve also as an effective means for SMEs marketing. FTI should from time to time monitor the availability and progress of such databases, make assessments and evaluation on their effectiveness, and give feedback recommendations to our government. Uniformized format of databases or a common interface protocol among them would be an important achievement that FTI can pursue for promoting public-private partnerships that help to convert “missing markets” into functioning markets.

7. Private - Public Partnerships: OTOP

The Federation of Thai Industries and our Royal Thai Government is now focusing on restructuring the "real" sector. Our small and medium size enterprises (SMEs) constitute an integral part of Thailand's national development, accounting for 90% of all enterprises and all industrial factories. Although SMEs have been important players in the growth of the economy, they have many difficulties in terms of international trade. They have inherent problems due to their small-scale production capacity and minimal capital. Their weak purchasing power makes their export competitiveness vulnerable to changes in the international prices of raw materials. As a result, Thai SMEs have experienced difficulty in reducing the cost of production.

Furthermore, their abilities to develop new processes to save on the cost of production have been limited because of inadequate funds for the development of technology.

For Thailand, we have also introduced a "One Tambon, One Product" scheme or "One Community, One product" that will draw on local knowledge. It will provide our villagers with technical assistance to enable them to produce more efficiently. To assist them in marketing their products, nationally and worldwide, we have introduced the Internet access for locals. We hope to help bridge the digital divide between urban and rural communities as well as to link our local economies with the global community.

For this reason, there are enormous opportunities for our small and medium size enterprises (SMEs) to build up their capacity in terms of technology, know-how, resources and entrepreneurial skills. This private-public partnerships assist the development of skills and knowledge, and to enable sustainable delivery of basic services to those who are considered being the "Poors".

Department of International Economics & Business Development
The Federation of Thai Industries
April 2005

7.7.12 *Timor Leste*

Timor Leste

Coconut

The tree of life for the villagers on littoral areas in Timor Leste

How it become integral part of poor life?

Trench + leaves - for shelter

Fruit -serve as food for human, animals and commercial commodity for cash (copra)

Coconut impact on the poor villagers life hood in Timor Leste (TL).

Timorese living close to the sea coast most having coconuts in seven major Districts:

Dili, Manatuto, Baucau, Viqueque, Lospalos, Same and Oecusi.
During the Portuguese and Indonesian occupation, the use of coconut is mainly for copra industry.
Recently, (this year) a Timorese company launched for coconut oil industry and having operation in Viqueque District where 1/3 of coconut population exist.

Recent discoveries in fat part of desiccated coconut and coconut oil:

Coconut play important role in physiologic and functional role in mankind diet .
Lauric acid major fatty acid in coconut has been recognize for its unique property in food use which is related to its antiviral, antibacterial and antiprotozoal.
Capric acid – another fatty acid for antimicrobial components.
Recent study in US food and drug administration:
Coconut transfers fatty acid- which digest quickly to release energy for human body.

Colega Pty. contribution for employment in coconut industry.

Employment generation:

Direct:

100 employees for day shift
100 employees for night shift
purchasing coconuts from 200 coconut growers.

Indirect effect:

Coconut trees climbers + 100
Revenue for small cars to transport coconuts.
Cash for students to collect coconuts in the ground.

Quick impact for poor in the villagers:

- a) Prompt cash for the owners of coconuts, employees and intermediaries.
 - b) The villagers having cash in hand to purchase their immediate necessities.
 - c) The school kids parents afford to buy new uniform for their children
 - d) New housing emerging from coconut business.
-

Future prospect of Colega Pty. Coconut business Operation

Coconut Full line of production:

1. Fiber production:	1,040 tons p.a.
2. Virgin coconut oil:	2,000,000 lts p.a.
3. charcoal stick:	400 tons p.a.
4. coconut fluff:	1,040 tons p.a.
5. Total # labors to be employed :	+ 1000

Another project to provide jobs for the poor at remote village at Suai District for 2006

Cassava / tapioca project:

A consortium German and Thai group partly financed by International Finance Cooperation (IFC).

Number of people to be employed 30 000 labors.

Number of hectares to be allocated = 30 000 hectare of land

Timor Leste 2

TOURISM TO UNLEASH THE POVERTY FOR TIMORESE

Tourism industry for Timor Leste (TL) will assist the economy play an important role in the sense of :

Creation of employment for un-skilled and skilled labors for both genders: male and female opportunities for operators of:

Hospitality, and associated industries.....

Generate wealth creation at the bottom of Pyramid

Potential markets

Australia and Asia

European and Americas

International backpackers that crossing Asia to Australia from:

North America

West Europe

Scandinavian countries

+/- 800 000 per year

(source: Australia Bureau Statistic ABE)

Australian holidays takers from South states to

Darwin. Number: 650 000 per year (ABE)

Tourist travelers in Bali (Indonesia)

Timor Leste is an attractive destination:

It's strategic geographic position between Indonesia and Australia;

Its Historical background : Portuguese 400 + year

Indonesian 24 + years

UN 6 + years

Independent nation almost 3 years

Its natural pristine landscape; under water marine attraction: scuba diving; white sand for leisure at seaside;

External Investment Law:

Fiscal Incentives

External Investment Law:
Conditions and Guarantees

1. Access to all sectors of the economy under RDTL legislation (Minimum amount of external investment \$100,000 USD);
2. Guarantees and protection of private property rights;
3. Legal guarantees against nationalization and expropriation;
4. Equal treatment of all external investors;
5. Rights to repatriate profits and investment proceeds;
6. Right to hire management and skilled foreign workers;
7. Right to sell and transfer FDI assets ;
8. Access to foreign currency ; and
9. Conciliation and arbitration of possible investment disputes under generally accepted international rules – ICSID

External Investment law
Customs and lease Incentives

Tax deduction of \$300 for each Timorese worker employed on a regular full time basis according to location or type of investment:

Urban areas during 5 years

Rural areas during 7 years

Oecusse and Ataúro during 9 years

For external investment in an economic infrastructure:

Urban areas during 10 years

Rural areas during 12 years

Oecusse and Ataúro during 15 years

For external investment principally directed to the export market:

Urban areas during 7 years

Rural areas during 9 years

Oecusse and Ataúro during 12 years

7.7.13 *Vietnam*

**UNDP Vietnam’s Experience in Promoting Private Sector Growth
Unleashing Entrepreneurship**

PSD is driving economic growth

Private sector development is the primary engine of economic growth and reducing rates of poverty in Vietnam (from 70% in mid-80s to 29% today)

Doi Moi reforms have been multi-faceted, and have radically improved the business-enabling environment thereby unleashing dormant creativity, entrepreneurial zeal, and incomes

Legislative and regulatory reform in Vietnam

Enterprise Law

Administrative reforms

Land law and reforms

Finance and credit policies

Labor, science and technology policies

Trade and investment promotion policies

UNDP VN position in PSD

Recognizes the private sector's potential role as the driving force for economic growth and attainment of the Millennium Development Goals, particular Goal 1 to eradicate extreme poverty and hunger

Positions itself to support a more level playing field for all economic actors in Vietnam

Has 10 years of experience in assisting the Government in improving policy and regulatory environment conducive for business to realize its full potential

UNDP's foci

Streamlining the regulatory framework

Strengthening capacity of government and private sector at both the national and provincial levels (where variations can be quite striking)

Facilitating close govt. and business sector dialogue and collaboration

UNDP's experience

Enterprise Law of 2000 a milestone, providing the legal framework for establishing and operating domestic firms

Heralded: major simplification of registration, diversification of ownership, and a major increase in firm numbers, over 130,000 firms are registered, with capital of VND 185 trillion, and 1.75m jobs created since the EL of 2000

Coordinate the government-domestic business meetings, the forum for domestic entrepreneurs to voice their concerns

Training for central and local government officers and business to have insight on Enterprise Law for better implementation of the law

Support to strategic studies on factor markets to advocate for policy change at central level

Support to eliminating obsolete and contradictory legal regulations that constraint the economic growth.

