

# **GENDER AND EXPORT-LED POVERTY REDUCTION**

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## **Abstract**

Women entrepreneurs in developing countries can reduce poverty by launching more export-oriented enterprises. However there is a need to improve on strategies as too many women entrepreneurs are over focusing on micro enterprises and first-generation SMEs. A more holistic approach to assisting women entrepreneurs is also needed involving massive investment and support and private/public sector initiatives as women face key constraints. In some developing countries, increased support from donors would be imperative. Systematic evaluation of investment on women entrepreneurs and sharing of experiences and data must be high on the agenda.

## **Introduction**

The gender issue has gained importance with evidence that more women are entering the field of entrepreneurship. In the United States between 1987 to 1999, the number of women-owned businesses increased by 113 per cent nationwide, the employment provided by these firms grew by 320 percent, and sales grew by 436 per cent NFWBO (2001). The Global Entrepreneurship Monitor has repeatedly confirmed increasing roles of women entrepreneurs in both developing and developed countries.

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We have referred to some scholars and writers and have summarized practical propositions which can increase exports and reduce poverty via women entrepreneurship. We cover constraints related to late development particularly in some African countries and examine whether exports can really increase via women entrepreneurs without ambitious programs and major reforms.

The continuation of poverty in many countries is a political problem and it occupies centre stage in development thinking. It would be a mistake to assume that without bold initiatives; Women via exports can offer a world free of poverty. Indeed a very strong strategy involving state, private enterprise, donors and key stakeholders with massive investment via a Women Empowerment Fund is needed as part of a broader socio-political project. This entails a longer term view of the issues to re-direct poverty and women entrepreneurship policies accordingly. Many women are involved in micro-enterprises and first generation SMEs in developing countries but more need to shift to export oriented enterprises. They suffer from continued discrimination, barriers, constraints and disadvantages and need special support Ahl H (2004). We end with a note of caution on support programmes which may prevent women entrepreneurs from using their own skills and competence and emphasize the importance of proper evaluation. The importance of keeping and studying data and information on women entrepreneurs is also highlighted.

**Women Entrepreneurs in Developing Countries:**

Women in developing countries are not always at par with men and suffer from direct and indirect discrimination. Societies are mostly male-dominated and women have disadvantageous status. Literacy rate, work participation, unbalanced population share and participation in businesses remain low compared to men. Women should be treated more carefully as they have historic disadvantages, more family constraints than men and access to financial and other support is more difficult. They also face a range of practical barriers due to the structures of patriarchal power and unequal control over resources. In many cases the lack of a woman-friendly environment to start and develop enterprises is a major constraint and men's attitudes are still problematic. The subtle barriers that prevent women from achieving increased success, as entrepreneurs should not be underestimated.

Programs related to skills development, technology, infrastructure, provision of information and marketing, culture change amongst others are needed to integrate specific needs of women entrepreneurs. Institutions providing these support should identify the practical needs of women entrepreneurs prior to launching and implementing same. As the difficulties facing women are significant, gender-neutral policies and approaches will fail to develop women entrepreneurship.

On the other hand, over-focus on low-value added SMEs, micro enterprises and products is another major constraint preventing long-term success of women entrepreneurs. A new approach where women entrepreneurs are encouraged to export is therefore needed. Particularly as it is now widely recognized that first generation women entrepreneurs involved in non-sophisticated products for the local market would be unsustainable in the global economy.

It is appropriate to highlight that a new strategy to assist export oriented women entrepreneurs must include financial and macro-economic reforms. There is evidence that financial development improves growth prospects and at lower income levels, development in the financial sector can have great impact. H. Jalilian and C. Kirkpatrick (2005). Institutional support, reviewing the legal framework, developing comprehensive education and training systems, introducing comprehensive incentives, giving priority to Science, Technology, Research, Marketing, Business Counseling and capacity building for enterprise development are equally important.

We argue for an ambitious program for Africa being given its economic lateness. There is an ongoing debate between advocates of mega reforms and "big push" Sachs (2005) versus incremental reforms Easterley (2006). Shock therapies are inevitable on some issues and in other cases gradualism, well-planned intervention and small moves can lead to great benefits.

**Transforming Women Entrepreneurship:**

The importance of micro-enterprises and micro-finance to reduce poverty is widely recognized. Indicatively, we mention successes in India, South Africa, Mauritius and Bangladesh. According to Burgess and Pande (2003) micro-finance has had a positive impact on poverty in India, which is recognized as a leader in micro-finance. In South Africa, Black Economic Empowerment (BEE) takes various forms, covering transfer of share-ownership to black people, human resource development to reduce disparities in the workforce and also development and financing of black-owned enterprises. According to a KPMG survey in 2004, micro financing has been successful as the Government created new tiers in the banking system to ensure smaller and more diverse financial institutions to lend the poor.

