‘Helping a large number of people become a little less poor’: The logic of survival entrepreneurs[1]

Erhard Berner, Georgina Mercedes Gómez and Peter Knorringa

Abstract

Almost since the discovery of the ‘informal sector’ in the 1970s, some researchers have noticed the existence of a subcategory that faces particular barriers to growth, and has been termed ‘sub-subsistence production’, ‘informal proletariat’, or ‘survival(ist) enterprises’. The paper adopts the latter concept and reconstructs the specific rationality of this type of operations. Survival entrepreneurs do not start their business by choice but because they cannot find wage employment; they attempt to increase security and smoothen consumption rather than maximizing profit; for this purpose, they diversify their activities instead of specializing; and even the relatively successful ones find it difficult to accumulate capital under the imperative of sharing prevalent in the moral economy of the poor. Therefore, one should not be surprised that graduation from survival business to small-scale is the exception, not the rule. This is confirmed by a review of the existing studies that try to empirically assess graduation rates. Moreover, in many cases international consultants and local NGO staff engaged in small business development are not sufficiently aware of the fundamental difference between the survival logic and the growth logic. Their projects and policies force entrepreneurs to ‘put all their eggs in one basket’ and push for graduation, thereby irresponsibly exposing them to very high and risks. We conclude by calling for a more realistic approach that starts from the notion that the various sources of income generation reduce risk and vulnerability, and that survival businesses primarily serve as a buffer against slipping deeper into poverty.

Prelude: an anthropological slum walk

Few visitors to poor urban neighbourhoods fail to notice the tremendous intensity and vibrancy of economic activities there. Houses, yards, alleys and streets are sites of construction, production, service provision and trade. Yet on closer inspection a lot of these businesses seem to defy the basic logic of entrepreneurship; to invest available capital in tools and materials, apply specialized skills and knowledge, and make a profit while accepting a risk. The apparent variety of economic ventures in slums is heavily skewed towards trade. In all but the most established and de-facto secure settlements, manufacturing is almost absent except for the occasional tailor or handicraft maker. The potentially imminent threat of eviction prevents investments in immobile and expensive assets such as machinery and workshops. Demand for services is limited because most households have more under-utilized labour at their disposal than they have money to pay for someone to cut their hair or wash their clothes.

---

[1] We thank Woord en Daad for allowing us to use material from a recent evaluation study carried out by Peter Knorringa and Erhard Berner on their SME programme in Bangladesh, and from a literature survey on graduation done by Georgina Gómez.

Even within trade itself though, the range of commodities is rather narrow, and supply exceeds demand by several times. Most of the goods on offer are items such as snacks, soft drinks, alcohol, cigarettes, toothpaste, detergents and other goods of daily need. Typically, every seventh building along a street houses a store like this, limiting the prospective customer base to some ten families, who in addition patronize open markets, supermarkets and discounters for bulk purchases. What looks like a desperate situation in business terms is clearly quite attractive to slum dwellers; when asked how they would use a $1000 lottery win, the majority responded that they would open up yet another neighbourhood store (Berner 1997: 83). Are the poor wasting their precious time and money?

The explanation for this 'irrational' behaviour has several dimensions. First, a truly international proverb provides some indication for the proliferation of these shops; never put all your eggs in one basket. The store is in most cases part of a strategy of increasing security through diversification, and profits are only part of the household income. Yet other sources such as formal or informal wage labour are often irregular and insecure, because of illness, injury or retrenchment. The shop brings in inadequate but steady earnings that help to bridge these more difficult periods. Moreover, the stock is a form of saving that can be consumed in case of emergency, or sold at buying (i.e. supermarket) price to a 'competitor'. Second, in most cases the shops are run by mothers of young children, elderly persons, or anyone else who has no chance to earn money in another way – known in economics terms as zero opportunity costs. Finally, much of the sales is on credit. Store owners allow customers to postpone payment to the next payday, and know them well enough to calculate the risk of default.

Among the most visible and at the same time most baffling observations in slum shops are the ubiquitous strings of portion-packed items such as shampoo, toothpaste or detergent, and the habit of buying cigarettes and chewing gum in singles or pairs while it would be ultimately cheaper to buy a pack. The obvious explanation – poor people just do not have enough money at a given point in time to buy a standard pack or bottle – does not hold water for several reasons. First, a poor person would hardly pay a unit price that is two or three times higher than necessary. In addition, the total sum could be paid back later if, as in most cases, their purchase is done on credit anyway. If a smoker for example knows that his daily need is ten cigarettes, why does he pay five times for two cigarettes (lighting one immediately and storing the other behind his ear) in one day, which totals the equivalent amount of a whole packet of twenty that could otherwise bide him over for two days?

This riddle can be solved by means of simple experimentation. We invite the reader to buy a packet of cigarettes (whether a smoker or not), put it in a pocket, and rejoin the slum walk. It will not take long before a friend or an acquaintance approaches you for a cigarette – and if you light one yourself all bystanders expect you to pass the pack around. As a result, by the end of the day you will have almost always smoked much less than half of the now empty packet, and thus paid more for your own consumption than if you had bought the cigarettes individually or in pairs. The same logic applies to a woman who takes a bottle of shampoo or a pack of detergent to a public faucet. Buying single-portion packs makes economic sense as users can reserve at least small luxuries – but not for instance staple food – for themselves. It is a culturally acceptable way of circumventing the powerful obligation to share, exposed in James Scott's seminal 'moral economy of the peasant' (1976), that is prevalent among the poor not only in the countryside.

The implications of the moral economy of the slum go far beyond petty saving strategies. On the one hand, reciprocity is an essential mechanism to cope with volatility and vulnerability. The life of the poor can be best described as a series of crises, and so being able to turn to somebody in an emergency can literally make the difference between life and death. On the other hand though, it also creates a situation that prevents small businesses from accumulation and growth. Once an entrepreneur is more successful than others, that person is expected to pay for the medicine for a relative's sick child, give loans to acquaintances with questionable creditworthiness, or employ a niece who is neither capable nor willing to work hard. The aspiring entrepreneur is then likely to slip back into his or her own next crisis, remaining caught in the web of shared poverty.

Conventional economic theory states that entrepreneurs are supposed to take risks, specialize, maximize profits, accumulate and do everything necessary to make their business grow. However, the survival entrepreneurs we met on our slum walk seem to obey a very different form of logic, preferring to minimize any risk that would jeopardize their household's survival. This means diversifying their economic activities in order to cushion income loss from any one source. They are also prevented from capital accumulation by reciprocal obligations which, in the case of success, make them subject to claims by less fortunate relatives, neighbours and friends. The result of these factors is that entrepreneurs often face insurmountable barriers to growth and graduation out of poverty. Priority for security and obligation to share are essentially *cultural* values; but not specific to any place or ethnic/religious group. They are fundamental elements of a universal 'culture of poverty' (very different from the one put forward by Oscar Lewis) that determines the activities of a large majority of entrepreneurs anywhere in the world.