UNDP's current initiative

An integrated approach to preparing, drafting, implementing and promoting the Unified Enterprise Law and Common Investment Law, at both the national and provincial levels

The UEL to span all firms (exc. Non-reformed SOEs), both local and foreign

The CIL to cover both domestic and foreign investors and thereby create a more conducive and level playing field, and that is WTO-compliant

Challenges that confront us

The two main legal pillars governing business activity in Vietnam

Synchronizing these new laws, and their implementation

Dovetailing these 2 laws with: existing legislation, each other, and external commitments (eg. US BTA and WTO accession)

Advocacy, so that firms genuinely embrace and internalize (eg. on corporate governance) as institutional enforcement is still weak

UNDP's provincial emphasis

We place emphasis on the need to cultivate a better provincial business enabling environment for domestic business development, especially at rural areas

Focusing on out-reach, dialogue, and public-private partnerships as this is potentially where the greatest impact can be had in terms of PSD, economic growth and poverty reduction in the decade ahead

7.8 Presentation by Mr. Kwame Pianim, Member of the Commission Private Sector and Development and CEO of New World Investments

UNLEASHING ENTREPRENEURSHIP

Making Business Work For The Poor

Presented by Kwame Pianim, member by the UN Commission on the Private Sector and Development

The context for the work of the UN Commission on the Private Sector and Development and its significance.

Arnold Toynbee, a British historian stated that the 20th century will be remembered not for its harnessing of the fruits of science and technological innovations for improving living standards around the Globe, but as the age when

“human society dared to think of the welfare of the whole human race as a practical objective” and a task for all humanity.

The Report; its Context and Significance

The ambitious Millennium Development Goals launched by the Secretary General of the UN underscores the felt urgency to reduce poverty around the Globe as a critical input for reducing global poverty, minimising tension and enhancing security and peace around the globe.

The launch of the MDGs reinforced the increasingly shared global determination and commitment to “freeing the entire human race from want”.

The urgency and concern to ensure the attainment of the MDGs demand a shift from the traditional international development actors (governments, multinational, bilateral and regional financial and development agencies) to a search for new, innovative, and more inclusive partnership arrangements embracing the corporate world, national governments both developed and developing, civil society and communities for an “all hands on deck” assault on global poverty.

Context and Significance.

A historic landmark in the international development cooperation was the IBRD initiated Commission on International Development.

IBRD under the presidency of Mr. Robert McNamara put together in August 1968 a panel of experts under the chairmanship of a former Canadian Prime Minister and Nobel Peace Prize Winner, Lester Pearson with the mission;

“to analyse the past record of development assistance and to provide solid proposals on how the huge disparity in wealth existing between different countries could be lessened.”

The outcome was The Pearson Report entitled “Partners in Development” launched in October 1969.

It was described as a “comprehensive textbook on international development assistance.”

Not unlike most UN family initiated works of the period, its focussed and “challenged governments” to work in partnership to ensure the success of the global development project.

The Report provided a landmark persuasive argument for rich donor countries to be more generous with economic aid; the genesis of the ideal target for donors to disburse 0.7 percent of their Gross National Income in the form of official development assistance.

The UN Commission on Private Sector and Development

Another historic and unique landmark in the pursuit of the international development cooperation agenda. A fitting response to the search of the SG for new weapons for the assault on global poverty to help attain “the needed level of change” to reduce global poverty as envisioned in the Millennium Development Goals.

The Commission co-chaired by former President Zedillo of Mexico and another distinguished Canadian statesman, Prime Minister Paul Martin, seeks for the first time to engage not only the traditional international development partners, but adds an important dimension, the Private Sector ranging from multinationals to micro-operators in the development agenda.

The first time that the private sector, the only global institution with unique insights and experience in wealth creation and poverty reduction is being mobilized fully for the global development assault on poverty.

The Secretary General’s challenge to Commission was;

Identify ways to challenge and harness the great potential of the Private Sector for development.

Challenge governments to provide the strategic ingredients of an enabling environment that will liberate the trapped entrepreneurial energies of the Private Sector for accelerated growth

Identify measures and concrete action programmes to channel the growing sense of corporate social responsibility in the business community by ENGAGING the Private Sector in the development process including identifying ongoing practices and interventions that are replicable, scalable and sustainable.

Challenge governments, Civil Society, community-based organizations, and the private sector to come up with innovative collaborative public-private partnership arrangements for development.

Context and Significance continued

The Commission's report is the outcome of the first steps of a global effort to identify best country and next generation private sector focused actions and practices, and public-private partnership arrangements that impact strongly on development.

The report also outlines innovative efforts in the application of private sector principles and approaches to tackling development problems

The findings and recommendations constitute “the first set of actionable initiatives” to set in motion interaction dynamics to generate collaborative response for accelerated collection and dissemination of best country and next generation practices and actions that will form a menu of ideas from which countries may draw and adapt to suit their peculiar circumstances.

The ideas constituting a call to action and a catalyst for further focussed discussion are outlined in the report launched by the Secretary General entitled “Unleashing Entrepreneurship – Making Business Work for the Poor.”

The Commission seek not to provide a recipe or formula for development but presents a menu of concrete examples of successful private-private and public-private partnership arrangements that may be adapted by the key international development players to facilitate the attainment of the MDGs.

The Report; its Expectations

UNDP Administrator, Mark Mallock Brown and his Secretariat guided the work of the Commission by networking private sector practitioners, research institutions and think tanks for a tour of the development landscape to ferret out ideas and insights for engaging the private sector. He also packaged a strategy for disseminating the recommendations of the Commission at the global, regional and country levels with initiatives and follow-up action. The expectation is that forums will be created;

To share best practices identified, lessons learnt and insights gained on successful Private Sector initiatives and innovative and pragmatic private-public sector partnership arrangements to enhance national development programmes to achieve improvements in the lives of the poor.

To learn about the optimal factors that constitute an enabling policy environment for growing a vibrant private sector

The redirection of the development effort through the new challenge to harness the Private Sector for the pursuit of global development agenda is already attracting strategic attention.

The Blair Commission for Africa; Action for a Strong and Prosperous Africa” identifies as a major critical factor the need to overcome environmental obstacles in order to release “Africa’s entrepreneurial energies”. The Report outlines actions to be undertaken by the Business Community “working in partnership with each other, with donors, with national governments and with civil society, as part of a sea change in the way it engages in the development process”.

The activities for this two-day programme constitutes the second regional launch in a region that had and is witnessing tremendous ferment of innovative initiatives that are impacting on the quality of life of the poor and which we in Africa are watching with keen interest.

