Entrepreneurship, ICT and Poverty Eradication
ISSUES PAPER

“The only way to reduce poverty in a sustainable way is to promote economic growth, through wealth and employment creation. In developing countries, SMEs are the major source of income, a breeding ground for entrepreneurs and a provider of employment.”
United Nations Industrial Development Organization

- The workshop on “Entrepreneurship, ICT and Poverty Eradication” aims to develop a template and guidelines for effective policies and applications of innovation and technology for advancing the development agenda, based on best practices and frameworks for sustainable multi-stakeholder partnerships.

- Despite real progress on some fronts, there remain dramatic disparities in levels of human development. The international community has responded to the pressing need to address this state of affairs by agreeing on the key development goals to be reached by 2015. This consensus reflects not only the necessity of addressing poverty and other human needs, but also an emerging sense that the international community is at a crossroad in the development process. The unprecedented pace and scale of global flows in information, products, capital, people and ideas, if properly harnessed, offer the potential to create new opportunities. The current debate on the importance of access to ICT, its value in addressing global development disparities, and its role as a powerful enabler of economic and social development is part of this wider discussion.

- UNCTAD’s Information Economy Report 2005 notes that despite the general growth in internet usage, there are wide disparities in enterprise access to the Internet between developing countries (5% in Mauritius) and developed countries (88.6% in Australia). And within countries, small and medium enterprises suffer an increasing disadvantage as more and more commerce and trade transactions take place over the internet.

- As the UNDP-APDIP e-Note’s, ICTs for Poverty Reduction: Necessary but Insufficient¹ and Do Governments Actually Believe that ICT Can Help Alleviate Poverty? A perspective from Poverty Reduction Strategy Papers² point out, poverty and the lack of access to information are linked. Better information and communication technologies can help accelerate human development. Given the appropriate environment, ICTs have the potential of transforming government,

¹ http://www.apdip.net/apdipenote/6.pdf
² http://www.apdip.net/apdipenote/2.pdf
business and education, and fostering significant socio-economical growth. There is, however, the risk that the digital gap could exacerbate existing inequalities.

- Investment in ICT is a crucial part of what has become known as the knowledge-based economy. Technology changes have supported the adoption of increasingly sophisticated tools for knowledge storage and transmission. Today, it has become a vital factor to ensure that knowledge and information are preserved and exploited for sustained economic growth.

- Investment in ICT can stimulate growth in different ways. In first place, investing in ICT can boost productivity and reduce operating costs. Increases in productivity are attributed in large part to capital deepening attained through IT investment and multifactor productivity through automation, production and management techniques, as well as improved value chain integration. Furthermore ICT investment and impact goes well beyond the business sphere as it has relevance for governments and citizens alike.

- Given the scale and complexity of the challenge and the need for a multi-pronged response, few developing countries can be expected to succeed on their own. There is a need for strategic partnerships at the local, regional and global levels that can bring together all stakeholders around well coordinated actions. The key element here is the involvement of all sectors and constituencies in such a way that each has specific roles and responsibilities. The government, the private sector and the civil society are complementary to achieve this objective – each is dependent on the cooperation of others to accomplish its goals.

- Corporations play a major role in targeting and implementing key ICT interventions and can earn great business benefits from doing so. Their rewards will take form of new customers, new opportunities to improve their processes, and an option on the future growth on undeveloped communities. Business initiatives have to focus not on individual consumers but on communities whose purchasing power, sense of ownership and commitment can be aggregated.

- In Malaysia, the delivery of IT services and locally relevant knowledge in rural areas allows farmers to increase their yield and productivity. This, coupled with better access to pricing information, allows them to be more self-reliant and entrepreneurial. ICT can consolidate and integrate the supply chains so that higher efficiencies are attained. It is necessary, however, to develop the users’ capacity to use and exploit such tools to their advantage.

- In India and Mexico, the private sector driven CommunityPC, a low-cost but fully functional PC designed to support the teachers and their students, underscores the importance for the business community to build the educational, business and social capacities of the local communities in order to create viable markets.
Governments must identify policies and best practices to help SMEs especially in developing countries use of ICT to enhance their competitiveness. Possible areas of intervention are deregulation, government procurement and subsidies.

A recent UNDP-APDIP paper, *Why Should Countries Embed ICT into SME Policy?*, highlights measures that can be initiated to enhance the competitive edge of SMEs. For instance, Singapore subsidizes computer training for SMEs employees and provides the foundation for developing secure e-payment services. Republic of Korea provides a web forum for SMEs to showcase their products to an international market; Philippines is working to reduce the cost of international phone calls by deregulating Voice-over-Internet Protocol; Japan provides tax rebates for SMEs using ICTs; Chile’s state purchase policies foster transparency and encourage SMEs to use ICT by advertising and processing government procurement opportunities online.

Deregulation in telecom infrastructure is also a powerful tool for encouraging private entrepreneurship. However, in rural areas with a reduced market size and profit prospects, government subsidies and tax facilities are sometimes necessary to attract private investment and create local business opportunities.

The banking systems must be modernized to enable SMEs in developing countries to conduct e-business transactions thereby benefiting from the opportunities afforded by ICTs.

As grassroots advocates for the public good, the civil society plays a no less important role in ensuring that the interests of local communities and under-represented constituencies are preserved.

Additional Reading

- *e-Commerce & e-Business*, by Zorayda Ruth B. Andam (e-primer)
  

- *Regional Human Development Report – Promoting ICT for Human Development in Asia: Realising the Millennium Development Goals*,
  

  

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