Continuous and categorical differences among small enterprises

Not just since the discovery, or invention, of the 'informal sector' by the International Labour Office in 1972 has a dualistic view prevailed in analyses of urban economies. The formal-informal dichotomy was used in parallel and interchangeably with the terms 'traditional' and 'modern' sector for a few years, and has largely replaced them since. The analytical strength of the distinction has been challenged from the start, leading to an endless and not very satisfying debate on the definition and operationalization of the terms 'formal' and 'informal' (cf. Turnham et al. 1990 for an early overview). We conclude that they do not denote distinct categories but ideal types, or poles of a multidimensional continuum. Purely formal or informal businesses do probably not exist; relations with suppliers, workers and buyers may be characterized by different degrees of formality; and entrepreneurs react to changes in the regulatory environment by various strategies of formalization and informalization. Moreover, degrees of (in)formality do not provide much analytical information in terms of predicting performance.

Assessment likewise varied sharply from the beginning of the debate. The ILO optimistically stated that 'the bulk of employment in the informal sector far from being only marginally productive is economically efficient and profit making' (1972: 5). In contrast, Colin Leys observed that 'the informal sector is in fact a euphemism for cheap labor employment, based on landlessness and unemployment. … it denotes primarily a system of very intense exploitation of labor, with very low wages and often very long hours' (1973: 420). Both optimism and pessimism found multiple support in the vast literature of the following decades.

John Friedmann and Flora Sullivan (1973) were the first to propose that both sides could be correct, respectively with regard to one specific segment of a deeply divided informal economy. To them, 'small-scale family enterprises' are able to accumulate some capital 'as a result of competitive advantage and/or superior business acumen' (p. 394); on the other side, an irregular or 'street' economy of low-status, low-skilled trading and service delivery offers subsistence-level returns at best. The findings were echoed in very similar terms, but without reference to Friedmann and Sullivan, by Guy Standing (1977) who became the first in a dubious tradition of rediscovering and renaming the categories.

The two-sector model of the informal economy was elaborated by ILO advisor William House in various combinations with other scholars (Rempel and House 1978; House 1984, 1992; House et al. 1993). In a programmatic definition,

> (t)wo very different groups of people are hypothesized to exist in the informal sector and are distinguished by their activities, attitudes, and motivation. They are labelled 'the community of the poor' and 'the intermediate sector'. Those in the former group are attached to the city in order to gain entrance to employment in the formal sector. (…) They lack the motivation and perhaps the means to seek informal activities with growth potential or to invest in their current activity because they view their situation as temporary. (…) The alternative group in the intermediate sector includes people who have consciously decided on a particular artisan skill or line of business with the intent of making it a means of a more permanent livelihood. Their motivation is to invest and build for the future (House 1984: 280).

That House's work did not find the deserved recognition may be partly explained by the not very illuminative and appealing terminology. However, his merits lie in the insight that the division is a *qualitative* one, correlated to but not determined by differences in size of investment, number of workers, degree of formality etc. The distinction between businesses started out of a lack of alternatives, and those driven by entrepreneurial vision, is a critical one that we will take up in the further analysis.

In a policy paper with almost no reference to the academic literature, Farbman and Lessik (1989) position micro-enterprises as a third category, in between survival businesses and small-scale enterprises. The analytical strength of this additional category is questionable as its characteristics are essentially the same as those of survival business: 'The largest category of micro enterprises … are family-based firms with a single worker. The smaller workshops are usually located in the home. (…) Markets served are typically local' (p. 109) Moreover, Farbman and Lessik admit that 'the threshold downward between micro enterprise to survival is very permeable'(ibid.) Their main implementation aim is to identify a separate category of enterprises which could effectively be supported through a marginalist or incrementalist assistance approach: microcredit. In contrast, the other two types of businesses would require comprehensive – and thus expensive – interventions (a generic community development approach for people in survival businesses, and a 'real' business development approach for small-scale enterprises). Based on their extensive project experience, they do emphasize the difficulties with direct graduation, and suggest more impact can be generated through upward mobility of ‘capacitated individuals’ in the survival group becoming skilled workers in small-scale enterprises.

Building upon his research in South Africa, Christian Rogerson was the next to observe that ‘a useful conceptual distinction can be drawn between two categories of informal enterprise’:

> First, are those *survivalist enterprises* which represent a set of activities undertaken by people unable to secure regular wage employment or access to an economic sector of their choice. Generally speaking, the incomes generated from these businesses, which tend to be run by women, usually fall short of even a minimum standard of income, with little capital investment, virtually no skills training and only constrained opportunities for expansion into a viable business. Overall, poverty and a desperate attempt to survive are the prime defining features of these enterprises. The second category are *micro-enterprises* or *growth enterprises* which are very small businesses, often involving only the owner, some family members and at most one to four paid employees. These enterprises… have only a limited capital base and their operators only rudimentary business skills. Nonetheless, many micro-enterprises have the potential to develop and flourish into larger formal small business enterprises. (1996: 171; original emphasis).

Rogerson has meritoriously emphasized the gender dimension of the divide (1996: 174; 1997: 348f.) and raised attention on urban agriculture as an important sector for survival activities. His well-founded pessimism about the growth potential of survivalist businesses and the resulting involutionary situation led him to focus on the dynamic growth sector where upgrading and clustering can be pursued (1997: 352ff.) In later work, he scrutinized the link between enterprise development and poverty alleviation. While survivalist enterprises are ‘particularly appropriate target groups’ the best possible outcome is ‘helping a large number of poor people become a little less poor’ (Rogerson 2001: 120; cf. Liedholm and Mead 1999: 90). Rogerson offered half a page of rather generic support measures to this end, such as minimalist microcredit; and then focussed his attention on ‘market-led’, ‘efficient’ and ‘sustainable’ business development services in a Local Economic Development (LED) framework (1999, 2003). His decision to prioritize poverty reduction over poverty alleviation is respectable − the mainstream, however, failed to realize that there *is* a decision.

Moreover, survival entrepreneurs operate in an environment characterized by overcrowded market ‘niches’, unreliable institutions, negligent or even predatory government agents, and multiple but volatile sources of household income − in Geof Wood’s (2003) term, by ‘destructive uncertainty’. As they have to cope not just with short-term shocks but also predictable hazards, avoiding unnecessary risks is absolutely imperative. At the same time, personalized relations of patronage and reciprocity that offer some security have to be maintained regardless of their long-term costs. To cut off links with exploitative suppliers, buyers or credit providers, and to break away from the moral economy of sharing, would imply foregoing all claims for emergency assistance. According to Wood, the consequence is a ‘Faustian bargain’, a discounting of the future in favour of survival in the present, that contributes to chronic poverty: ‘The dangers of not being a client, of not being protected, of losing “membership” of the local commander led community are immense. Better to be with the devil you know − … *security at the price of graduation*, individual or collective' (2003: 468, emphasis added).