HAPPY to be here to present some key findings and recommendations of the Report.

The Development Challenge

The contribution to the international development cooperation by the former Prime Minister of Canada, Lester Pearson, the architect of “Partners in Development,” and that of his current successor, Prime Minister Paul Martin co-architect of “Making Business Work for the Poor,” both constitute paradigm shifts in the approach to the pursuit of the global development agenda.

The challenge the two Commissions seek to address remains unchanged. And for us as we gather here today in search of answers to alleviating global poverty the challenge remains the same as was articulated by Prime Minister Pearson in his acceptance speech at the Victor Gollancz award in 1972;

“Our age is one of trouble and tension and violence. It is also one of great progress and achievement. It holds both the promise of a far better life for all men (and women) and the threat of no life at all for mankind. Which is it to be”

It is my humble opinion that “Unleashing Entrepreneurship – Making Business Work for the Poor” by engaging the energies, skills, innovation for development of the Private Sector promises a good start for injecting new impetus for resolving the modern day paradox of misery in the mist of plenty, especially in era adequately equipped technologically and in terms of human and national resources for the eradication of want. The activities we adopt must, as emphasized by the Commission be;

Market-oriented and mutually profitable for all stakeholders
Scaleable and replicable
Sustainable

OVERVIEW

UN Secretary-General Kofi Annan convened the Commission of public leaders, thinkers and chief executives that started meeting in June 2003.

A six-month effort that included a tour of the development landscape benefiting from research findings in academia, public private sector think tanks and concrete examples of successful private sector partnerships arrangements and activities already on the ground. The Report submitted in

March 2004 identified concrete initiatives for follow-up for engaging the private sector in the global development agenda.

To draw attention to the Private Sector as a strategic and crucial player that needed to be challenged and mobilized to ensure the attainment of the Millennium Development Goals. To come out with ideas to unleash the trapped energies of domestic entrepreneurship for development including the creation of conducive and supportive environment and innovative arrangements for better utilization of private sector capabilities.

Key Findings

That overall global development through accelerated growth for poverty reduction in general and for the attainment of the MDGs in particular will benefit significantly if a more inclusive approach is adopted in each country and a conducive environment created for harmonious, innovative and collaborative arrangements between the public and private sector, between multinational and large domestic companies and SMEs, and between domestic and foreign direct investments. (importance of networking)

That the private sector in any country irrespective of origin, size or degree of formality should be viewed as an ecosystem that given appropriate partnership arrangements can generate synergies so that their individual performance become mutually reinforcing. (concept of benefits of ecosystems and clustering)

That the private sector constituted a significant force for development but is constrained and its entrepreneurial energies, especially those of domestic SMEs and informal sectors are trapped by lack of supportive infrastructure and “man-made obstacles in developing countries.

That the poor within countries and the developing world in general constitute a market opportunity that can be tapped to create a virtuous cycle of growth through drawing the poor to participate in the production process and developing them into an effective demand for the private sector. This finding is captured eloquently in Professor C K Prahalad’s book “Doing Business at the Bottom of the Pyramid.”

That if the private sector is to be developed and its trapped entrepreneurial energies unleashed to contribute to the alleviation of global poverty then governments need to create and sustain a minimal supportive factors and infrastructure that constitute a conducive enabling environment to provide the foundation and pillars for security and sound business environment for the operation of the private sector. The sound environment for liberating the energies of the private sector include recognizing that the global and national macro-economic environment are critical foundations upon which to erect the super-structure for improved performance by the private sector for accelerated growth.

That the private sector is too critical a factor in poverty alleviation to be left out in the international development agenda and must be engaged in order to facilitate the attainment of the MDGs.

That the international assault on poverty will benefit significantly if all stakeholders – government, development institutions, the private sector, and civil society – collaborate effectively and expand the use of some of the private sector principles and approaches in meeting development objectives.

Private Sector Can

... alleviate poverty by contributing to economic growth
... creates opportunities for employment and income growth for the poor
... is meeting the needs of poor people by delivering products and services, even in places public services do not reach
Serve markets at the bottom of the pyramid
Form ecosystems and build networks
Foster public-private partnerships for sustainable development
Improve corporate governance
Advance responsible business practices and corporate social responsibility standards

The private sector is constrained in developing countries

Domestic private initiative and entrepreneurship, particularly within the small and informal sectors, has enormous potential—but it is trapped in a disabling business environment.

Therefore, governments need to create an enabling environment

For domestic and foreign entrepreneurs to thrive, governments must be willing and able to establish a strong rule of law and a level playing field.

RECOMMENDED ACTIONS

To ensure progress towards the MDGs, all stakeholders - governments, development institutions, the private sector and civil society – all have critical roles to play but they need to collaborate more effectively and expand the use of private sector capabilities in meeting development objectives.

FRAMEWORK FOR ACTION

In the Public Sphere –

Promote reforms of laws, regulations and other barriers of growth

In the Public-Private Sphere –

Facilitate cooperation and partnerships between public and private players to enhance access to such key factors as financing, skills and basic services

In the Private Sphere –

Encourage the development of commercially sustainable business models that can be scaled up and copied

Multinational Institutions coordinated by UNDP; encourage and facilitate putting the findings and recommendations of the commission in the development forum and accelerate the collection and dissemination of other concrete examples of successful models worthy of study.

A Call for Action

When the Secretary General accepted the Report on March 1, 2004 he used the occasion as a CALL FOR ACTION;

For the forging of a a new development coalition made up of the traditional players in the international cooperation project and a liberated private sector to join the UN to bring to life the Commission's Recommendations.

The Commission calls on all of us who read or hear its message to “JOIN US” to assemble “a first set of actionable initiatives to facilitate transformations in individual countries and to provide the tools for governments and the private sector” for a programme of change, and to stimulate “a collaborative response from potential partners.”

“Our message to all is join us!”

In Closing:

Private Sector Development must be recognized as a key to alleviating poverty and efforts must be made to create an enabling environment to unleash its potential for development.

UNDP is strategically positioned and should be supported with the requisite resources to facilitate the forging of a new global coalition to unleash the power of entrepreneurship for assault on global poverty.

UNDP is an ‘honest broker’ and can forge a new comprehensive and inclusive approach to development by putting this paradigm shift in approaches to international development cooperation on the development market and disseminating the findings and recommendations of the Commission through such launches so that they influence development thinking and programmes of national governments and the day to day activities of economic and social agents both at the national and international levels.

