

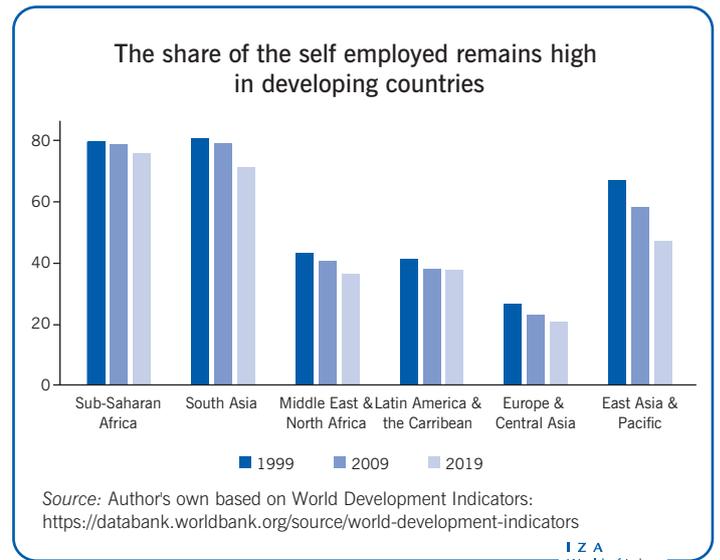
Entrepreneurship for the poor in developing countries

Well-designed entrepreneurship programs show promise for improving earnings and livelihoods of poor workers

Keywords: small-scale entrepreneurship, self-employment, livelihoods

ELEVATOR PITCH

Can entrepreneurship programs be successful labor market policies for the poor? A large share of workers in developing countries are self-employed (mostly own-account workers without paid employees, often interchangeably used as micro entrepreneurs). Their share among all workers has not changed much over the past two decades in the developing world. Entrepreneurship programs provide access to finance (or assets) and advisory and networking services as well as business training with the aim of boosting workers' earnings and reducing poverty. Programs vary in design, which can affect their impact on outcomes. Recent studies have identified some promising approaches that are yielding positive results, such as combining training and financial support.



KEY FINDINGS

Pros

- Self-employment continues to be a major source of employment and earnings in developing countries, and enhancing the productivity of the self-employed is important for poverty reduction.
- Entrepreneurship programs aim to raise micro entrepreneurs' productivity by addressing key constraints.
- Combining business training and financing along with supplemental services seems more effective than stand-alone programs in promoting labor market activities among poor self-employed workers.
- Providing support customized to the needs of participants improves program effectiveness.

Cons

- Entrepreneurship programs for the poor often show impacts that are small and not statistically significant, and the programs' longer-term sustainability is unclear.
- Improved business practice or knowledge does not automatically lead to business growth or job creation.
- Little information is available on the details of implementation quality and cost of the intervention, making comparing programs difficult.

AUTHOR'S MAIN MESSAGE

Some features of small-scale entrepreneurship programs are associated with successful program impacts. Among them are accommodating the design to the needs of the target group. A comprehensive approach combining skills training and access to finance often with other supplemental services is more effective in helping small-scale entrepreneurs succeed in the labor market than stand-alone services. Business training can help small-scale entrepreneurs set up businesses and improve business practices, while customized support and services can improve overall program effectiveness.