



Business Linkages: Enabling Access to Markets at the Base of the Pyramid

Report of a Roundtable Dialogue
March 3-5, 2009, Jaipur, India

Written by Beth Jenkins with Eriko Ishikawa

Designed by Alison Beanland

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Preface

Ever since the early thought leaders began to speak and write about doing business with the poor, they have looked to India as a source of innovation and experimentation in products, services, and business models intended to reach new markets at the base of the pyramid (BOP). Hence it was natural that following the launch of the *Business Linkages* roundtable series in Washington DC in 2007, and subsequent roundtables in Johannesburg and Rio de Janeiro, the fourth roundtable was held at the heart of the BOP action in Jaipur, India.

The *Business Linkages* roundtable dialogues, held in partnership with the International Business Leaders Forum and the CSR Initiative at the Harvard Kennedy School, explore business models that incorporate those at the BOP as consumers, producers, and entrepreneurs, with special emphasis on producers and entrepreneurs. This emphasis was particularly pronounced in Jaipur, with the effects of the financial crisis making themselves felt throughout the economic pyramid around the world. Now, more than ever, we must find sustainable ways of reducing vulnerability and expanding opportunity for all.

Pioneering work is taking place, and as we progress, issues of replicability and scalability come to the fore. There are still more questions than answers. In this vein, the *Business Linkages* roundtables are intended as safe, open spaces for practitioners to learn from one another – opportunities that are still rare for many.

We have come a long way, from learning about innovation in enterprise development from Anglo American in South Africa, to exploring ways to finance and support entrepreneurs with Tribanco in Brazil, to looking at innovative BOP models like Jaipur Rugs in India. With each successive roundtable, we are growing and evolving a body of knowledge on the practice of business linkages. In this context, the current report adapts and builds upon the two previous reports in the *Business Linkages* series:

- Business Linkages: Lessons, Opportunities, and Challenges (2007)
- Supporting Entrepreneurship at the Base of the Pyramid through Business Linkages (2008)

On behalf of IFC and its partners IBLF and the Harvard Kennedy School, I would like to extend a sincere thanks to the practitioners who have made time in their busy schedules to make this learning possible.

Toshiya Masuoka, Director, Corporate Advice, IFC

1 Opportunities to Enable Access to Markets at the Base of the Pyramid

Business models that offer critical goods, services, and livelihood opportunities to those at the base of the economic pyramid – the four billion people worldwide who earn less than \$8 a day¹ – are increasingly being explored as engines of business and development benefit.

On the development side, many products and services – when appropriately designed, packaged, and delivered – can help purchasers meet basic human needs and improve their productivity. This is especially true in industry sectors such as food and beverage, financial services, information and communications technology, health care, and water and sanitation. Similarly, the opportunity to participate as suppliers, distributors, or retailers in commercial value chains can help increase local job and wealth creation, enhance skills and capacity, add purchasing power, and generally stimulate economic activity and development – contributing, in the process, to quality of life.

On the business side, models targeting the base of the pyramid can unlock potentially vast new markets and help catalyze innovation, reduce costs, increase flexibility and the ability to specialize, meet legal requirements, and enhance social license to operate, thus contributing to overall competitiveness.

These “BOP” or “inclusive” business models fall into three broad categories: buying from, distributing through, and selling to those at the base of the pyramid.² Many companies also support enterprise development and access to markets at the BOP more generally, beyond their value chains, for any combination of legal, social, and economic reasons such as complying with concession agreements, building employee and community morale, and preserving social license to operate.

BOX 1 RECENT FLAGSHIP REPORTS ON BUSINESS WITH THE BASE OF THE PYRAMID

Since the last Business Linkages Roundtable in Rio de Janeiro, Brazil, in June 2008, three major reports on doing business with the base of the pyramid have emerged. The first, released in July 2008, was the United Nations Development Programme’s “Creating Value for All: Strategies for Doing Business with the Poor,” which analyzes constraints to and strategies for inclusive business based on a sample of 50 case studies featuring social enterprises and for-profit companies of all sizes in a range of countries around the world. The second, the World Economic Forum’s “The Next Billions: Unleashing Business Potential in Untapped Markets,” released in January 2009, identifies perspectives and design principles for the development of successful BOP business models. The third, Monitor’s “Emerging Markets, Emerging Models,” released in March 2009, analyzed a sample of more than 250 mostly Indian cases to identify business models with the potential for scale. Those models included pay per use; no frills service; paraskilling; shared channels; contract production; deep procurement; and demand-led training.