7.9. SME Development Experience and Policy Framework for private sector and SME development in East Asia presentation by Mr. Philippe Scholtes, UNIDO Representative, Vietnam (missing)

7.10. Private sector development in East Asia, presentation by Mr. Vipul Bhagat, Country Manager, International Finance Corporation, Philippines

IFC: Part of the World Bank Group

IFC’s Mandate

Provides loans and equity for viable projects
Mobilizes capital from other sources

Provides technical assistance and advisory services

FYE June 2004 committed portfolio: **US\$ 17.9 billion**

FYE June 2004 net income: **US\$ 993 million**

Private sector & poverty reduction

Acts as Engine of Economic Growth

Creates Jobs and Social Mobility

Generates Tax Revenues for Services

Develops Human Capital

Supports Innovation for Consumers

Empowers people

IFC and Poverty Reduction

IFC Engages with SME's

Core component of IFC's corporate strategy

SME's account for over 90% of firms in some economies and can contribute significantly to a country's GDP

SME's may be held back by a business environment where larger, uncompetitive firms dominate

IFC leverages support for SME's through:

Investments in local financial intermediaries & private equity partners

Strengthening SME business skills so that they can qualify for credit

SME Linkages Program

Improving SME business skills

Facilitating access to finance

IFC also maintains a strong presence in low-income countries and regions through network of Project Development Facilities (PDF's)

11 global PDF's; Western China PDF, Mekong (Vietnam, Laos, Cambodia) PDF, Eastern Indonesia PDF, Philippines (launch mid 2005)

Micro & Small Business (MSB) Finance strategy focused on

New capacity creation

NGO Transition

Down-scaling

Up-scaling

Wholesaling

Strategic partnerships

Technical assistance

Policy discussions

Infrastructure investments

To improve peoples access to basic services

Potable Water

Sanitation
Power
Transportation
Communication

Serving poor customers: IFC projects

Infrastructure
Manila Water, *Philippines*
Mirant, *Philippines*

ACLEDA Bank (Cambodia)

ACLEDA was established in 1993 as a non-profit NGO
Association of Cambodian Economic Development Agencies
Funded by USAID and other donors, it grew into a thriving microfinance institution with more than 40 branches and assets > US\$13 Mn.
To provide financing to small businesses and would-be entrepreneurs, especially in rural areas
Its 60,000 clients included basket weaving operations, lotus farmers, noodle-makers and steelworks, many in rural areas and 90 percent of which were owned by women

ACLEDA began to convert into a fully licensed commercial bank in 1996
In order to be self-sustaining without the need for donor assistance
With the advice and financial assistance of a special program of IFC (through MPDF) and UNDP, ACLEDA Bank received a \$2 Mn capital injection from a consortium of international investors including IFC, FMO & Triodos Bank (Netherlands) and DEG (Germany)
On October 7, 2000 ACLEDA received a banking license from the National Bank of Cambodia

Planters Bank (Philippines)

Planters Bank is the largest Philippine bank specializing in SME lending
Assets >US\$ 400 Mn.; Formed as a thrift bank in 1961; Majority owned by the Tambunting family; ADB and FMO (Netherlands) are also shareholders
It serves the whole country, with half of its financing activities outside of Manila
IFC invested ~US\$ 24 Mn. to support the creation & expansion of SME's in the Philippines
US\$ 15 Mn. loan; US\$ 8.7 Mn. equity investment
IFC also provided Plantersbank with TA
To improve risk management, asset-liability management practices & corporate governance
Plantersbankecommerce.com
An initiative jointly undertaken with IFC, allows SME's to web-enable their businesses
In partnership with IFC, Planters Bank launched Micro Enterprise Bank in 2001

New Hope Dairy (China)

New Hope Dairy is a leading private sector player in the dairy industry
It has developed a novel approach to dairy farming
"Collective farm" model - Managed by a committee of village members & the village Director
Villagers make a 1 time payment to purchase stall space (for cows)
All cows are milked by machine's owned by New Hope & serviced by equipment mfr.'s under

contract

Increases output & improves its consistency, reducing rejection - farmers receive 10cents more than milk from individual households

The model has done extremely well in Inner Mongolia & Shaanxi, regions with a long history of milk production

Farmers at the Hong Xing Collective farm (Sichuan) have a net income of Rmb. 3200/cow/ year

Demonstrating potential of dairy farming to generate income in rural Sichuan

Per capita income of rural HH's in Sichuan Province was Rmb. 2900 in 2002; No county has a per capita income higher than Rmb. 4000 & 33 are below Rmb. 1000

Each farmer owns 2-3 cows on average

CPDF is helping New Hope design a workable cooperative farm model that will serve as a demo site

Sichuan lacks tradition of milk production in part because its farmers are scattered in the hills, making it difficult to form cooperatives

7.11. Making Markets Accessible to the Poor, presented by Mr. Shiladitya Chatterjee, Principal Poverty Reduction Specialist, Regional and Sustainable Development Department, Asian Development Bank

Making Markets Work for the Poor

Shiladitya Chatterjee

Asian Development Bank

Overview

Concept of MMW4P

Factor markets and the poor

Access to land

Access to finance

Supply of labor

Product markets and the poor

Agricultural product markets

Private-public partnerships (PPP) in infrastructure

Concept

Market failure and state failure

M4P is the middle path

Enabling markets to respond to the poor as

Users of factors of production as entrepreneurs

Suppliers of factors of production

Sellers of goods and services

Consumers

Addresses behavior of private sector

Access to Land

Land Reform

East vs South Asia experience
Political support essential for land reform to succeed
West Bengal example
Relevance depends on importance of primary sector
Effective second best, less radical measures more practical
Registration
Security of tenure

Access to Financial Markets
Basic problems
High transactions costs
Poor infrastructure
Interest ceilings
Grameen Bank, Bangladesh and group based lending
Commercial microfinance: BRI, Indonesia

Labor Market
Labor absorbing growth is powerful pro-poor measure
Factors increasing labor absorption
Labor market flexibility
Excessive regulation reduces flexibility
Labor market segmentation and dualism
Vietnam study of rural-urban wage gap causes
32% human capital; 16% segmentation; 52% market access
Labor using technologies (infrastructure)
Exports of labor intensive products

India's organized labor market is strictly regulated

Agricultural Markets
General constraints
Poor rural infrastructure
Lack of commercialization
Undeveloped markets for inputs and outputs
Weak information
Difficult contract enforcement
High risks

Additional constraints of small farming
Tenurial arrangements restrict borrowing, expanding
Most output for subsistence leaving little surplus
Lack of access to seasonal finance
HYVs are input intensive but small scale raises costs
Some technology restricted by farm size
Social exclusions in many cases

Phases of Optimal Interventions

Business Development Support: Rangpur Case Study

Supply and value chain analysis and support at each element of chain for small vegetable producers

Improvements in value chain (reducing intermediaries)

Production support

Soil testing services

Training on Fertilizer (switch to organic, optimum dosage); seed improvement; pesticide use; packaging improvement; grading improvements

Transport

Reduce transport wastages

Marketing

Linkages to supermarkets and export markets; certification

Feedback from consumers

Contract Farming – Cambodia Case:

Angkor Kaseam Rongroeng (AKR) Model

Contract arrangements for rice

Contractor supplies seeds on credit and undertakes to buy all output at fixed price

Provides basic training on production

Benefits

Households participating increased from 1,200 in 2001 to 80,000 in 2004

Subsistence production to commercial farming

Specialization and better production methods

Better prices of produce

Possible improvements

More involvement of poorer farmers needed

Increased bargaining power on prices needed

Making PPP work for the poor: Key institutional areas

Accurate and balanced allocation of risks

New capital investment in wealthier areas preferred over poorer areas as lower risks

High risk of supplying areas without secure land tenure where poor often live e.g as squatters

Risk allocation between involved parties is key to ensure low cost financing of PPP project

Tariff structure

The poor's ability to pay for utility services often low; affordable tariffs essential

Affordable tariff structure often implies subsidy, which when not calculated properly, ends up draining the budget

Pro-poor regulatory regime

The objective is to protect the general public, especially poor

What to regulate? (a) tariffs; (b) product standards

Thank You
schatterjee@adb.org

7.12. Presentation by Johnny Co, General Manager, ANZ, Philippines

Rural Banking, Fiji

“How ANZ Bank & UNDP are partnering to create financially inclusive markets & Bank the Un-banked”

*Bottom of the Pyramid theory in action by Johnny Co
General Manager & Country Head
ANZ Philippines*

Why We Bank the Unbanked?