In Mauritius, micro-finance has been successful and a 'Trust Fund for social integration of Vulnerable Groups' assists micro-enterprises, the 'Development Bank of Mauritius' provides below market rate interest to micro enterprises and a National Women Entrepreneur Council has been set up.

In Bangladesh the success of the 'Grameen Bank' and micro enterprises are well known. Bangladesh has successfully developed NGOs into subcontractors and some bigger NGOs with women entrepreneurs like BRAC and Proshika have established useful alliances with MNC A Muhammad (2006).

Undeniably, micro-enterprises and micro-finance are helping to reduce poverty worldwide. By end 2003 according to T.S. Nair (2005), around 80 Million customers were being supported by about 2,900 Micro Finance institutions.

However, the difficulties ahead are tricky. Whilst micro-enterprises and first generation SMEs focusing on micro to small projects ensure that many women become less poor, the evidence that they can help women entrepreneurs to export and become internationally competitive is patchy. Most developing countries, international donors and national policy-makers agree that micro-finance and policies on SMEs have worked. They are however warning that as globalization deepens and as low cost producing countries increase their exports, new strategies are needed.

My own experience in Mauritius as Managing Director of the Small and Medium Industries Development Organization confirm the urgency of developing a new export based strategy to reduce poverty via women entrepreneurship. The new strategy should revolve around selected projects / sectors in which developing countries have or can develop comparative advantages and should involve international partnership and FDI. Focusing on selected women entrepreneurs who can export and are exporting and providing comprehensive support in areas like Technology, Skills Development, Business Counseling, Export Development, Marketing, Finance, Infrastructure Development, Provision of Information on Promising Products and Sectors and international partnerships would be key elements of the new strategies and approaches. Massive investment and reasonable prices for services would be needed not to exclude women from key services M. A. Charya, P. Ghimire (2005). Reasonable pricing and “permissible” subsidies should be encouraged for some more years on selected projects in spite of increasing difficulties to conduct such policies due to the changing international trading environment. It should not be forgotten that almost all states intervene. Some skillfully, but others, unfortunately, not, via non-trade-related measures and other policies to assist entrepreneurs. Developing countries with very poor record of state intervention to assist women entrepreneurs should realize that donors are more careful with aid but are still willing to help on projects which can be independently evaluated. As implementation will be difficult in some countries due to varying social norms, negative politics, corruption and other “social causes of poverty” Easterly (2006); Capacity building, training on project management and practical assistance to reduce these negative issues are as important as aid packages and support programs.

We indicate key proposals below which may form part of such integrated women entrepreneurship development programs. Above all, the approach should be on cost-sharing schemes and hands-on support which are comprehensive, targeted and measurable. These are classified into specific categories and may be financed via a special Women Empowerment Fund although many will cover also male entrepreneurs. Value added SMEs should be favored, hoping that a few would mature into large internationally competitive firms.

**Table 1**

<b>Areas</b>	<b>Programs / Support</b>
Skills Development	<ul style="list-style-type: none"> <li>- Cost-sharing training programs on Export Markets, Packaging, Management, Export Marketing, ICT.</li> <li>- Project Management and Program Monitoring for institutions assisting women.</li> <li>- Product / Sector specific programs</li> </ul>
Marketing	<ul style="list-style-type: none"> <li>- Cost-sharing schemes to attend international and local fairs. <ul style="list-style-type: none"> <li>- Publish Directory / Product catalogue.</li> <li>- Research on overseas potential for specific products</li> <li>- Access to best practices / products / sectors and capacity and awareness development programs.</li> </ul> </li> <li>- Export Awards competition</li> <li>- Marketing advice (Branding, labeling, distribution, promotion, packaging, public relations).</li> <li>- Space for sales shops at airports / ports</li> <li>- Introduce Export Credit Guarantee Insurance</li> </ul>