1.1 Buying From the Base of the Pyramid

Companies are sourcing a wide variety of products and services from local small and micro enterprises. These products and services range from agricultural commodities to cleaning and printing services to higher value-added inputs such as manufactured components.

Buying from local small and micro enterprises can help companies cut costs and increase flexibility. It can increase quality, traceability, and sustainability of supply, which is increasingly important in agriculture, forestry, apparel, and other sectors. In some cases, for example in coffee and tourism, it can contribute to an interesting, unique product offer. And buying from local small and micro enterprises helps build strong and diversified local economies, fortifying companies' social licenses to operate and enhancing their long-term business prospects.

BOX 2 BUYING FROM THE BOP: GLAXOSMITHKLINE'S MILK SUPPLY CHAIN IN INDIA

The Consumer Healthcare division of GlaxoSmithKline (GSK) leads in the health food drink category in India. To ensure a consistent, high-quality supply of milk, GSK has built a procurement structure to support small dairy farmers linking into its supply chain. First, GSK has named representatives in villages to support dairy farmer capacity building. Farmers bring their milk to their village representatives, many of whom have bulk coolers on premises; or, if they are not too far away, they can deliver directly to GSK milk chilling centers. By bringing technical knowledge and market infrastructure to the village level, GSK has catalyzed an increase in commercial dairy farming and enabled farmers to improve productivity and quality – increasing their incomes as a result. For example, average yield per animal has gone up by 33%.

1.2 Distributing Through the Base of the Pyramid

Distributing through small and micro enterprises can be an effective strategy for reaching target markets at the base of the pyramid. In some cases, infrastructure is so poor that traditional distribution methods, using large trucks for example, simply cannot be used. In other cases, sales volumes or price points are too low for traditional distribution to be cost-effective. In still other cases, the local “rooting” and relationships of trust that small and micro enterprises possess within their communities are critical to the successful marketing and sales of products and services there. From the community's perspective, distributing through small and micro enterprises also creates jobs and, in some cases, enables better customer service tailored to their needs.

BOX 3 DISTRIBUTING THROUGH THE BOP: COCA-COLA SABCO'S MANUAL DISTRIBUTION CENTERS IN AFRICA AND ASIA

In East Africa and several countries in Asia, Coca-Cola Sabco makes daily deliveries to thousands of tiny shops in low-income communities through a system of Manual Distribution Centers owned and operated by local entrepreneurs. These micro-distributors can help shop owners identify the kinds of products that will be fast-moving, and they can offer mixed-case ordering and frequent delivery of small quantities of product. This enables shop owners to reduce the amount of investment they have tied up in inventory, reduce out-of-stock situations, and meet consumer demand. This increases shop owners' sales, helping their businesses to grow and succeed. Today there are over 2,200 MDCs operating in Sabco territory in East Africa – generating revenues of \$426 million and directly employing over 11,000 people.

1.3 Selling To the Base of the Pyramid

Companies of all kinds are growing more interested in base of the pyramid consumer markets. In some industries, selling to the BOP offers opportunity for simultaneous business and development impact. Certain products and services have the effect of empowering the purchaser and helping to make him or her more productive. These include:

- health care;
- education;
- financial services such as credit, insurance, savings, and payments;
- information and communications technologies, such as mobile phones and Internet access;
- production equipment and technology, such as small-scale irrigation systems;
- utilities like water and power;
- and distribution and business development services appropriate to the needs of small and micro enterprises.

The most obvious reason for companies to sell to the BOP is the opportunity to grow revenues by developing new markets. BOP end consumers and small, and micro enterprises are currently underserved in many – often all – of the areas listed above. Reaching them successfully usually requires product and business process adaptation, which points to a second reason to sell to them: the effort drives creativity and innovation. In some cases, innovations that target the BOP prove relevant in higher-income segments as well, a phenomenon McKinsey & Company has termed “innovation blowback.”³

BOX 4 SELLING TO THE BOP: INDIA'S IDEA CELLULAR

Idea Cellular, part of the Aditya Birla Group, a leading Indian conglomerate, is one of the fastest-growing telecom service providers in the country. A main factor in its rapid growth has been its penetration into India's vast rural market, home to an increasing percentage of new mobile customers. Idea Cellular conducts media campaigns in local dialects and offers a suite of products and services customized to the needs of rural and semi-urban consumers at the base of the pyramid. These include low-cost handsets, talk-time vouchers in denominations as low as US\$0.20, and value-added services such as SMS-based religious offerings. Idea now has more than 44 million subscribers and more than 700,000 retail outlets around the country, approximately 300,000 of which serve consumers at the base of the pyramid.