6 million un-banked people in the Pacific
Opportunity to Do Good & Do Well
ANZ already operates large businesses in 10 Pacific countries – Leading bank in the Pacific, mature market share in existing banked markets
We are interested in the long term economic prosperity of the countries we operate in
We see the un-banked as a viable market, not as a charity case

What is Fiji Rural Banking?

A mobile banking service
Face to face relationships with over 300 communities, and over 100 schools
Full range of ANZ global banking products delivered at the community’s doorstep
Inculcates savings before enabling borrowing
Promotes savings for all – no one is excluded & no group is targeted
Respects the rights of an individual to banking privacy
Combines banking with financial literacy
Over 25,000 new customers in 6 months of operation
Facilitates other services such as health care, counselling, business planning advice, land rental payments etc

How we operate

Rural Banking does not need electricity, phones, data lines or buildings to operate. Completely self sufficient
Rural Bankers are passionate, community-minded financial officers
Multi vernacular
Promote humbleness – we are on our customers’ land and always an invited guest

Security is paramount – 2 Police Officers, 2 Security Guards, ANZ staff travel in a separate vehicle, not with cash
Extremely rugged, unsealed roads
River crossings in boats, travel between islands by boat and/or plane

Our key thoughts on partnerships

Concentrate on what is to be done – get the objectives right up front.
We must continue to push the envelope on partnerships. It is the only way we will make large-scale, successful in-roads into providing services to the bottom of the pyramid.

7.13. Presentation by Mr. West Stewart, Energy House, Philippine Bio-Sciences and Engineering Co. (PhilBIO)

Unleashing Entrepreneurs: **Lessons from the Energy Sector**

E+Co Overview

E+Co delivers services to and invests in developing country small and medium energy enterprises that deliver modern energy to households, businesses and communities, creating:
Economic opportunity
Quality of life improvements and positive environmental impacts

E+Co Overview

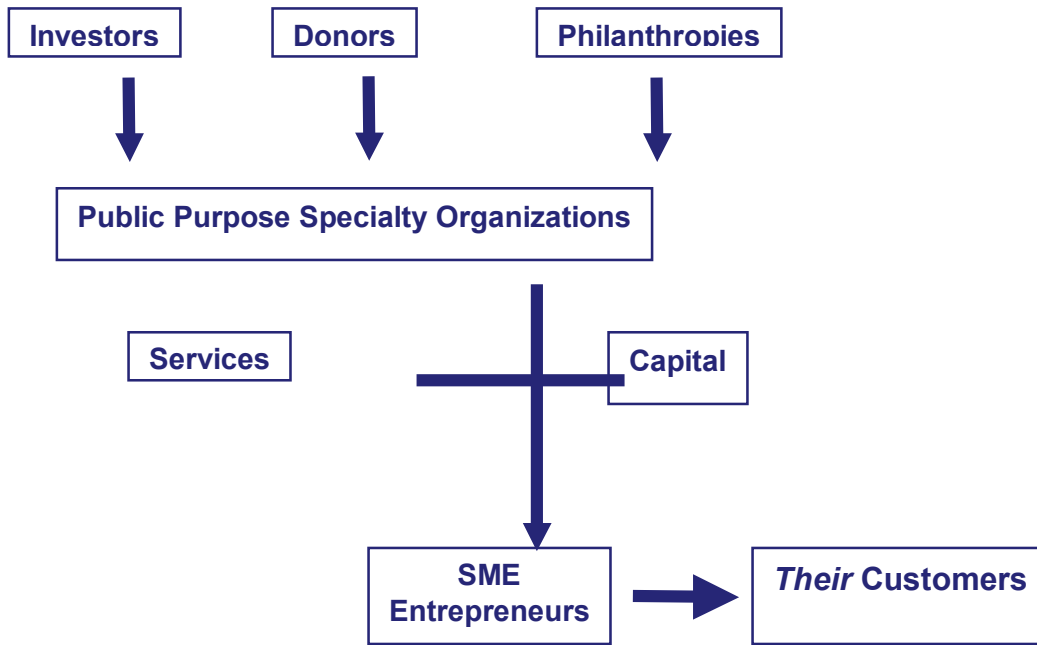
Enterprise Development Services are provided Pre- and Post Investment.
Investments (equity and debt) at the early stage and up to \$250,000.
E+Co blends public and private resources.
Sponsors include social investors, charitable foundations, financial institutions, multilateral banks and development organizations and multi-national corporations

Role + Needs of Energy Enterprises

Local product and service delivery point
Potential of cross-marketing and market deepening
Paradigm shift
Sustainability
Needs
Services
Capital to test
Capital to grow
Debt

Cash Flow Exits

Enterprise Centered Model
The Basic Theory



E+Co Portfolio Performance Summary January 1998-May 2004

87 investments
\$8.8 million in 35 countries
Modern Energy Services
1.65 million people
17 Enterprises Written Off
\$1.02 million
11 Loans Repaid in Full
\$1.4 million; ROI 9.8%*
Projected Weighted Average IRR on Total Portfolio, after write-offs 7.4%
ROI excludes enterprise development costs and a portion of operating costs, which are funded separately through contracts and grants

Nicaraguan-based Energy Company with Innovative Electricity & Water Solutions

Nicaragua: 50% of population has no access to any type of electricity services and 75% of the rural areas are still un-electrified.
TecnoSol, promotes solar, wind and hydroelectric and provides energy alternatives for the lighting, refrigeration, water pumping and irrigation needs of businesses and communities.
TecnoSol has installed almost 3000 systems, primarily on a cash basis. Over next 2-year period, plan to install >6400 systems.
The company has experienced accelerated growth with forecast a 100% increase in sales in the next year.

TECNOSOL
E+Co's Value Add

Enterprise development services assisted with the market study for the company's expansion; including accounting and business infrastructure.

Seed capital to finance additional inventory purchases to expand their market and provide short-term credit to its customers.

Growth Capital approved in November 2004 to open 4 branch operations in rural areas.

Honduran Hydro Enterprises ~
Triple Bottom Line Impact

La Esperanza is a 12.8 MW run-of-river hydro-electric project utilizing an abandoned powerhouse foundation.

La Esperanza produces triple bottom line benefits: financial, social and environmental. Permanent jobs, improved roads, reforestation, potable water and displacement of greenhouse gases.

La Esperanza Hydro Facility—E+Co's Value Added

EDS for business plan preparation
Catalytic Seed Capital for construction of the first powerhouse
Follow-on investment to assist in securing financing for full construction
Assessing and quantifying its carbon offset potential; packaging, selling and registering the FIRST small scale CDM project, which should close in 2004.