The latest contribution to the literature on categories of entrepreneurs has been Alejandro Portes's and Kelly Hoffman's comprehensive analysis of 'Latin American class structures' (2003). The authors strongly point to the limited relevance of formal, medium or large-scale formal businesses run by a minuscule number of regular 'capitalists', and employing not more than one third of the economically active population. In line with most previous approaches but without any reference to them, they propose a bipolar division of the informal sector. The characteristics of the 'petty bourgeoisie' or 'class of microentrepreneurs' (ranked higher than formal workers) is the 'possession of some monetary resources; some professional, technical, or artisanal skills; and the employment of a small number of workers supervised on a direct, face-to-face basis' (Portes and Hoffman 2003: 45). The remainder is defined in a residual way by an absence of these traits, and subsumed to a class of the 'informal proletariat' together with non-contracted wage workers, unpaid family labour, and domestic servants at the bottom of the hierarchy.[2] The number of own-account informal entrepreneurs is in all countries much higher than that of capitalists and petty bourgeoisie combined (p.56ff); earnings are in most cases lower than those of formal workers, and insufficient to sustain a household without additional income sources (p. 63).

Distinct categories of entrepreneurs in the informal sector have been discovered no less than five times independently. In his 'Planet of Slums', Mike Davis unearthed at least some of this literature and invented 'sub-subsistence' and 'micro-accumulation' as yet another set of labels (2006: 180). While all contributions have touched upon elements of the logic of survival business and its difference from 'regular' entrepreneurship, none of them has captured all of them. Most importantly, they have failed to establish a coherent research tradition and consistent, informative terminology – illustrated by the fact that the term 'microenterprise' has been used for businesses on both sides of the fence, for a third category in between, or as an umbrella term for the whole universe. The absence of clearly distinct conceptual frameworks as a basis for defined rationales and appropriate performance indicators, leading to a misdirection of scarce resources, has been severely criticized by practitioners (Cotter 1996; Billing and Downing 2003). We therefore propose the following typology of entrepreneurship[3] as a basis for further research and design of appropriate policy interventions.

[2] Portes and Hoffman build on a (mainly Latin American) theoretical tradition that attempted to salvage the 'working class' as emancipatory agent by incorporating 'petty commodity producers'. Indeed work for a fixed wage is only one of various forms of labour relations in the informal sector, including piece-rate homework and 'renting' assets (such as taxis and trucks) from an employer. We see a *qualitative* difference between these ways of organizing dependent labour (mainly found in production and transport) and 'own-account' survival entrepreneurs (typically in trade and petty services).

[3] Possible sub-categories within the group of growth-oriented entrepreneurs, e.g. distinctions between small, medium and large businesses, are outside the scope of this paper. We would assume these to be predominantly quantitative in nature. We also do not go into more detailed sub-categories of survival entrepreneurs, like distinctions between basic survival, pre-entrepreneurs, and subsistence entrepreneurs, as proposed by Eigen (1992).

Table 1: Characteristics of survival and growth-oriented enterprises

Survival(ist) (Street businesses, Community of the poor, [Microenterprise,] Informal own-account proletariat, Sub-subsistence)	**Growth(-oriented)** (Small-scale family enterprise, Intermediate sector, [Microenterprise,] Petty bourgeoisie, Micro-accumulation)
Ease of entry, low capital requirements, skills and technology	Barriers to entry
Involuntary entrepreneurs	Entrepreneurs by choice, often with background in regular employment
Female majority	Male majority
Maximizing security, smoothing consumption	Willingness to take risks
Part of diversification strategy, often run by idle labour, with interruptions, and/or part-time	Specialization
Embeddedness in social relations, obligation to share	Disembeddedness, ability to accumulate

Related to the third row and in line with Portes and Hoffman, it is important to notice that the two segments are not directly juxtaposed, but that regular employment has an intermediate position in both functional and hierarchical terms. There is thus not just one boundary between survival and growth-oriented businesses, but two − and a whole country of livelihood opportunities in between. Survival entrepreneurs can at best hope to find a reasonably secure and well-paid job, and very few would hesitate to accept it and close shop. A few regular wage workers may accumulate skills and savings that enable them to start a growth-oriented business. Barriers to upward mobility are significant at both levels, so we expect very few people to be able to cross both of them, and hardly any cases of direct graduation. A relatively higher likelihood of inter-generational upward mobility, as observed by Barbara Grosh and Gloria Somolekae (1996) supports rather than refutes this argument: Survival businesses cannot lift their owners out of poverty, but may enable some of them to get (continuous) education for their children − a critical precondition for regular employment and proper entrepreneurship. The non-graduation hypothesis is tested empirically in the following section.

The elusive mirage of graduation

Websites and project documents of development NGOs and donor agencies abound with loosely defined graduation target rates for survival entrepreneurs. However, surprisingly few solid empirical studies on graduation rates exist.[4] The main

[4] For a recent literature survey on graduation among micro and small businesses, see Gómez (2008)

exception is a unique data source from the Gemini project led by Carl Liedholm and Donald Mead, which systematically collected information on informal enterprises to empirically test assumptions about enterprise survival, death, growth and graduation. Over a time span of fifteen years starting in 1980, the group gathered data on more than 50.000 enterprises employing up to 50 workers in the Dominican Republic, Botswana, Kenya, Malawi, Swaziland, Zimbabwe, Sierra Leone, Bangladesh, Jamaica, Honduras, Thailand and Egypt. It was estimated that fewer than 20% of those enterprises with four or less workers grew at all (Mead, 1994, 1999). Most enterprises that start small continue to be small: in the segment of enterprises of four or less workers only 1% graduated to the next size category of more than 10 workers (Liedholm & Mead, 1987; Mead & Liedholm, 1998).

Other research teams reported similar findings. Less than 10% of firms in the size-class with fewer than 10 workers ever grow to the 10-59 workers' category in five Sub-Saharan countries. In the next size-class (10-49 employees), where more firms tend to be formal and entry costs are higher, there was more mobility: 22% of the firms (most with start-up sizes averaging about 40 employees) had been able to grow beyond their size-class since their inception (the average firm age in their survey was 12 years). (Biggs, 2003) A more recent World Bank report in Ghana, Kenya, Zimbabwe and Cameroon estimated slightly higher rates (World Bank, 2004). It established that over a period of 5-6 years the graduation rate in Ghana was 20% and in Kenya, 10%. It also confirmed (ILO, 2004) that micro-enterprises (less than 10 workers) almost never jump two categories to become medium enterprises (more than 50 workers). The WB report shows higher graduation rates but covered only the manufacturing sector, which is consistent with the typology in the previous section.[5]

Explaining non-growth

Explanations for the absence of growth and graduation can be derived by using the characteristics laid out in our typology for a reinterpretation of the micro-enterprise literature. Survival and growth-oriented entrepreneurs are, in fact, different groups of individuals. As argued by Eversole (Eversole, 2000), it is clear intuitively that not all the poor can become entrepreneurs and develop a successful business. The first difference is motivation: Survival entrepreneurs are simply not interested in expanding their business. They are forced into creating a firm by unemployment or other economic shocks, while growth-oriented entrepreneurs make an affirmative choice based on the identification of a specific business opportunity (Reynolds et al., 2004). Survival entrepreneurs raise capital, carry out investments, and claim the resulting residual earnings, but they are far from following learning-led competitiveness strategies and are not driven by entrepreneurial goals. Their objective is to feed their families and preserve their precarious, subsistence-level micro-enterprises 'in the hope that something good will happen' (Cotter, 1996). Even when they receive assistance services (credit, bulk purchases, technology, and export promotion schemes), their survival-oriented motivation persists.