	<ul style="list-style-type: none"> <li>- Support to organize international trade mission</li> <li>- Promote networking and alliances / subcontracting with large firms.</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>- Managed workspaces / industrial parks</li> <li>- Business incubators</li> <li>- Clusters</li> <li>- Investment on key areas (Energy, Transport, Storage, Distribution, Telecom, etc).</li> </ul>
Selected Incentives	<ul style="list-style-type: none"> <li>- Encourage export oriented SMEs via-duty free import of Capital Machinery for 100 percent export oriented sectors,</li> <li>- Export Promotion Fund for product development, market promotion of new items and overseas market research,</li> <li>- duty free import of raw materials and</li> <li>- exemption from payment of x percent of income tax on income derived from exports.</li> </ul>
Technology upgradation	<ul style="list-style-type: none"> <li>- Cost sharing consultancy support on product and process development, design etc.</li> <li>- Common facilities on testing and quality control, product design, environmental protection. <ul style="list-style-type: none"> <li>- Advice on production equipment, raw materials, technology.</li> <li>- Technology shows and expositions.</li> </ul> </li> <li>- Overseas technical tours.</li> <li>- Technology and Innovation awards.</li> </ul>
Finance	<ul style="list-style-type: none"> <li>- Part-funded consultancy on business planning &amp; feasibility studies. <ul style="list-style-type: none"> <li>- Encourage large NGOs and women associations to establish themselves as banks.</li> <li>- Facilitate Formation of women credit groups.</li> </ul> </li> <li>- Loan Guarantee Schemes.</li> <li>- Attract FDI in SMEs as in town and village industries (TVES) as in China.</li> <li>- Preferential rates of interest on export/valued added ventures.</li> <li>- Venture capital and Business Angels.</li> </ul>
Business Counseling and Consultancy Services	<ul style="list-style-type: none"> <li>- Setting up regional Business Centres for women.</li> <li>- Entrepreneurship Development Programs.</li> <li>- Start-up support via a one stop-shop service and regulatory advice (company incorporation, tax, custom duty, export procedures)</li> <li>- Pre-start advice and assistance in raising finance.</li> <li>- After care support / one-to-one advisory support, comprehensive availability of information (websites / brochures / specialist information providers / legal service providers).</li> <li>- Support of specialists on promising sectors. (Examples: value added agro-industry, biotechnology, ICT, aromatic and medicinal plants, high value industrial products and craft-based projects for tourists &amp; export markets. <b>(Some countries have already identified sectors with maximum potential for exports via SMEs. Pakistan is focusing on Engineering goods, Gems and Jewellery, Marble and Granite, Furniture, Fisheries, Sport goods and Dairy sectors.) (SMEDA 2004.)</b></li> <li>- Availability of project profiles on promising sectors.</li> <li>- Extension and demonstration services.</li> <li>- Specialists / Mentors on women businesses.</li> <li>- In-depth diagnostic services.</li> <li>- Assistance to manage Women Business Clubs.</li> <li>- Access to selected SME booklets (International Finance Corporation (IFC) "SME Toolkit" and "Trade Secrets" of International Trade Centre (ITC))</li> <li>- Online women's business advice centres.</li> </ul>

All the programs above should include specific needs of women. These vary from country to country but core issues like family constraints, stress of reconciling work and business, practical ways for women to combat discrimination and inclusion of day care centres, attention to sanitation and hygiene, transport facilities and security in enterprises, industrial estates and business incubators are vital.

Other common services for women should also be included on each country after discussing with entrepreneurs and association of women entrepreneurs. It is imperative that the socio-psychological needs of women as well as level of development of their enterprises are considered when implementing core programs and the issues of cost-recovery and financial sustainability should be duly considered.

### **Increasing Women Entrepreneurship, Exports and Reducing Poverty in Conditions of Economic Stagnation:**

Bold strategies would be needed as exports by women entrepreneurs would be impossible without higher economic growth, targeted policies on a range of practical issues affecting export and enterprise development, canceling of debt and increasing aid.

It is expected that cancellation and rescheduling of debt will create fiscal space for development. In these countries favourable macro conditions also have to be created and sustained for around ten years. Investment in infrastructure, incentives and support must be a priority to shift women entrepreneurship from the informal and low-valued added sectors to export markets. Diversifying exports away from dependence on a narrow range of primary products, creating competitive export economies, reducing trade cost, speeding up administrative procedures, supporting new initiatives to boost intra-regional trade, promoting regional integration, improving the environment for women entrepreneurs, building institutions which can assist in production quality and moving into value-added processing are long term projects. Multinationals and large firms in many African countries dominate trade and small local entrepreneurs are involved at the lowest end of the production chain. Networking, clusters and women associations should be encouraged to create economies of scale and enhance competitiveness.

Mauritius has successfully developed women entrepreneurs by providing targeted support. Various institutions assist both men and women in Entrepreneurship Development but they all have gender specific programs. These programs and the activities organized by the NWEAC have created interesting conditions for the development of women entrepreneurs. This year an Empowerment Fund was set up and it addresses specific weaknesses of women in various areas. It would be tedious to outline in details the experiences in Mauritius here and we recommend organized visits. It is useful to mention that the state has focused on some emerging sectors like value added handicraft, textiles, tourism, ICT, fisheries and agro-industry.