La Esperanza Hydro Facility—E+Co's Value Added

Catalytic Seed Capital for construction of the first biogas energy project (Rocky Farm, Rizal Province)&
Follow-on investment in the Philippine Corporation to advance the business plan for commercial R&D
Potential follow-on investment in project specific waste-to-energy projects of PhilBIO including CAT Distillery & live animal operation bundling activities.

Philippine Bio-Sciences Co. Inc—E+Co's Value Added

Catalytic Seed Capital for construction of the first biogas energy project (Rocky Farm, Rizal Province)&
Follow-on investment in the Philippine Corporation to advance the business plan for commercial R&D
Potential follow-on investment in project specific waste-to-energy projects of PhilBIO including CAT Distillery & live animal operation bundling activities.

Clean Energy Development Co. (Thailand)—E+Co's Value Added

EDS for pre-investment technical & financial study to advance major anaerobic digester design project, Korat Waste to Energy.

Catalytic Seed Capital for the development of the first biogas project development company in Thailand

Potential follow-on investment in project specific waste-to-energy projects of PhilBIO including several additional large-scale biogas energy projects in the starch plant industry.

E+Co's Plan: 2004-2008

\$84 million invested in 200+ clean energy enterprises

Leverage >\$900 million of co-financing

Establishment of Local Funds and Affiliates

Central America

Asia

West Africa

E+Co M&E Metrics

Financial	Social		Environmental	Clean Energy Promotion
Amount of Money E+Co Invested in clean energy enterprises	Amount of Energy Generated using clean energy	Number of Jobs Created	Tons of CO2 offset	Number of different Technologies Supported
Amount of Money E+Co Leveraged from Entrepreneurs	Number of Households and People served	Number of businesses with women Ownership	Tons of SO2 or NOx offset	Geographic Distribution of RE Technologies
Amount leveraged from 3rd parties	Number of Productive Use Applications	Number of entrepreneurs receiving EDS	Improved Access to Water	Number of RE Products Sold
Potential Amount of Growth Capital	Improved Income	Number of Entrepreneurs trained	Reforested Land	Number of RE Policy Activities
Annual Revenue Generated from clean energy enterprises	Number of Clean Energy Enterprises Operating	Number of Business Plans Completed	Amount of energy saved from EE initiatives	Number of Awards Received
Number of Financial Institutions Trained and Engaged in RE financing	Number of NGOs receiving capacity building for RE EDS and Financing	Number of Toolkits/Manuals distributed	Number of Customers installing EE equipment	Number of Articles Published and Conferences Attended

E&Co. Energy Enterprise Strategy Summary

Deliver Financial Services to, and Invest in, 'modern energy' development companies & projects
Fund pre-commercial technical and financial studies
Direct Investment in SME
Looking at both service+ investment models
Emphasis on Empowering Local Energy Entrepreneurs
Ensuring that the model selected filters down to the community at large

7.14. Presentation by Ms. Anuradha K. Rajivan, Programme Coordinator, Asia Pacific RHDR Initiative (APRI), UNDP Regional Centre, Colombo

Micro Insurance HOW TO MAKE IT WORTHWHILE FOR BOTH SIDES?
By Anuradha Rajivan, UNDP

Background

Important to recognise that combating poverty requires

Not just a focus on livelihoods

But also a focus on risk management among poor communities

These are complementary twin-track poverty reduction tools

Capacity to weather risks among low income HHs is limited

For risk management through m-Insurance to be institutionalised

It needs to become a financially viable business

Without which sustainability will be questionable

The Issue

The poor grapple with low incomes and income fluctuations due to risks and shocks

Those just outside the poverty line are also vulnerable - just a single shock can push them into poverty

Risks/shocks arise due to many factors

Unanticipated - accidents, disasters, disability, illness, market fluctuations, animal deaths, crop failures...

Anticipated - lifecycle events like old age, childbirth...

The Issue

Risks/shocks -> extreme fluctuations in incomes, consumption -> adverse effects on

Health, food consumption & nutrition security

Education of children

Shelter

Livelihoods (absenteeism, low productivity)

Thus aggravating deprivation -> human poverty

The Gap

Less formal risk management strategies do exist-
Savings, family, friends & neighbours, informal support

But they have limitations
Small reach and range
Suitable for smaller risks, not larger
Affect pride/self esteem

Providing a possible socially useful business opportunity

Some formal sector schemes are operating through insurance companies. But there is reluctance due to

High transactions costs
Restrictive regulatory regimes
Asymmetric information
Moral hazard issues
Mindset, orientation & training in the formal sector

Current Situation in India

Most rural insurance products aim to address supplier concerns
Protecting bank loans to the poor
Very little attempt to assess needs/perceptions of Bottom of Pyramid
Standard and limited insurance products

Operational issues

Cumbersome claims settlement procedures
Counterintuitive systems (e.g. under crop insurance system for assessing yields, unit area, found unsatisfactory)

Element of Compulsion

Farmers do not get crop loans unless they also take insurance cover
So also for animals
Though two independent m-Fin products (loan and insurance) borrowers factor it (premium) in as an additional interest burden

Contrasting Perceptions - Mutual Dissatisfaction

Insurance companies

View farmers as beneficiaries – recipients of a service
Reluctantly provide the service

Commercial banks

Think farmers will default, insist on insurance of crops, animals

Poor farmers

Think of themselves as victims – facing higher cost of accessing finance
Inherent tension among stakeholders

Is a win-win situation possible?

With insurance products & procedures matching rural needs

And

Insurance companies making profits

Thus developing effective risk management tools to complement income generation among the poor

Is this incipient market a lost opportunity?

Or is behaviour different among BoP population?

Are rural BoP risk lovers?

Are rural BoP fatalists?

Perhaps, up to a point – due to lack of choice, not out of choice

As part of a coping strategy for stress

Rural HHs also have risk aversion & risk management strategies

No reason to believe that behaviour among the poor is different

Multiple economic activities (e.g., agri with a few goats, chickens, rope making, mulberry cultivation, labour...)

This is often at the expense of specialisation / more profitable work

Mutual support – neighbours, relatives, SHGs

Mostly local, informal risk management

Experience from the field – Case From Rural India

Women's SHG members invited for a face-to-face discussion with insurance companies

One day interaction session

Among savvy city-slickers and semi-literate rural women

Concept of insurance explained to rural women

In India lotteries are very popular

Very low probability of a very high gain

Need to pay small cost for participation (ticket)

Probabilities very well understood

Insurance explained in those terms

Very low probability of a very high loss

Inverse of a lottery - need to pay small cost for cover (premium)

It was immediately understood

Feedback from the discussions...

Insurance companies presented their range of products

Crop insurance

Animal insurance

Accidental death of borrower, including road accidents

Some schemes for women – mostly designed for urban areas

Rural women picked up the idea of insurance quickly, they were

paying an small premium to cover against a large loss

interested in protecting their lives & assets

comfortable with the idea of insurance companies making profits

saying they themselves would not get into an avoidable loss making situation voluntarily

But completely disagreed about the risks to be covered

Where are the road accidents?

There were no roads with heavy traffic

None of them drove cars!

They wanted cover for other risks -

Falling out of a cocoanut tree

Death due to drowning in a well

Snake bites

Fire accidents for huts

Illness - meals for companion in hospital, ambulance

Expenses for divorce, one time cover in case of abandonment for immediate needs

Insurance companies listen carefully...