The fact that growth is not a priority for the survivalist type of micro-entrepreneurs is related to how the poor generally conceive the world. Their inability to sustain a

[5] The interpretation of empirical findings is hampered by the broad and quantitative definition of 'micro-enterprises'. Of course all survival enterprises employ less than 10 workers, but so do the majority of growth-oriented ones. It is plausible to assume, but difficult to prove, that (almost) all cases of graduation fall in the latter category.

specified level of well-being leads them to diversify their income sources, so if it fails, it would have only a limited, manageable impact on the total household income (Wood, 2003). As posed by Wright, the poor are too smart or too risk-averse to put all their eggs in one basket and invest exclusively in one activity or enterprise (Wright, 1999). Research has found that around 20% of the households in India who had a micro-enterprise had a second and even third source of income (Banerjee & Duflo, 2007). The percentages rise to 47% in Cote d'Ivoire and Indonesia, 36% in Pakistan, 20.5 % in Peru and 24 % in Mexico. A survey in eight districts in West Bengal found that the median family had three working members and seven occupations (Banerjee et al., 2006), quoted in Banerjee, 2007).

The specialisation necessary to develop a larger-scale micro-enterprise (and the exposure that comes from it) is not what the poor are looking for, however profitable such a mono-focused micro-enterprise may be. Research in Zambia found that as much as half of the enterprise owners saw their business as a survival effort and did not show any entrepreneurial capabilities (e.g. risk taking or plans for expansion), while another 30% saw their micro-enterprise as a temporary activity while a market gap existed or until they could find (waged) work (Phillips & Bhatia-Panthaki, 2007).

A second characteristic that differentiates survival and growth-oriented entrepreneurs is that the former barely have an income to satisfy the needs of the household, let alone reinvest profits in the business. Estimating earnings is evidently a very difficult task, but was attempted in Kenya by the Gemini team (Daniels, 2001). For two thirds of the firms surveyed, earnings were even below the minimum subsistence wage set by the government for unskilled workers, which is considered too low for a family to satisfy even its basic needs. Entrepreneurs kept their business open, nevertheless, because half of them had this business as a complementary source of income that provided less than half of the household needs. In turn, without accumulation technical innovation is minimal. Cotter (1996: 53) points out that survival entrepreneurs realistically ask themselves: 'why spend money to buy more supplies with which to produce more products to sell to poor people shopping in markets already saturated with cheap goods, when your customers won't pay higher prices so you can't recoup your product improvement investment?'.

Another difference is market positioning. Survival enterprises are found in segments of the market characterised by low barriers to entry, market saturation, price- rather than quality-driven purchases and a low skill component. In a study in Zambia, Phillips et al. (2007) found that as much as 50% of the entrepreneurs thought there was a market opportunity to develop a business because they saw others in that activity. It is a choice explained by the risk aversion of the poor, stronger than their appetite for returns (and consequent higher risks). They therefore read market saturation as a signal that a sector is profitable, which further depresses prices and profits.

There is also a gender dimension distinguishing survival and growth-oriented enterprises. Most of the survival-oriented entrepreneurs are women struggling to balance their productive and reproductive roles (Karim, 2001; Marcucci, 2001). They can hardly work on the expansion of their enterprises when they become pregnant every year or are overworked in the household, uneducated and unexposed to markets. 'Poor women prefer to expand only to the limits of their own labour and management capabilities', so not expanding their business makes a lot of sense to them (Marcucci, 2001). According to the ILO 'Going for Growth' project report (2004), the majority of women who own micro-enterprises live in rural areas with limited access to markets, credit, information, training, business development services, technology, business networks and proper business premises. They are sometimes restricted from holding title to property (which impacts on their ability to borrow from banks without the consent of their husbands), and are restricted in their mobility due to child-care and household responsibilities. In some cases, women are constrained from networking with men in a business environment and this seriously impedes their ability to access information, markets and business services.

In a study in Bangladesh, the Philippines, Zimbabwe and Tunisia, Marcucci (2001) reports that women's enterprises tend to be younger and smaller, use less modern technology, are concentrated in low investment and less profitable sub-sectors. Instead, men tend to be concentrated in more economically dynamic sub-sectors. In fact, most women have a micro-enterprise because they are responsible for the food security in their households and not as a result of entrepreneurial capabilities or personal choice (Mayoux, 1995). Men, on the other hand, are seen as responding to the attractive characteristics of self-employment such as increased earnings, independence and the opportunity to directly benefit from one's own work.

A final characteristic is their differential access to business support services; this point is expanded in the next section. While survival entrepreneurs may qualify for micro-credit schemes, the amounts loaned are normally too small for growth-oriented entrepreneurs, who seek different sources of funding (Zandniapour et al., 2004). These programmes often target women alone, they use group lending and group-based collateral arrangements which are not appropriate for growth-oriented entrepreneurs (Richardson et al., 2004). In contrast, a study of evaluation papers of Business Development programmes in Africa, Asia, Middle East, North Africa, Latin America, the Caribbean, and transition countries commissioned by USAID revealed that while these programmes helped enterprises to increase their sales, those firms with 10 to 45 workers benefited more from participating than micro-enterprises with 1 to 9 workers (Zandniapour et al., 2004).

Finding the exceptions

While graduation of micro-enterprises from the very small scale to a medium-size rarely happens, it is still possible. A closer look at the rather exceptional cases in which growth is observed reinforces the argument that survival and growth-oriented entrepreneurs are different groups, rather than different stages in the trajectory of firms.

Research has determined that a key factor in the growth of a firm is its location: home-based enterprises exhibited higher hazards and greater closure rates than enterprises which were located in commercial districts (Rogerson, 2001). Accordingly, proximity to growing markets appears to be a significant determinant of an enterprise's growth prospects (McPherson, 1995). In service activities, location also defines the market, the inclusion in a larger firm's supplier network, access to raw materials and infrastructure and to interact with other entrepreneurs, which all improve chances of graduation (Mead, 1999).

In turn, growth-oriented micro-enterprises show the capacity to accumulate capital already in its early stages (Mead & Liedholm, 1998). Growth-oriented businesses grow mainly because their revenues allow them to reinvest. However, for survival entrepreneurs expansion often means creating new enterprises instead of enlarging the existing ones (Afenyadu et al., 1999). Again, they give priority to risk diversification rather than growth. They describe a horizontal or lateral growth trajectory (multiplication of enterprises) rather than vertical (expansion of a core business). This type of growth is seen as a weaker strategy when compared to linear growth of a single business and is considered a trace of the survivalist entrepreneurial attitude (Olomi et al., 2001). For survival entrepreneurs with a successful business, it is simply another way of diversifying risk (Downing, 1990; Richardson et al., 2004). The salience of micro-credit programmes seems to have exacerbated the preference for horizontal growth due to the ceilings imposed by micro-finance institutions or the capacity of 'savings groups'.

