

# ECONOMIC PERSPECTIVES

## Microenterprise: Laying the Foundation for Economic Development

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Successful small businesses are the primary engines of economic development, income growth, and poverty reduction in much of the developing world. These businesses can also build foundations for stable communities, civil society, and gender equality. However, poor infrastructure, weak public services, inadequate mechanisms for dispute resolution, and lack of access to markets and formal financing remain major impediments to small business growth.

The United States, the multilateral development agencies, and many bilateral aid donors are working to improve this situation by developing new programs that help microenterprises — small, locally owned businesses with up to 10 employees — contribute to dynamic, competitive industries.

Over the past five years, America's average annual funding for microenterprise has been around \$155 million. This support has reached more than 3.7 million microenterprises worldwide — whose activities include producing goods for export, such as footwear, furniture, agricultural crops, and other foods; providing services ranging from equipment repair to information technology; marketing raw materials to manufacturers; and trading a wide variety of goods. As these businesses expand and integrate into the formal economies of their countries, they empower the world's poor, create higher incomes and more jobs, contribute to economic growth, and strengthen democratic societies.

I am proud of America's key role in promoting microenterprise. U.S. objectives are threefold: to improve access to financial services for the world's poor; to support access to business services that specifically address constraints felt by poorer entrepreneurs; and to improve the business climate through regulatory, legal, and policy reforms. Our efforts are global, from Mali in Africa and Jordan in the Near East to Azerbaijan in Europe and Peru in Latin America. Our successes will be universal, with the concerted efforts of the international community. I hope you will join us in taking action towards that goal.

In this issue of Economic Perspectives, you will find insights from key government officials and leading scholars in the field of microenterprise on access to finance and enterprise development and its societal implications. I believe that these issues are more important than ever in the 21st century because microenterprise provides hope and concrete tools for the world's poorest to improve their own lives and realize the basic dignity of self-sufficiency.

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