The Mauritian example is useful and it is unwise to assume that new policies on women entrepreneurs linked to exporting would be successful if export supply response, key constraints and problems outlined above are not deeply resolved. The truth is that many African countries are landlocked and cannot expand exports of manufactures, as they are limited due to their small size, low levels of efficiency and slow investment in latest technologies. K. Sobersom and F. Teal (2003). Indeed, Mauritius itself has had to invest more to ensure that women entrepreneurs are motivated to export.

Promising sectors may well continue to lie in commodities in most countries although declining terms of trade of some primary commodities is problematic. Applied studies whether exporting should not initially be focused on intra-regional trade and both the local and export markets should help on a case-to-case basis. Availability of viable projects and comprehensive assistance on these projects would be of practical value to women entrepreneurs.

Women entrepreneurs would also need more time to become competitive and the sequencing of implementation of the new strategy should be discussed in full details. It is still debatable whether pro-growth strategies should be based within the agriculture rather than the industrial sector. Research by Hammer and Neschoold (2000) amongst others have stressed the agricultural sector. Local conditions may well favour continued emphasis on agriculture but the established view Kaldor (1966) and Mc Combie and Third Wall (1994) is that economic growth is led by various inter sectoral linkages in which the industrial sector is the "growth engine". Most probably, the best strategy for many African countries is to mix manufacturing, light industry, agriculture and services wisely, duly recognizing evidence that firms that coordinate strategies within and across regions will be more successful P.Ghemawat (2005) .

### **Conclusion**

Developing countries should place designing results oriented strategies high on their agenda, as bilateral donor agencies are more skeptical. Correct answers to questions raised about weaknesses on strategies vary country to country and region to region and effective local intervention to improve the standard of living of women entrepreneurs require good knowledge and analysis of local and regional situations. The bottom line policy implications are that new strategies will need to pay attention to the combined effects of various policy instruments. A consolidated Women Empowerment Fund, massive support and assistance are vital as exporting in the global economy is increasingly difficult.

Gender discrimination and services at reasonable prices can create conditions for development of women entrepreneurs but my own experience in Mauritius with schemes for SMEs as well as evidence by Walker and Joyner (1999) indicate that special programs and policies for women may also lead to resentment, increase discrimination and prevent some women to design "new and creative ways of overcoming obstacles". Exporting is a complex business and it involves more than just loans, grants, loan guarantees and assistance. Some support can even stifle creativity and can get some women to enter more risky ventures than they ought to, leading to less exports, reduced successful women owned enterprises over time and little impact on poverty. The uncompetitive behaviour of some large firms, the pervasiveness of unequal market power, and usual market failures should not be underestimated. Whilst operationalising the new strategy into targets, instruments and plans, the causes and symptoms of low exports by women must not be ignored. Practically, it would involve more than good intentions and political rhetoric. The means would have to be effective and interventions should be evaluated to examine if intended benefits have been obtained.

It is clear that in many countries without the proposals of Sachs (2005) for big pushes to significantly increase investment, support and aid; an integrated approach would not be implemented. The ability of the respective states to create the appropriate environment and provide the infrastructure with the aid to implement a comprehensive strategy, alone and together with the private sector may well be the determining factor World Bank (1997). It is useful to here highlight that in "much of Asia, short-term investment in rural roads, electrification, water, marketing systems for improved seeds and organic fertilizers, institutions supporting small industry and services, etc ignited private investment." C.B Barrett, B.M Swallow (2006). The evidence of aid having positive growth effects as well as cases of failure are both in abundance. On balance, continued investment is therefore wise to encourage further growth, reduce assistance over the years, spread the success to more countries, open up pathways out of poverty more permanently and create the base and conditions for the success of small partial reforms over time.

The level of exports by women entrepreneurs vary worldwide and developing countries should share their experiences. Specific policies would be needed in each country but more countries should adapt success stories. Compiling best success stories for use by women entrepreneurs and maintaining evidence on women who have graduated out of poverty and into mainstream export markets are vital for practical but also for policy, economic, social and political reasons. In the absence of this information, women entrepreneurship in developing countries will not be properly understood.

In brief, a combination of practical hands-on as well as strategic factors at local, regional and global levels coupled with “systematic evaluation of these programs to ensure they are justified and efficient” OECD (2000) is the way forward. Above all, developing countries need very high investment and clearer strategies on micro enterprises, SMEs and large firms if they are serious about bringing structural breaks and establishing turning points to significantly increase exports and reduce poverty via women entrepreneurs.



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