Another early trace of growth potential is the hiring of labour. Growth-oriented entrepreneurs create jobs already in the initial stages of the firm (Mead, 1994): 1884). Even small increments in the hours of labour employed are an indication of a tendency to grow, and a sign that the majority of the micro-enterprises do not show. It is precisely this capacity for job creation, even if spread across a large number of firms, that makes the sector worth supporting. While only 1% to 4 % of the micro-enterprises grow, the aggregate impact is very significant. Mead and Liedholm (1999) calculated that three-quarters of the jobs created in the countries where they conducted their research were in firms of 1 to 50 workers that had started with less than five workers. Growth in this way improves equity and fights poverty along with creating jobs.

We fully agree with Mead (1998) that identifying and supporting growth-oriented entrepreneurs is worth the effort. However, given that the overwhelming majority of survival entrepreneurs will remain survival entrepreneurs and use their business as a buffer more than a means to aim for upward mobility, we feel that more dedicated attention should be given to specific policies for this group. The point is not that growth-oriented entrepreneurs are not a worthwhile target group. The point is that survival entrepreneurs are a different target group, requiring different interventions based on a different frame of thinking.

Survival entrepreneur policies: The elephant that fell between two stools

Existing policies for micro-entrepreneurs are impregnated by a focus on the few of them who have growth-oriented potential. This is partly because of a conscious choice to focus on those entrepreneurs 'who can make a difference' and provide 'role models' (see e.g. Rogerson 1999, 2001), and partly because almost all enterprise development professionals use characteristics of growth-oriented businesses as outcome indicators for their interventions. Such behaviour leads to a bias in the 'income and employment generation' dimension of poverty alleviation programs, in which the 'entrepreneurship and business development' component takes on a life of its own. Instead, such programmes should aim to provide a modest but crucial contribution to poverty alleviation interventions by bolstering the role of survival businesses as a buffer against slipping deeper into poverty.

This requires restating a well-established dichotomy within (rural chronic) poverty reduction schemes between promotion approaches (which aim to increase incomes, productivity or employment prospects of poor people) and protection approaches (which aim to reduce the vulnerability of the poor). While Imran Matin and David Hulme (2003: 647) convincingly argue that effective poverty reduction programmes require both a promotional and a protectional component, our additional point is that also effective survival entrepreneur policies need to straddle the divide between the two components. However, the present intervention practice only looks at the promotional component, and by and large uses an implicit growth-oriented lens to construct interventions aimed to support micro-entrepreneurs. This section will take stock of existing policies, while in our concluding section we will return to the policy implications of applying a survival logic to entrepreneurship interventions.

Enterprise development policies, including those explicitly targeting the smaller or smallest types of enterprises and the more informal and poorer entrepreneurs, are implemented at three levels of analysis. The least tangible are macro level policies meant to promote a more enabling environment which is expected to 'unleash' the available entrepreneurial talent among the poor (UNDP, 2004). In its more advanced versions, this would go beyond simply 'levelling the playing field' but include specific measures to counteract existing systematic discrimination against smallness and informality. Once these institutional hurdles have been demolished, survival entrepreneurs are expected to see opportunities for successful businesses and will want to specialize and invest. Such policies are based on the premise that most or at least many survival entrepreneurs are potential winners who simply need a 'break' – like access to microcredit – to lift themselves out of poverty. However, as argued in earlier sections this is not a realistic premise for the overwhelming majority of survival entrepreneurs. This does not mean such policies are irrelevant for survival entrepreneurs. Through trickle-down effects these generic enabling environment policies may very well benefit small and medium scale growth-oriented business and thus possibly generate additional employment appropriate for, and demand for services supplied by survival entrepreneurs.

The second set of policies focuses on the meso level of analysis: value chains, clustered economic activities or local economic development initiatives. These policies presently enjoy high popularity, in between the rather blunt instrument of national level enabling environment policies, and the often cost-ineffective direct support to individual entrepreneurs with inherently limited outreach. They go by fashionable labels like 'pro-poor value chain upgrading' (Altenburg 2007), 'industrial clusters and poverty reduction (Nadvi and Barrientos 2004) or 'pro-poor local economic development' (Rogerson 2006). Especially the value chain and cluster level polices start from the idea of an 'engine of growth', either larger firms in a value chain or sectorally and spatially clustered groups of firms at local level which generate economic dynamism. The pro-poor dimension is about improving ways to connect smaller and weaker businesses to these 'engines of growth'.

Interventions range from capacity building for such smaller producers to NGOs who participate in the value chain as intermediaries who take responsibility for quality control and collection from small producers (Helmsing and Knorringa, forthcoming). Notwithstanding the important poverty reduction impacts of these interventions, they focus on those entrepreneurs with a wish and potential to specialize. Also for project implementation staff it is a daily struggle to identify and work with the few entrepreneurs with graduation potential, in order to achieve their targets. In short, by and large these meso level interventions do not start from the 'buffer' or 'diversification' rationale of survival entrepreneurs, making these types of interventions less relevant and sometimes even irresponsibly risky for the latter.

The local economic development approach offers more space to accommodate the separate logic of survival entrepreneurs when distinguishing between business development (stimulating the local 'engines of growth') and community economic development, which is: '… to facilitate household diversification of economic activity' (Helmsing, 2003: 69). Nevertheless, LED implementation practice suffers from similar problems as identified by Cotter (1996). Practitioners are divided between those gambling on the economic benefits from the engines of growth, and those focusing on issues of poverty alleviation, inequality and exclusion, and too few people are willing to give credit to arguments from the respective other side of the fence.

The third and final level of analysis is the micro level of supporting individual entrepreneurs and/or businesses. Much of this type of interventions is inspired by the 'missing ingredient' assumption, and that by providing this ingredient entrepreneurs can start climbing the ladder towards graduation.[6] The two main types of missing ingredients are financial services – including (micro-)credit - and Business Development Services (BDS), and these are offered to entrepreneurs in various combinations. The credit-poverty relationship is well-documented. From Paul Mosley's and David Hulme's work (1998) onwards it has been clear that mainstream micro-credit programs are more suitable to less poor clients. Also here the underlying message is that entrepreneurs with a growth potential are better able to use the credit in the assumed fashion, to start and develop a business on which they can increasingly rely for their improving and specializing livelihood. At the same time, poorer clients use loans more for coping with crises and are less able to repay along pre-determined schedules, and are more likely to be excluded from group lending schemes. More innovative schemes for poorer clients do connect to the rationale of survival entrepreneurs by offering very flexible and very small loan and saving opportunities, at individual level without ordaining clients to use loans for income-generating purposes.