1.4 Going Beyond the Value Chain

Many companies are also working with BOP consumers, producers, and small and micro enterprises beyond their value chains – for example, in broad-based education, health, and enterprise development efforts. Such efforts can improve quality of life and help strengthen and diversify local economies. For the companies driving them, they can reduce reputational, operational, and political risk in the short term and increase growth prospects in the long term.

BOX 5 GOING BEYOND THE VALUE CHAIN: SYNGENTA FOUNDATION'S AGRICULTURAL DEVELOPMENT WORK IN INDIA

Syngenta is a leading multinational agribusiness concern, selling primarily seeds and crop protection products. The Syngenta Foundation focuses on raising farmer productivity and linking farmers to markets. In India, the foundation has established four projects across four states covering the cultivation of rice and vegetables. Farmer training is a core component of all four projects. Sometimes Syngenta seeds are provided; for example, the Syngenta Foundation is now working with approximately 6,000 farmers to grow beets from seeds developed specifically for warm climates. Finally, the projects assist with commercialization, for instance by organizing farmers into groups for collective marketing.

2 Challenges in Forming Business Linkages

Business linkage practitioners in large firms face three main categories of challenges in doing business with those at the BOP: operational challenges, reputation and relationship management challenges, and systemic challenges.⁴ A growing body of experience suggests that the issues are similar across industries and geographies, whether a firm is buying from, distributing through, or selling to those at the BOP.

- **Operational challenges** include securing internal commitment for linkage efforts within the firm, obtaining reliable, actionable information about BOP consumers, producers and other enterprises present in the local market, and measuring the impact (especially the social impact) of any linkages that are formed.
- **Reputational and relationship management challenges** include managing community expectations and reducing the economic dependence of local producers and small and micro enterprises on the business relationships they establish with the larger firm.
- **Systemic challenges** include building the skills and capacity of small and micro enterprises at the BOP, improving their access to finance, and strengthening the regulatory or public policy environment for linkage efforts. In Jaipur, participants highlighted two more systemic challenges: addressing inadequate physical infrastructure and filling gaps in complementary markets, such as the market for agricultural inputs like fertilizer and irrigation equipment.⁵

Many of the operational, reputational, and relationship management challenges to doing business with the BOP have their roots in the systemic challenges. It is worth noting that these challenges work in the opposite direction as well, inhibiting those at the BOP in their efforts to do business with larger, often more formal, firms. Systemic challenges are thus some of the most critical to overcome if we hope to sustain, replicate, and scale up business linkage activity worldwide. At the same time, they are some of the least amenable to unilateral, quick-fix solutions. Creative, new approaches will be required.

3 Patterns of Solutions and Cross-Cutting Themes

There are clear patterns in the solutions discussed during the *Business Linkages* roundtables Washington, Johannesburg, Rio de Janeiro, and now Jaipur, as as Tables 1-3 show.⁶ More information on these examples can be found in Appendix 1 and in prior reports in the *Business Linkages* series.⁷

TABLE 1 OPERATIONAL CHALLENGES, SOLUTIONS, AND EXAMPLES

Operational Challenges	Solutions	Examples
Securing internal commitment	<ul style="list-style-type: none"> Procurement policies 	<ul style="list-style-type: none"> The National Content Strategies of BP in Azerbaijan and ExxonMobil in Chad The purchasing policy of Pan American Energy in Argentina's Gulf of San Jorge
	<ul style="list-style-type: none"> Performance measures and incentives 	<ul style="list-style-type: none"> BP incorporates National Content targets into the performance metrics of delivery managers Ecom moved from dollars-per-ton to dollars-per-ton-per-hectare, a measure of productivity
	<ul style="list-style-type: none"> Culture of long-term thinking 	<ul style="list-style-type: none"> Nestlé's concept of "shared value creation"
Obtaining reliable, actionable market information	<ul style="list-style-type: none"> Dedicated staff or departments 	<ul style="list-style-type: none"> The venture development manager at Rio Tinto's Diavik Diamond Mines Anglo American's Anglo Zimele family of funds Real Microcrédito's local loan officers in Brazil's favelas RuralFone's local sales coordinators and delivery agents in northeast Brazil Newmont's linkages department at the Ahafo mine in Ghana
	<ul style="list-style-type: none"> Supplier databases 	<ul style="list-style-type: none"> The supplier database created by ExxonMobil, IFC, and the local chamber of commerce in Chad The shared supplier databases of the Private Sector Initiatives in Tanzania and Malawi
	<ul style="list-style-type: none"> Network leveraging 	<ul style="list-style-type: none"> Petrobras and the national small business association SEBRAE in Brazil Unilever and Ashoka Fellow M.G. Papamma's network of women in India; Amanco and Ashoka Fellow Arturo Garcia's network of farmers in Mexico Coca-Cola and the Women's Union in Vietnam Barclays and the Ghana Cooperative Susu Collectors Association ICICI Bank, microfinance institutions, and other civil society organizations in India
Measuring impact	<ul style="list-style-type: none"> Collectively developed frameworks 	<ul style="list-style-type: none"> The WBCSD-IFC Measuring Impact Framework The Rockefeller Foundation's Impact Investing Network's IRIS Standards
	<ul style="list-style-type: none"> Participatory monitoring and evaluation agreements 	<ul style="list-style-type: none"> Diavik Diamond Mines' Socio-Economic Monitoring Agreement with the local government and indigenous groups Petrobras and SEBRAE's selection of indicators jointly with stakeholders