There was surprise at the intelligent questions and very specific suggestions

Payout of policy should not be to husband

Why create a financial incentive for eliminating wife and marrying again – a common occurrence - and pay for it too!!

Solution – daughter to receive payout

Response from insurance companies...

Wanted ideas for

reducing transactions costs

coping with private information (information asymmetry) not available to insurance company
moral hazard (risky behaviour, knowing that there is insurance cover)
adverse selection (higher risk agents opt for insurance)

Women's inputs to insurance companies...

SHGs, their federations, other m-Fin institutions - reduce transactions costs
Village communities – information asymmetry is small, especially in SHGs
SHGs also address the issue of moral hazard and to an extent
disincentive could be increased premium in subsequent years
Group approach and group insurance also helps spread risks & combat adverse selection

Other Operational Ideas

Bulk membership – can reduce premiums through group insurance
Premia can be collected through groups & their federations
Payouts also can follow the same route

Similar situation in many Asian countries.....

There is under-exploited potential for catalysing the m-Insurance market

Need to identify barriers and facilitating factors at national/sub-national levels, both -
On the demand side
On the supply side

UNDP support for....

Facilitating a concrete public-private partnership for catalysing the m-Insurance sector in order to

benefit the poor
provide a reasonable return to insurance companies

Study being initiated for India

Two more countries possibly - based on potential/demand/interest

Conclusion

For m-Insurance to succeed
Companies must understand the client population
Respond to their particular concerns regarding risks
Standard city based schemes will not attract rural clients voluntarily
Local variations essential
Interactions with client representatives can provide valuable insights for win-win solutions
Also helps m-Credit as borrower risks are better managed

7.15. Presentation by SMART Communications¹ and by GLOBE Telecom, Philippines

Globe Telecom

Examples of BOP Approach

UN Sub-Regional Workshop on “Unleashing Entrepreneurship – Making Business Work for the Poor”

Current Situation

BOP business and people have no or limited access to reliable, convenient and fast payment system which is needed to gain access to the market as a consumer or a seller

Issues

Distance – a limiting factor
Access to banking services

What is G-CASH?

G-Cash is the brand new service of Globe that turns a mobile phone into an electronic wallet.

It is a reliable, accessible and easy way to:

Purchase goods and services
Send / Receive remittances locally or from abroad
Transfer G-Cash from one person's phone to another

Key Features

Reliable – recognized by BSP as a new payment system under MB Resolution No. 116

Secure - uses PIN

Safe - all transactions are recorded in an electronic ledger in Globe. In case of loss or theft of your phone, you can retrieve the amount of G-Cash balance

Convenient - all you need is your cellphone

Fast - moves at the speed of text messaging

Easy to Use - as easy as using Share-a-Load

Answers Anti-Money Laundering Act (AMLA) requirements - requires all users to register via text with their personal details

“Best Mobile Messaging Service” in the world

G-Cash won the Best Mobile Messaging Service in the 2005 GSM Association Awards in Cannes, France-- the first to ever win in this category.

G-CASH triumphed over 480 entries worldwide.

G-CASH won on the strength of the use of SMS for m-commerce.

¹ Please refer to the executive summary to read on the presentation given by Smart Communications

G-Cash as Enabler

Gives people or entrepreneurs who have no or limited access to banking services the facility and efficiency of a modern payment system

Enables BOP business to expand access of customers to their products and services through remote payments

Reduces cost of making payments or money remittances by BOP people and business
Can help improve efficiency of delivery of micro-credit to BOP people and business especially in far flung areas, and at the same time, enables higher repayment rate by offering borrowers a cheaper and more convenient way of paying loan amortizations

The Microcredit Example – Rural Banking Sector

53,324 micro loan accounts as of May 2004

Loan amount of P5,000 – 150,000 for 3 months

Typical loan amortization P1,000 / week in rural areas

Projected to reach 250,000 by 2007

G-Cash pilot-testing in 4 rural banks in Luzon and Mindanao. Started in April 2005

Service offered is loan collection through G-Cash

Borrower saves money on time and transportation

Rural bank saves on collection and operating costs

7.16. Presentation on the Guangcai programme in China**China Guangcai Programme**

By Luan Liying, UNDP, China

China's poverty reduction challenge

Uneven

Regional disparity

Remote areas

Ethnic minorities

China Guangcai Programme

Established in 1994 as a national non-profit and non-governmental organization (national network)

Consists of 16504 private sector entrepreneurs

A key arm of the Party with the private sector

Promote, org and assist a large number of PSE to help the destitute in the poor, ethnic minority and border regions

Key features

Focus: poor and ethnic minority areas
Investment oriented projects
Business opportunity development
Resource development
Training
Improve local economic condition
Innovation aspect: combination of poverty reduction and profit
Public Private Partnership
Direct participation of the poor
Consolidation of resources
Knowledge sharing and advocacy
Strong political support of the Party and government at all levels
11,849 projects implemented for poverty alleviation in poor areas
16504 private sector entrepreneurs motivated
US\$ 9.78 billion of capital infused
2.71 million people received technical training
2.76 million people got employed
5.38 million people increased income exceeding the government poverty line

CASE 1 TIBETAN HERBS

Ms. Lei Jufang, Vice Chairmen of Guangcai and woman entrepreneur
Tibetan herbal medicine factory with investment of US\$5.7 million
employing over 200 local Tibetan people, of whom 60 are disabled
Over the past 5 years, generated over US\$3.61 million tax revenue
helped local economic development
Inherited the traditional Tibetan medicine and culture
Maintained a sustainable environment and has created jobs for the disabled
Brought dignity and hope to the ethnic minority staff, particularly the disabled

CASE 2 DRINKING WATER

Hetian Prefecture in Xinjiang Autonomous Region
Coarse geological and climate conditions
Prevailed with severe diseases as a result of insanitized well water jointly used by human and animals.
In 1995, Guangcai implemented a 750 wells drilling project in Hetian with a donation of US\$1.8 million from private entrepreneurs nationwide
Provided clean and sanitized drinking water to 153, 000 people and 306, 000 livestock
Attracted millions of dollars investment from local government and put an end to the problem

CASE 3 DEHONG LEMON

Dehong County is near the Golden Triangle Zone
Most populations from the ethnic minority groups of Dai and Jingpo

Almost no access to the outside world
Cassava and corn are served for most of their meals
Mr. Ma Zhengshu, council member of CSPGP initiated a lemon industrialized project
Breeding seedlings and purchasing lemon fruits from farmers and installing process lines
Helped over 10,000 farmers to cultivate lemon plantations totaling 3,333 hectares
Increased income of US\$ 180 to each household/year
Also helped Myanmar people to plant lemon

Case 4: Xingping Banana

Xingping County, Yunan
Ethnic minorities
Extremely backward
Mr. Lin Jiajie started banana industrialized project
Provided credit to farmers for seeding, fertilizer and pesticide and free technical training
Average US\$ 1.831 annual income per household
US\$ 42.51 million total income

Case 5: Liuliang

“Company + Rural Household”
Liuliang, one of the poorest areas
Developed pasture land
Provided technical support through training, demonstration, organization, technology service center, upfront capital
Provided calf to farmers through contractual arrangement
Transfer mother cow to other farmers
Get back the bull for selling
Breed improvement through technology innovation
Agro-industrialization process
Company + rural household: innovation in agriculture production organization
Link pasture development, animal husbandry with the market needs