The conventional wisdom in delivering BDS (Committee of Donor Agencies for Small Enterprise Development, 2001) has evolved with a very strong focus on financially sustainable, business-like and demand-led interventions where entrepreneurs need to prove their anxiousness to absorb a service by paying (almost) a market rate. While many of these 'principles' make sense for SME programs, they also effectively prevent access to these services for survival entrepreneurs. As most of them are tailored to the needs of growth-oriented entrepreneurs anyway, this might not be a real issue if and when a parallel system of BDS tailored towards survival entrepreneurs would exist. However, while such interventions exist in bits and pieces in a wide variety of projects (see for example Bogaert 1992), they do not constitute a recognizable set with a common identity or corresponding research tradition.

In all, the existing enterprise and entrepreneurship development policies provide inexcusably few handles for supporting the bulk of survival entrepreneurs, i.e. those who are not on the way towards possible graduation. It is as if the elephant in the room has fallen between two stools and become invisible.

---

[6] From our personal experience in visiting and evaluating enterprise development programs, we found the 'ladder' metaphor to be one of the most popular among project staff.

Conclusion: in praise of aspirin instead of surgery

In this concluding section we aim at bringing together essential elements of a policy package with a straightforward focus on assisting survival entrepreneurs. We briefly discuss three types of policies:

- Enhancing the relevance of generic policies for survival entrepreneurs. This includes two levels: 1. general policies on the composition of economic growth and (re-)distribution, and 2. tailored policies on education, health, infrastructure, and property rights to enhance capabilities and reduce some forms of vulnerability;
- employment policies which offer survival entrepreneurs an escape from entrepreneurship; and
- specific policies to assist survival entrepreneurs to cope better with their (set of) business(es).

All policies for supporting survival entrepreneurs have to recognize the 'destructive uncertainty' (Wood 2003) under which they operate, and primarily aim at increasing security in several dimensions. A first critical step is not about enhancing assistance by government but rather reducing the damage that it does; not about being 'enabling' but 'less disabling'. According to Diana Mitlin and David Satterthwaite, 'the main influence of local governments on poorer groups' incomes may be their potential to reduce or destroy them − as they limit, constrain or destroy livelihood and housing opportunities' (2004a: 254). Bureaucratic bottlenecks, harassment and corruption affect all enterprises, but it is the smallest and least formal ones that suffer most. Home-based firms in illegal settlements are hampered by deficient infrastructure, inaccessibility for outside customers, and an imminent threat of demolition; street businesses are subject to bribe extortion, temporary or permanent eviction, and confiscation of goods. There is ample evidence that security of tenure leads to increased investment, particularly in immobile and productive assets, and reduces overcrowding in petty trade and services (Berner, 2001; Ghafur, 2001). The example of Quito reveals that provision of secure space for street traders significantly enhances the viability of the businesses while at the same time generating positive externalities for the city (Ortiz-Crespo, 2007).

That economic growth is usually good for the poor, repeated by the World Bank in a prayer-mill manner, is a valid observation. Growth ideally trickles down in the form of effective demand, at the lowest level allowing workers to purchase goods and services from survival entrepreneurs. Moreover, it reduces competition by giving at least educated and skilled people an alternative to self-employment.[7] As importantly, growth opens opportunities for redistributive policies; in a constant pie situation, privileged groups tend to defend their share tooth-and-nail. Redistribution and growth may be much more compatible than accepted by the mainstream (Berner 2005). Michael Lipton (1997: 74) pointed to a reversed causality: Widespread poverty *prevents* growth as the poor are risk-averse, immobile, and unable to invest in health and education of their children. A strong conclusion can be derived from this argumentation: A universal system of social security would release (some of) the poor

[7] How far downward this employment effect reaches is a function of quality, not quantity of growth; the discussion of the respective advantages of export-led, high-technology, capital-intensive strategies vs. local-market, appropriate-technology, labour-intensive approaches is another can of worms that we prefer not to open in this paper.

from the Faustian bargain, allowing them to make a more rational choice between livelihood options. A discussion of innovative, appropriate welfare state models deserves a prominent place on our agenda.

On a more operational level, survival entrepreneurs – not surprisingly as most if not all of them are poor – benefit disproportionally from improvements in basic services and infrastructure. Improving water provision, sanitation and solid waste management and reducing environmental hazards and exposure to disaster diminish the health and time burden that especially poor women have to shoulder; availability of electricity and transport connections mitigates the severe competitive disadvantage that survival entrepreneurs have to cope with; and providing accessible health and education services enhances human capital and contributes to upward mobility for the next generation.

Nevertheless we need to realize that finding a waged job is the most realistic option for a better and more secure livelihood of survival entrepreneurs. Training programmes have to focus on employability, with enhanced business opportunities as welcome side effect. Chances of discovering a new market niche for low-skilled, under-capitalized entrepreneurs are dim; chances of protecting them against better-equipped competitors are zero. To sell a crude candle-making machine on credit to a poor woman and train her how to use it – without realizing that cheaper, better factory-made candles are available everywhere – is a waste of money at best and a cruelty at worst. To qualify her to work in the factory[8] while offering alternative (and in most cases subsidized) uses for the acquired skills should be seriously considered.

Interventions on the demand side are likewise necessary. Growth-oriented, 'upgradable' entrepreneurs are almost by definition never poor. Thus any poverty effects of Small and Medium Enterprise Development (SMED) have to happen through increased employment of poor people. This effect is by no means automatic, and only in rare cases deliberately aimed at. Peter Knorringa and Erhard Berner argue in a study done for the Dutch NGO Woord en Daad (2008) that this implies some tough choices for the implementing agency: to focus on low-tech, labour-intensive enterprises in the selection of firms even if wages are low and working conditions bad; and to provide incentives for entrepreneurs to give preference to the poor in recruitment, to invest in additional training, and/or accept compromises on (initial) productivity.

Specific policies to assist survival entrepreneurs to cope better with their insecurities through supporting one or more of their present businesses can only be a modest yet important element in a comprehensive poverty alleviation strategy.

These specific policies imply again a number of tough choices:

- The dogma of cost-coverage and financial sustainability of interventions has to be radically given up. Survival entrepreneurs are in no position to pay market rates for credit and BDS, less so as the necessary tailor-made service are relatively much more expensive than the standardized ones for other groups. To cover the massive transaction costs of very flexible and very small loans and saving schemes would require a three-digit interest rate, still discounting the hardly calculable default risk caused by high volatility. Moreover, few

[8] That the poor often pay an entry fee to the labour market, for instance in garments, by using commercial apprenticeship providers is an oft-ignored fact.

agencies can claim the expertise necessary to give meaningful advice, and it would require a large non-retrievable investment to build that kind of capacity.

- Support for survival businesses cannot be seen as a temporary 'kick-start' intervention which, by providing one or more missing ingredients, set in motion a self-sustaining process of improvement. As a qualitative change is the nature of the business is highly unlikely, people will stay 'a little less poor' (Rogerson) only as long as they receive assistance. We concur with Mitlin and Satterthwaite that donors must move from 'conventional project cycles which feature exit strategies' towards '*continuous support* for local initiatives' (2004b: 295; emphasis added). If in case of a chronic headache brain surgery is risky and of highly insecure utility, regular doses of aspirin may be the only viable remedy.
- Eventually, we need to re-evaluate what we know about collective entrepreneurship in light of this insight and the moral economy argument. Cooperatives have long been criticized for being unable to resolve the dilemma of contradictory role requirements: Being democratic, participatory and inclusive leads to high overhead and transaction costs and puts them at a inherent competitive disadvantage vis-à-vis individual entrepreneurs (Lele 1981). That they are most often formed to tap external support, and tend to dissolve once the latter is ending, is seen as ultimate proof of their non-viability. If illusions about exit options are given up, however, group entrepreneurship implying sharing of idiosyncratic risks and achieving some economies of scale could be rediscovered as a valid strategy.