TABLE 2 REPUTATION AND RELATIONSHIP MANAGEMENT CHALLENGES, SOLUTIONS, AND EXAMPLES

Reputation & Relationship Management Challenges	Solutions	Examples
Managing expectations	<ul style="list-style-type: none"> • Social responsibility agreements 	<ul style="list-style-type: none"> • Diavik Diamond Mines' Participation Agreements with indigenous groups • Newmont's Social Responsibility Agreement, developed through a Social Responsibility Agreement Forum at its Ahafo mine in Ghana
	<ul style="list-style-type: none"> • Advance purchase agreements 	<ul style="list-style-type: none"> • SABMiller's fixed price agreements with sorghum farmers in Uganda and Zambia • Votorantim Celulose e Papel's inflation-indexed, fixed price agreements with eucalyptus farmers in Brazil • Jain's commitment to purchase onions at a pre-set minimum price or the market price at harvest time (whichever is greater)
Reducing dependence	<ul style="list-style-type: none"> • Market diversification services for suppliers 	<ul style="list-style-type: none"> • The small business fairs of IFC and the Asociación los Andes de Cajamarca near Newmont's Yanacocha mine in Peru • SABMiller, CARE International, and local commodities brokers' support to sorghum farmers in Uganda and Zambia
	<ul style="list-style-type: none"> • Local economic development "beyond the value chain" 	<ul style="list-style-type: none"> • SABMiller's KickStart program • Cairn India's work with dairy farmers in Rajasthan
	<ul style="list-style-type: none"> • Peer networking 	<ul style="list-style-type: none"> • SBP's Business Bridge program in South Africa
	<ul style="list-style-type: none"> • Appropriate exit strategies 	<ul style="list-style-type: none"> • Newmont and IFC created the Asociación los Andes de Cajamarca to lead and sustain SME development near Yanacocha over time • The Vietnam Business Links Initiative secured government buy-in and replication of its standards and training programs

