

Beat: News

Least Developed Countries Report 2018

Examines entrepreneurship

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USPA NEWS - WORLD'S POOREST COUNTRIES MUST NURTURE DYNAMIC BUSINESSES THAT CREATE JOBS AND HELP END POVERTY

Geneva, 20 November 2018 – “From Afghanistan to Zambia, governments in the world’s most disadvantaged countries must prioritize dynamic enterprises and enact policies to help them thrive, create jobs, innovate and transform the economy, according to The Least Developed Countries Report 2018: Entrepreneurship for Structural Transformation, released by UNCTAD today.

Subtitled Beyond Business as Usual, the report looks at the conditions for creating and growing high-impact businesses in the least developed countries (LDCs), a group of 47 nations that includes most of sub-Saharan Africa, some Asian countries, and several island states. The group qualifies for preferential treatment in world trade and climate-change arrangements due to chronic disadvantages that leave them among the world’s poorest nations.

“The report establishes a more active stance for the state in steering the emergence of dynamic and transformational local entrepreneurship,” UNCTAD Secretary-General Mukhisa Kituyi said. “By encouraging policymakers to value the benefits of entrepreneurship, this report makes an invaluable contribution to efforts to add value to the least developed countries’ implementation of the 2030 Agenda for Sustainable Development.”

Several structural features of the economies of LDCs tend to weaken entrepreneurship and the growth of enterprises, including limited finances, insufficient infrastructure, lack of institutions, poverty, restrictions on women’s empowerment, high registration costs, and elevated political, economic and environmental risks, according to the report. The result is that most firms in LDCs are micro- or small enterprises and 58% of the formal firms have at most 20 employees.

The report says that large numbers of people in LDCs are forced into small-scale, low-value entrepreneurship by necessity. Entrepreneurship is dominated by self-employment (which accounts for 70% of total employment), informal micro- and small enterprises with low chances of survival and growth and little propensity to innovate. Small companies account for 58% of all firms in these countries.

The report also reveals that the vast majority of entrepreneurs in LDCs are “necessity-driven”. There are 1.7 times as many early-stage entrepreneurs in LDCs on average who describe themselves as “opportunity-driven” than there are who say they are “necessity-driven”, compared with 2.8 times as many in other developing countries.

The report says that governments in LDCs should therefore focus on boosting entrepreneurs and established firms that seize opportunities to create innovative products and services, employ more people and grow dynamic businesses that have a transformative, ripple effect throughout the economy.

Fostering the type of enterprises that matters for root-and-branch economic transformation means going beyond the “business-as-usual” approach of establishing an enabling environment for business, correcting market failures, and supporting small enterprises.

“Importantly, the report calls upon the least developed countries not to overlook the pivotal and complementary role played by large enterprises, alongside medium-sized and smaller enterprises, with a view to formulating deliberate strategies to nurture entrepreneurship that has impact,” Dr. Kituyi said.

While at least 20 out of the 47 LDCs have national industrial policies that articulate to a various extent the interface between entrepreneurship and structural transformation, the report says that much less attention is currently devoted to the determinants of

entrepreneurship.

The report calls for a renewed “developmental state”² that engages in transformative, mission-oriented investments and involves the private sector in a strategic vision that charts a clear path for development.

Policymakers should provide support that is tailored to the life cycle of firms (start-up, scale-up, maturity), based on objective selection criteria and linking clearly communicated time-bound rewards, advantages and incentives to performance. Entrepreneurship policies need also to foster linkages between firms of different sizes, stages of maturity and sectors, for instance by means of business clusters, networking and alliances which allow for a sustained flow of new ideas into firms throughout their life cycle and enable dynamic growth.

Greater attention needs to be given to the development of domestic supply chains, since linking LDCs to global value chains has not provided any significant boost to local enterprise development.

Coherence and coordination between entrepreneurship policies, industrial policies, rural policies and policies for science, technology and innovation are also critical, as is entrepreneurship skills development in education.

The report says that a pragmatic, strategic and evolutionary approach is needed to increase public-sector capabilities, enact locally-appropriate institutional reforms, build on centres of excellence, promote policy learning and nurture coalitions for change.

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