In this paper we have pulled together earlier attempts to identify a categorical difference among small entrepreneurs, and have tried to extend and solidify this basic distinction between survival and growth-oriented entrepreneurs. Secondly, we went beyond the previous literature and tried to systematically develop the policy implications for supporting survival entrepreneurs. We have argued that the present policy practice which claims to target survival entrepreneurs is imbued with pushing entrepreneurs onto the ladder of graduation towards more specialization and growth-orientation. Finally, we have made a beginning with developing a policy package that fits the diversification and buffer role that survival entrepreneurs assign to their businesses. Much further work is necessary, and it requires a process of *comprehensive unlearning* from academics, donors and practitioners. Existing recipes for small business development are essentially irrelevant if not poisonous for survival entrepreneurs. Only through careful research, experimentation and evaluation can we hope to develop the capacity for 'helping a large number of poor people become a little less poor' (Rogerson 2001: 120) − not so modest a goal after all.

References

Afenyadu, D., King, K., McGrath, S., Oketch, H., Rogerson, C., & Visser, K. (1999) *Learning to Compete: Education, Training & Enterprise in Ghana, Kenya & South Africa*. Education Research Paper No. 42, DFID. Electronic article available on-line

Altenburg, Tilman (2007) Donor Approaches to Supporting Pro-Poor Value Chains. Donor Committee for Enterprise Development. http://www.enterprise-development.org/resources/item.asp?resourceid=386

Banerjee, A., & Duflo, E. (2007) The Economic lives of the Poor. *Journal of Economic Perspectives, 21*(1), 141-167.

Banerjee, A., Duflo, E., & Glennerster, R. (2006) *A Snapshot of Micro Enterprises in Hyderabad* MIT: Cambridge, Massachussetts.

Berner, Erhard (1997) *Defending a Place in the City: Localities and the Struggle for Urban Land in Manila*. Quezon City: Ateneo de Manila University Press.

Berner, Erhard (2001) 'Learning from informal markets: Innovative Approaches to Land and Housing Provision', *Development in Practice*, 11(2 & 3): 292-307.

Berner, Erhard (2005) 'Help-less Illusions: Why Poverty Alleviation is Impossible without Redistributive Action', *Development and Cooperation*, 32(6): 248-9.

Biggs, T. (2003) *Is Small Beautiful and Worthy of Subsidy? Literature Review*. Paper commissioned as part of an evaluation of IFC Project Development Facilities, World Bank, Electronic article available on-line http://rru.worldbank.org/Documents/PapersLinks/TylersPaperonSMEs.pdf

Billing, Kevin and Jeanne Downing (2003) 'Crossfire: Most BDS Programmes are Wasting Their Time Attempting to Make Survivalist Enterprises Grow', *Small Enterprise Development* 14(3): 4-7.

Bogaert, Michael van de (1992) Group Entrepreneurship: A Way of Banking on the Strength of the Rural Poor, *Small Enterprise Development*, 3(2): 35-41.

Cotter, Jim (1996) 'Distinguishing between Poverty Alleviation and Business Growth', *Small Enterprise Development* 7(2): 49-52.

Daniels, L. (2001) A guide to measuring microenterprise profits and net worth. *Small Enterprise Development, 12*(4), 54-66.

Davis, M. (2006) *Planet of Slums*. London: Verso.

Donor Committee for Enterprise Development (ed., 2001) *Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention.* http://www.enterprise-development.org/resources/item.asp?resourceid=1

Downing, J. (1990) *Gender and the growth and dynamics of microenterprises*. Gemini Working Paper 5, USAID, Electronic article available on-line

Eigen, Johanna (1992) 'Assistance to Women's Businesses: Evaluating the Options', *Small Enterprise Development*, 3(4): 4-14.

Eversole, R. (2000) Beyond micro-credit - the Tickle-up program. *Small Enterprise Development, 11*(1), 45-58.

Fields, Gary (1990) 'Labor Market Modelling and the Urban Informal Sector: Theory and Evidence'. In: David Turnham, Bernard Salome and Antoine Schwarz (eds.) *The Informal Sector Revisited*. Paris: OECD, pp. 49-69.

Friedmann, John and Flora Sullivan (1974) 'The Absorption of Labor in the Urban Economy: The Case of Developing Countries', *Economic Development and Cultural Change*, 22(2): 385-413.

Ghafur, Shayer (2001) 'Beyond Homemaking: The Role of Slum Improvement in Home-based Income Generation in Bangladesh', *Third World Planning Review*, 23(1): 111-135

Gómez, G. M. (2008) '*Do micro-enterprises promote equity or growth?*', Research Unit Report, Woord en Daad: The Hague. http://www.woordendaad.nl

Grosh, Barbara and Gloria Somolokae (1996) 'Mighty Oaks from Little Acorns: Can Microenterprise Serve as the Seedbed of Industrialization?', *World Development*, 24(12): 1879-1890.

Helmsing, A.H.J (Bert) (2003) Local Economic Development: New Generations of Actors, Policies and Instruments for Africa, *Public Administration and Development*, 23, pp. 67-76.

Helmsing, A.H.J (Bert) and Peter Knorringa (forthcoming) Enterprise Development Interventions by Dutch Development NGOs: Is there increased involvement of private sector actors and does that make a difference? Submitted to Netherlands Yearbook of International Cooperation.

House, William J. (1984) 'Nairobi's Informal Sector: Dynamic Entrepreneurs or Surplus Labor?' *Economic Development and Cultural Change*, 32(2): 277-302.

House, William J. (1992) 'Priorities for Urban Labor Market research in Anglophone Africa', *Journal of Developing Areas*, 27(1), 92-120.

House, William J., Gerrishon K. Ikiara and Dorothy McCormick (1993) 'Urban Self-employment in Kenya: Panacea or Viable Strategy? *World Development*, 21(7), 1205-23

ILO (2004) Supporting growth-oriented women entrepreneurs in Ethiopia, Kenya & Tanzania: Overview Report, International Labour Office (ILO), SEED Programme & African Development Bank (AfDB), Private Sector Department (OPSD).

International Labour Office (ILO, 1972) *Employment, Incomes and Equality: A Strategy for Increasing Productive Employment in Kenya*. Geneva: ILO.

Karim, N. A. (2001) *Jobs, Gender and Small Enterprises in Bangladesh: Factors Affecting Women Entrepreneurs in Small and Cottage Industries in Bangladesh*. IFP/SEED Working Paper No. 14, Series on Women's Entrepreneurship Development and Gender in Enterprises – WEDGE, ILO. Electronic article available on-line

Keys, Colin (1973) 'Interpreting African Underdevelopment: Reflections on the ILO Report on Employment, Incomes and Equality in Kenya'. *African Affairs*, October: 419-29.