TABLE 3 SYSTEMIC CHALLENGES, SOLUTIONS, AND EXAMPLES

Systemic Challenges	Solutions	Examples
Building knowledge and skills	<ul style="list-style-type: none"> Standardized training modules 	<ul style="list-style-type: none"> IFC's SME Toolkit and Business Edge Grupo Martins' Martins Retail University in Brazil SEBRAE's programs for Brazilian micro and small businesses seeking to incorporate formally
	<ul style="list-style-type: none"> Best practice guidelines 	<ul style="list-style-type: none"> Starbucks' CAFÉ practices Nestlé's Nespresso AAA certification Unilever's Sustainable Tea Initiative guidelines
	<ul style="list-style-type: none"> Ongoing coaching 	<ul style="list-style-type: none"> Grupo Martins, Ruralfone, Coca-Cola Sabco, Anglo Zimele, Mozal Aluminum, and Bharatiya Yuva Shakti Trust (the Indian affiliate of Youth Business International)
	<ul style="list-style-type: none"> Enterprise Centers 	<ul style="list-style-type: none"> BP in Azerbaijan ExxonMobil and IFC in Chad Microsoft and UNIDO in Uganda Anglo Zimele's Small Business Hubs in South Africa SABMiller and Cargill's Sanjhi Unnati Centers in barley-growing districts in India
	<ul style="list-style-type: none"> Peer networking 	<ul style="list-style-type: none"> SBP's Business Bridge program in South Africa General Motors' mentorship brokering between large and small suppliers Petrobras' Rede Petro system in Brazil
Improving access to finance	<ul style="list-style-type: none"> Own financing institutions or arms 	<ul style="list-style-type: none"> Anglo American's Anglo Zimele Grupo Martins' Tribanco ECOM Supplier Finance
	<ul style="list-style-type: none"> Capitalization of external (often joint) funds 	<ul style="list-style-type: none"> The \$15 million Supplier Finance Facility of BP and IFC in Azerbaijan The Aspire SME financing facilities of GroFin and the Shell Foundation, together with local banks in Africa Starbucks' investment in Root Capital to provide financing for small-scale coffee suppliers in Central America
	<ul style="list-style-type: none"> Links with microfinance institutions 	<ul style="list-style-type: none"> Pepsico and BASIX in India
	<ul style="list-style-type: none"> Links with commercial banks 	<ul style="list-style-type: none"> Chevron's partnerships with Kazakh banks BankTuranAlem and KazKommertzBank Votorantim Papel e Celulose helps eucalyptus farmers access credit from Banco Real in Brazil Mundo Verde refers suppliers to Caixa Econômica Federal and Banco do Nordeste in Brazil
	<ul style="list-style-type: none"> Non-traditional collateral 	<ul style="list-style-type: none"> Barclays accepts grain stocks as collateral in Zambia
	<ul style="list-style-type: none"> A focus on financial literacy 	<ul style="list-style-type: none"> Anglo Zimele incorporates financial literacy into its Small Business Start-Up Fund's lending requirements Real Microcrédito credit agents provide financial education along with – sometimes instead of – loans
Strengthening regulatory and public policy environments	<ul style="list-style-type: none"> Collective engagement in public policy dialogue 	<ul style="list-style-type: none"> The National Business Initiative and Business Trust in South Africa The Zambia Business Forum Business Action for Africa
	<ul style="list-style-type: none"> Public sector capacity-building 	<ul style="list-style-type: none"> BP provided the Azeri government with revenue management tools IFC helped the provincial government of Cajamarca, Peru, to streamline business registration procedures

TABLE 3 SYSTEMIC CHALLENGES, SOLUTIONS, AND EXAMPLES *continued*

Systemic Challenges	Solutions	Examples
Addressing inadequate physical infrastructure	• Supply collection centers	• The SABMiller-Cargill Sanjhi Unnati Centers, ITC Ltd's Choupal Saagars, GSK's milk chilling centers, and DSCL's Hariyali Kisan Bazaars, all in India • Mundo Verde's collection centers in Brazil
	• Shared infrastructure	• DSCL Hariyali Kisan Bazaar often shares land and premises (and associated costs, e.g. utilities and maintenance) with partners
	• Information & communications technologies	• ITC's e-Choupals • FINO's use of smart card-based banking solutions
Filling gaps in complementary markets	• Marketplaces	• ITC's e-Choupals and Choupal Saagars, the SABMiller-Cargill Sanjhi Unnati Centers, and DSCL's Hariyali Kisan Bazaar in India
	• Direct sales	• Jain sells high-quality onion seeds and other inputs to farmers through on-the-ground extension agents • Andhra Pradesh Paper sells tree seedlings to farmers

Cutting across this landscape of challenges and solutions are two common themes: systems thinking and collaboration.

Systems thinking. Any stable, profitable business relationship requires a stable, profitable partner – whether it be a supplier, a distributor, or even a customer. But BOP suppliers, distributors, and customers are plagued by systemic challenges that make stability and profitability hard to achieve. They might be cut off physically by roads that wash out every year; unwilling to risk changing their livelihoods because insurance isn't available; or unable to meet their contractual obligations because electrical outages shut down production every few hours. In this context, many smart, well-intentioned efforts to do business in BOP markets meet with unexpected consequences, and struggle to achieve sustainability and scale. A company might set out to sell small-scale farmers irrigation equipment on credit, which improves their productivity by 100% or more – but the farmers still default on their loans because they can't find buyers, or because the sudden increase in supply drives prices down. Another company might adopt a policy establishing BOP procurement targets of 10 or 20%, but it costs those small and micro businesses four years' annual income to incorporate legally, so they can't take advantage. The examples are numerous.

At the BOP, market systems are full of holes and cannot be taken for granted, as they often are at the top of the pyramid. Companies have to think proactively about the systems in which their BOP suppliers, distributors, and customers are embedded and often take action to make them work better. As Monitor puts it, they have to “organize the entire value chain end-to-end,”⁸ filling in the missing pieces that make it possible for their partners to find stability and earn a profit.