UNDP and Guangcai Partnership

China Africa Business Council—practical business tool to promote investment between China and Africa in a concrete way

Human Development Fund—mobilize support of the private sector and individuals for targeted grass roots activities in poor areas leading to a transparent and independent foundation

7.17. Presentation by Mr. Sahba Sobhani, Bureau for Resource and Strategic Partnerships, UNDP on the Partnership Database (Missing)

7.18. Presentation by Mr. Tatsuo Ken Fujimura, Senior Adviser on South-South Cooperation, UNDP

South-South Cooperation for SME Development

Innovative Cooperation towards the Achievement of the Millennium Development Goals
Asian Experiences in SME Development

• Basic Law for SME Promotion established, which covers:

- Taxation and financing
 - Technological improvement
 - Organizing SMEs through industrial associations
 - Marketing and export promotion
 - Management improvement
-

Specialized GVT agency/unit for SME development established

Specialized SME implementing agency established to provide various services such as:

- Technical and management Training
 - Technical advisory services by extension officers
 - Supporting to organizing industrial associations
 - Enhancing strategic SMEs such as cluster industry
 - Providing incubation system
-

Issues for the SME Development in LDCs

Lack of clear policy guidelines and legal framework for SME Development
Fragmental and un-coordinated promotional measures implemented

Needs for improvement

Establish clear policy and legal framework
Establish specialized GVT agency responsible for SME
Reorganize institutions to implement SME development measures effectively and efficiently

Why is South-South cooperation useful for SME development?

•Development priorities are identified by concerned developing countries (Ownership by developing countries).
Options for solving development problems are decided by involved developing countries (Ownership by developing countries).
Development activities are managed by the developing countries responsible.
Appropriate technology and best practices accumulated in developing countries are shared by developing countries in need.

What kind of institutional mechanism will be effective for SME development in Asia/Pacific region?

An institutional mechanism to ensure equal participation and equal benefit sharing by participating organizations

Equitable cost sharing on sustainable basis

Participation of both public and private sectors in the mechanism

Built-in Public-Private Partnership in the mechanism

Applying BOP approach in activities

Utilizing existing mechanism

Linking with other existing institutions to avoid duplications and maximize impact

Dynamic and flexible in the scope and undertaking of activities and decision making process (Non-profit, non-governmental international mechanism)

Existing Non-profit, Non-governmental Institutional Mechanism in Asia/Pacific region: TECHNONET Asia

TECHNONET Asia is an Asian network for SME development, which is in existence over 30 years, established by the International Development Research Centre of Canada in 1973.

TECHNONET Asia aims at developing **technological capacity** of SME promotion institutions in Asia/Pacific region, consisting of 9 Participating Organizations from 8 countries: Bangladesh, Brunei, Malaysia, Nepal, Republic of Korea, Sri Lanka, Thailand, and Vietnam.

TECHNONET Asia has been promoting capacity development in:

- i. Industrial extension and industrial information
 - ii. Technology information
 - iii. Technology transfer
 - iv. Entrepreneurship development
-

Remodeling TECHNONET Asia to meet the current needs

To meet the need of policy and institutional reforms in less developed countries

To meet the need of trade and investment promotion in developing countries, particularly business and technology matching

To meet the need of private sector by increasing the membership of non-profit private organizations to participate in the decision making process

To accelerate the intra-regional South-South cooperation by extending membership of Asian countries: Afghanistan, Cambodia, China, East Timor, India, Indonesia, Laos, Mongolia, Pakistan, Philippines, etc.

To stabilize financial status by establishing the endowment fund

To strengthen linkage with other existing institutions and maximize the impact for SME development

Thank You

7.19. Presentation by Mr. Arun Kashyap, Advisor, Public Private Partnerships/BDP, UNDP

Facilitating Private Sector Capacities for Development

“East Asia Sub-Regional Launch of “Unleashing Entrepreneurship: Making Business Work for the Poor”

**By Arun Kashyap
Public Private Partnership Advisor
Capacity Development Group**

Background

Monterrey Consensus
UN Millennium Project
UN’s Commission on the Private Sector & Development
Unleashing Entrepreneurship – Making Business Work for the Poor
We the peoples: Civil society, the UN & Global Governance
The Fortune at the Bottom of the Pyramid

Hypotheses

Domestic private sector development is a vital contributor to poverty eradication, achieving the MDGs and beyond

PPPs are vital in harnessing and directing resources for private sector development

Reducing Risk
Reducing Transaction costs
Removal of barriers
Increasing demand from country offices

Rationale: Demand Based Strategy

Establishing Micro-Macro Linkage
Reducing vulnerability and creating sustainable livelihoods
Access to resources
Building Assets
Developing Capabilities
Enabling Environment, capacity development institutional strengthening
Build upon ongoing activities

Demand Based Strategy

Enabling Environment
A level playing field

Anchored in Good Governance

Transparency, Accountability, Participation
Independent scrutiny
Clear laws predictably applied & enforced

Capacity Development

Human
Institutional
System-wide

Pilots (Learning by Doing)

Delivery of Goods & Services**PPPUE (20 Projects)**

Solid waste management: Vientiane's Poor
PP Convergence for solid waste co-governance in Urban Poor Communities (Philippines)
Capacity Sustainable development for PPP to provide water and sanitation services in the informal settlement of Moreno
Building Parliamentary capacities for attacking urban poverty through PPP (Indonesia)

Sustainable Delivery of Goods & Services (CAP2015)**Diversified Growth Strategy through PPP: Equitable & Sustainable growth from FDI**

BP & Consortium US\$3b (LNG): Indonesia

Development of capacity and enabling environment (PA Philippines)

SMEs, Local Government, Academe
Coir processing for erosion control and bioengineering (Germany, China, Japan)
Seaweed processing
GVEP: providing access to energy services

Sustainable Delivery of Goods & Services (GCF)**Demand based market intelligence analysis for micro-insurance products**

Partners: Allianz and GTZ
Countries: India, Indonesia, Lao PDR

Qualitative consumer surveys

Potential consumers and types of products
Strategy to settle claims quickly
Understanding, allocating and minimizing the transaction costs

Pilots: India & Indonesia

Development of Innovative Partnerships Models

Risk management in PPP Planning processes for solid waste management

El Salvador (BCPR)

Integration of risk reduction of disasters in development planning

PPP to provide sustainable water and sanitation services in Tsunami affected countries

UNF, UNICEF, Coca Cola

Indonesia, Sri Lanka and Maldives

Development of Innovative Partnerships Models

Remittances

Link to microfinancing and creation of micro-entrepreneurs

Lowering the cost of transactions

Technology, new business models, regulatory environment

South-South cooperation

Creation of PPP Development Facilities

Enterprise Africa, AMSCO

Partial cost recovery

Potentially Catalytic Resources

Small Innovation Grants (SNV)

Up to \$25K

Partnerships

Innovative Partnerships Grants

Competitive - \$100K

www.undp.org/PPPUE

GCF: Private Sector Development (PAC)

Linkage with regional and national programs

Equator Ventures

www.equatorinitiative.org

Knowledge networking & products