Knorringa, Peter and Erhard Berner (2008) 'Evaluation of Woord en Daad SMED activities carried out in cooperation with CSS in Bangladesh'. Report submitted to Woord en Daad, The Hague and Gorinchem.

Liedholm, C., and Mead, D. (1987) *Small scale industries in Developing Countries: Empirical evidence and policy implications, Paper N. 9* (International Development Papers). Michigan: Michigan State University.

Liedholm, Carl and Donald C. Mead (1999) *Small Enterprises and Economic Development: The Dynamics of Micro and Small Enterprises*. London and New York: Routledge.

Lipton, Michael (1997) 'Growth and Poverty − Which Way Round?' In: UNDP (ed.) Human development report 1997. New York: Oxford University Press, p. 74.

Marcucci, P. N. (2001) *Jobs, gender and small enterprises in Africa and Asia: Lessons drawn from Bangladesh, the Philippines, Tunisia and Zimbabwe*. SEED Working Paper No 18, Series on Women's Entrepreneurship Development and Gender in Enterprises – WEDGE, International Labour Office ILO, Geneva, Electronic article available on-line

Matin, Imran and David Hulme (2003) 'Programs for the Poorest: Learning from the IGVGD Program in Bangladesh', *World Development*, 31(3): 647-665.

Mayoux, L. (1995) *From vicious to virtuous circles? Gender and micro-enterprise development*. Occasional Paper 3, United Nations Research Institute for Social Development, Electronic article available on-line

McPherson, M. A. (1995) The Hazards of Small Firms in Southern Africa. *The Journal of Development Studies, 32*(1), 31-54.

Mead, D. (1994) The Contribution of Small Enterprises to Employment Growth in Southem and Eastern Africa. *WorldDevelopment, 22*(12), 1881-1894.

Mead, D. (1999) MSEs tackle both poverty and growth (but in differing proportions). In K. King & S. McGrath (Ed.), *Enterprise in Africa: between poverty and growth*. London: Intermediate Technology Development Group Publishing.

Mead, D., and Liedholm, C. (1998) The Dynamics of Micro and Small Enterprises in Developing Countries. *World Development, 26*(1), 61-74.

Mitlin, Diana and David Satterthwaite (2004a) 'Addressing Deprivation in Urban Areas'. In: Diana Mitlin and David Satterthwaite (eds.) *Empowering Squatter Citizen: Local Government, Civil Society and Urban Poverty Reduction*. London: Earthscan. Pp. 245-77.

Mitlin, Diana and David Satterthwaite (2004b) 'The Role of Local and Extra-local Organizations'. In: Diana Mitlin and David Satterthwaite (eds.) *Empowering Squatter Citizen: Local Government, Civil Society and Urban Poverty Reduction*. London: Earthscan. Pp. 278-306.

Mosley, Paul and David Hulme (1998) 'Microenterprise Finance: Is there a Conflict between Growth and Poverty Alleviation?' *World Development*, 26(5): 783-790.

Nadvi, Khalid and Stephanie Barrientos (2004) 'Industrial Clusters and Poverty Reduction: Towards a Methodology for Poverty and Social Impact Assessment of Cluster Development Initiatives', UNIDO SME Branch, Vienna: UNIDO.

Olomi, D., Nilsson, P., & Jaensson, J. E. (2001) *Evolution of entrepreneurial motivation: The transition from economic necessity to entrepreneurship*. Paper presented at the Babson College-Kauffman Foundation Entrepreneurship Research Conference.

Phillips, C., and Bhatia-Panthaki, S. (2007) Enterprise Development in Zambia: Reflections on the Missing Middle. *Journal of International Development, 19*, 793-804.

Portes, Alejandro and Kelly Hoffman (2003) 'Latin American Class Structures: Their Compositions and Change during the Neoliberal Era'. *Latin American Research Review*, 38(1): 41-82.

Rempel, Henry and William J. House (1978) *The Kenya Employment Problem: An Analysis of the Modern Sector Labour Market*. Nairobi: Oxford University Press.

Reynolds, P., Bygrave, W., and Autio, E. (2004) *Global Entrepreneurship Monitor: 2003* Executive Report, accessed at www.gemconsortium.org, Electronic article available on-line

Richardson, P., Howarth, R. and Finnegan, G. (2004) *The Challenges of Growing Small Businesses: Insights from Women Entrepreneurs in Africa*. IFP/SEED Working Paper No. 47, Series on Women's Entrepreneurship Development and Gender Equality — WEDGE, International Labour Office ILO, Geneva, Electronic article available on-line

Rogerson, Christian M. (1996) 'Urban Poverty and the Informal Economy in South Africa's Economic Heartland', *Environment and Urbanization*, 8(1), 167-79.

Rogerson, Christian M. (1997) 'Globalization or Informalization? African Urban Economies in the 1990s'. In: Carole Rakodi (ed.) *The Urban Challenge in Africa: Growth and Management of its Large Cities.* Tokyo etc.: United Nations University Press, pp. 337-70.

Rogerson, Christian M. (2001) 'In Search of the African Miracle: Debates on Successful Small Enterprise Development in Africa', *Habitat International*, 25, 115-142.

Rogerson, Christian M. (2003) 'Towards Pro-poor Local Economic Development: The Case for Sectoral Targeting in South Africa', *Urban Forum*, 14(1), 53-79.

Rogerson, Christian M. (2006) 'Pro-poor Local Economic Development in South Africa: The Role of Pro-poor Tourism, *Local Environment*, 11 (1): 37-60.

Scott, James C. (1976) *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia.* New Haven: Yale University Press.

Standing, Guy (1977) 'Urban Workers and Patterns of Employment'. In: S. Kannappan (ed.) *Studies in Urban Labor Market Behavior*. Geneva: International Institute for Labour Studies.

Turnham, David, Bernard Salome and Antoine Schwarz (eds., 1990) *The Informal Sector Revisited*. Paris: OECD.

UNDP (2004) Unleashing *Entrepreneurship: Making Business Work for the Poor*. New York: United Nations Development Programme

Wood, Geof (2003) 'Staying Secure, Staying Poor: The "Faustian Bargain"', *World Development* 31(3): 455-71.

World Bank. (2004, May 25-27). *Reducing Poverty, Sustaining Growth. Scaling Up Poverty Reduction A Global Learning Process and Conference. Case Study Summaries.* Proceedings of the Shanghai, China:

Wright, G. (1999). Examining the impact of microfinance services - increasing income or reducing poverty? *Small Enterprise Development, 10*(1), 38-47.

Zandniapour, L., Sebstad, J., & Snodgrass, D. (2004). *Review of Impact Assessments of Selected Enterprise Development Projects* MicroReport 3, AMAP Business Development Services (BDS), Knowledge and Practice (K&P) and Research Task Order, USAID & MDA, Electronic article available on-line