Collaboration. Some companies fill in the missing pieces themselves, considering it part of the cost of doing business. Sometimes it is economically viable to do so. For example, in India, GlaxoSmithKline has organized the milk value chain end-to-end for its flagship brand Horlicks. At times, organizing the value chain end-to-end involves or even creates additional business opportunities. Jain Irrigation and Andhra Pradesh Paper, for instance, sell agricultural inputs to and buy agricultural produce from the same small-scale farmers. When it is not economically viable for a company to take such holistic approaches, they sometimes look to corporate foundations or social responsibility departments to help make up the difference. Jaipur Rugs, for example, relies on the Jaipur Rugs Foundation to do the community organizing and training that enable BOP weavers to participate in its production chain.

Certainly, organizing a value chain end-to-end is costly, and it typically goes beyond the capabilities of any single actor. As a result, a third and increasingly common approach is for companies to reach out to external collaborators who can fill in pieces of the system that they themselves cannot. Such collaborators may include companies in complementary lines of business; government agencies; civil society organizations; microfinance institutions; international development agencies; and international financial institutions. For instance, microfinance institution and business development service provider BASIX is working with ICICI Lombard to offer crop insurance to the potato farmers in Pepsico's value chain in India. In another example, more than 110 companies use ITC Ltd's network of e-Choupal kiosks and Choupal Saagar stores to provide access to nearly everything rural farmers need to be successful, from market prices to extension services to farm equipment to tele-health care to on-site purchasing of their crops.

Collaborative models are increasingly characterized by

- Multiple actors
- Finding complementary business (or mission-based) cases
- Specializing in what they do best
- Together filling in gaps in the market systems of the BOP
- Reducing and targeting the need for subsidies to make those systems work
- And enabling BOP business models to achieve greater sustainability and scale.

Collaborative models have various advantages. For example, they spread investment costs among multiple actors and reduce the need for subsidies, whether from governments or from corporate social responsibility or philanthropy departments. They enable each actor to specialize, and thus, at least in theory, permit greater scale. At the same time, in practice, collaborative models can come with non-negligible transaction costs, for example in the organization and coordination of the system. These challenges become increasingly complex as the number and diversity of collaborators increases – for instance when non-business actors, who speak different languages, have different perspectives and incentives, and are governed by different legal frameworks, are involved.

4 Conclusions

In a time of financial crisis, we are reminded that connecting to larger national and international markets is not a guaranteed route to stability or profitability for those at the base of the pyramid. Few opportunities are entirely risk-free. Any risk can be too much risk for people with little to fall back on.

Reducing dependence and other operational, reputation and relationship management, and systemic challenges to doing business with the BOP take on special relevance in times like these. We are encouraged to see patterns of solutions emerging and encourage business linkage practitioners to continue to share their experiences and insights. At the same time, the collaborative, systems-oriented aspects of their work deserve greater attention and understanding. Together with practitioners in business, government, and civil society around the world, IFC, IBLF, and the CSR Initiative at the Harvard Kennedy School look forward to continuing and deepening our exploration of this field.

Appendix 1

Business Linkage Initiatives of Jaipur Roundtable Participants

● Andhra Pradesh Paper Mills⁹

Andhra Pradesh Paper Mills (APPM) is a pulp and paper company based in the state of Andhra Pradesh, India. In the 1980s, APPM foresaw a steep decline in raw material from conventional forests and, as a result, implemented a strategy to achieve a sustained supply through raw material self-sufficiency. This included a massive farm forestry program encompassing 2,842 villages in seven districts along the Andhra Pradesh coast. The program focuses on:

- conserving natural resources and a healthy environment,
- establishing massive plantations on marginal and degraded farm lands, and
- creating an eco-friendly, farmer-friendly commercial environment.

To reach its goal, APPM promoted two tree species, *casuarina* and *leucaena*, noted for their affordability, adaptability, and rapid growth, as well as their ability to offer continuous flows of financial benefits to farmers. APPM built clonal and seedling nurseries close to the villages. Through the distribution of genetically superior planting stock, together with information dissemination and technical assistance, the company has helped farmers reduce their initial establishment costs from \$200/hectare to \$50/hectare and improve the productivity of their land by up to three times, thereby increasing their incomes. These actions have also resulted in a tripling of hectares under plantation (from 4,782 in 2003 to 15,000 in 2008), providing APPM with a secure source of supply.

● Anglo Zimele^{10,11}

Anglo Zimele is the enterprise development and empowerment initiative of mining and natural resource company Anglo American in South Africa. Anglo Zimele manages three separate funds: the Supply Chain Fund, the Anglo Khula Mining Fund, and the Small Business Start-Up Fund. In addition to financing, these funds provide hands-on support in areas such as management, corporate governance, legal compliance, accounting, administration, public relations, and environment, health and safety.

The oldest fund, the Supply Chain Fund, has financed and supported over 150 businesses since it was established in 1989. It provides both debt and equity financing and usually takes minority stakes of up to 20% in the businesses in its portfolio. In addition to the

technical assistance described above, the fund looks for opportunities to link its portfolio companies into Anglo American's supply chain. The Supply Chain Fund targets firms that are already commercially viable so that it can focus its assistance on generating significant future growth, and typically exits within about three years. As of 2006, approximately 72% of its investees were still in operation, employing over 2,200 people.

Anglo Zimele's newest fund, the Small Business Start-Up Fund, focuses on entrepreneurs and small businesses in the communities surrounding Anglo American's mines. Through a network of 11 local Small Business Hubs, the fund provides loans at an interest rate of 10% per year (compared with the current prime lending rate of 12%) together with assistance formulating business plans, training and coaching on the essentials of running a business, tax advice, and mentoring. As of December 2008, the Small Business Start-Up Fund had financed 179 businesses ranging from construction to catering to plumbing, 40% of them headed by women entrepreneurs. Though many borrowers had no track records and the fund does not request collateral, the repayment rate was 91%.

● BASIX¹²

Established in 1996, BASIX works to create sustainable livelihoods for the rural and urban poor through financial services integrated with technical assistance. The organization covers more than 1.5 million mostly rural households in more than 18,000 villages in 15 states, and it has approximately \$120 million in assets under management.

In 2001, BASIX realized that credit was necessary but not sufficient for the creation of sustainable livelihoods and developed its "triad" strategy:

- Livelihood financial services (namely savings, credit, insurance, and remittances)
- Agricultural and business development services (improving productivity and local value addition, and facilitating market linkages)
- Institutional development services (such as forming and strengthening community groups, building the capacity of grassroots organizations, and engaging in policy advocacy)

BASIX leverages a wide range of partnerships in the implementation

of this three-pronged strategy, including microfinance institutions, non-governmental organizations, cooperatives, government agencies, and national and multinational companies such as Pepsico, ITC Ltd, JK Seeds, AVIVA, Royal Sundaram, and ICICI Lombard Insurance. These partnerships expand the array of competencies at the organization's disposal, increase its outreach, reduce its transaction costs, and reduce its risk as well as that of its customers. Today BASIX has more than 200,000 savings customers, 600,000 microcredit customers, and one million insurance customers.

● **Bharatiya Yuva Shakti Trust¹³**

Bharatiya Yuva Shakti Trust (BYST) is a youth entrepreneurship initiative that turns job seekers into job creators. BYST partners with the Indian private sector to provide underprivileged youth ages 18-35 with training, collateral-free financing, structured mentoring, and networking opportunities that together foster entrepreneurial development and sustain thriving businesses. For example, BYST makes deliberate efforts to network these youth businesses into the value chains of larger corporations, efforts which have been boosted by corporate "affirmative action" programs seeking qualified Tier 2 and 3 suppliers from disadvantaged backgrounds. Through BYST, approximately 1,500 youth businesses have been created, generating approximately 15,000 new jobs. BYST and IFC are working together to develop a self-sustaining model that can be replicated in other developing countries. A significant part of IFC's assistance is dedicated to the Mentor Development Program, which will establish a mentor accreditation process expected to expand BYST's mentor network to 30,000, impacting 90,000 youth enterprises across India.

● **Cairn India^{14,15}**

Cairn Energy is an independent oil exploration and extraction company with headquarters in Edinburgh, Scotland. Cairn India, a listed subsidiary of Cairn Energy, currently owns 30% of India's oil assets. The company operates in Rajasthan, Andhra Pradesh, and Gujarat.

In Rajasthan, Cairn and its partner, the International Centre for Entrepreneurship and Career Development, work through a local Enterprise Center to build the capacity of SMEs to qualify for contracts with the company and its contractors. To date, these efforts have resulted in 125 vendors qualified and registered. These vendors are on the small end of the SME spectrum, with one to four employees, plant and machinery investment of between Rs 25 lakhs

and Rs 1 crore, and revenues of Rs 4,000 to Rs 45,000 per month. Most supply construction-related materials, furniture, textiles, and services like catering and janitorial services. 14 of these vendors have received orders and will probably see their incomes increase. In total, they have generated over \$2 million in construction and \$400,000 non-construction contracts.

Cairn is also supporting employment through the provision of skills training, which had reached over 3,750 people as of March 2009. Most of the skills covered are construction-related and required for employment by Cairn construction contractors. These include welding, plumbing, masonry, electrical, carpentry, and bar-bending, among others. Other skills are more general – like mobile phone repair, computing, computer-based accounting, and English. Nominal fees are charged to trainees, with Cairn also contributing for training specifically targeted to its business needs. Cairn and IFC split the remaining costs 70:30.

Finally, Cairn is working to strengthen local enterprise and economic development beyond its value chain, for example through programs that support dairy farmers. Through Cairn's dairy program, more than 700 women have organized into 13 self-help groups and engaged in a transparent process of collecting surplus milk. Over \$160,000 in revenues have been generated.

● **Calypso Foods^{16,17}**

Calypso Foods supplies branded, processed fruits and vegetables sourced from Indian smallholder farmers to domestic and international markets. Its domestic customers include institutional buyers like large restaurant chains; its international customers include grocery chains with private label products.

Fruits and vegetables are the fastest-growing segment in global agricultural trade, at over 12% per year. This growth rate has its roots in multiple sources of demand, ranging from food to pharmaceuticals to alternative medicines to natural cosmetics. While India is currently a net importer of fruits and vegetables, the country has a number of advantages, such as climactic diversity and abundant labor, which favor further development of domestic production. Within 10 years, Calypso expects domestic production to reach \$20 billion, benefiting the mostly small-scale farmers that dominate this segment.

Calypso sources its raw materials – from pineapples to gherkins – from more than 5,000 small-scale farmers spread across more than 400 villages in South and East India. A team of Calypso agricultural extension agents provides those farmers with a comprehensive range

of services that enable them to improve productivity and quality, and therefore to earn more money. These services include high-quality seed and organic fertilizer sales, soil testing services, and training in planting and growing techniques. The extension team has also introduced low-cost drip irrigation for efficient water management in areas where farmers previously used flood irrigation. Taken together, these services have enabled gherkin farmers to earn net incomes of Rs 48,000 per acre per year on two crop cycles.

● **Coca-Cola Sabco**^{18,19}

Coca-Cola Sabco (CCS) is a key bottler for The Coca-Cola Company in southern and eastern Africa and Asia, with 25 plants employing over 9,700 people across 12 countries. Many of CCS's territories are characterized by highly dense, low-income urban settlements with narrow, unpaved, and unmaintained roads and high numbers of very small-scale retail outlets. In this context, where classic distribution models are not effective or efficient, CCS developed an alternative, the Manual Distribution Center (MDC) model. MDCs are independently-owned, low-cost operations run by local entrepreneurs. An MDC usually consists of a small central warehousing facility with a manageable coverage area and defined customer base (typically 150 retail outlets). These outlets are low volume with high service frequency requirements and limited cash flows, which necessitates fast turnaround of stock. Distribution is kept manual to accommodate small drop sizes and physical infrastructure constraints, and to keep costs at a minimum. Today CCS has over 2,200 MDCs operating in East Africa, generating revenues of approximately \$426 million²⁰ and directly employing over 11,000 people.

● **DSCL Hariyali Kisan Bazaar**²¹

Hariyali Kisan Bazaar (HKB) is the rural retail arm of DCM Shriram Consolidated Ltd (DSCL), an agribusiness and chemical products corporation. HKB is focused on increasing rural incomes by improving agricultural practices, with the strategic intent to create long-term relationships with farmers. HKB bridges gaps in technical know-how and access to finance, and brings efficiency, consistency, and transparency to rural retail and agricultural produce markets. The products and services available through HKB include quality agricultural inputs and complimentary extension services, farm fuels, automotive products, construction material, telecommunications services, consumer durables, apparel, and food. In some cases, HKB also buys the farmers' produce. For

example, in Uttar Pradesh, Madhya Pradesh, Punjab, and Haryana, HKB buys wheat, paddy, and soybeans; in Uttar Pradesh and Madhya Pradesh, the company buys grains; and in central Uttar Pradesh, it buys milk.

HKB's unique selling proposition is affordability and accessibility to rural consumers. DSCL has over 300 HKBs in operation and plans to expand coverage nationwide. The company intends to cover two million farming households in over 20,000 villages and bring 20 million acres of cultivable land under HKB's service in the coming years. There are also plans underway to increase HKB's value proposition by forging alliances with service providers in social sectors like education and health care.

One of HKB's main challenges is the high cost of physical infrastructure. One way the company addresses this is to partner with other companies, such as banks, fast-moving consumer goods companies, and telecommunications service providers. Such partnerships allow HKB to focus on its core objective of reaching rural farmers with quality products and services. For instance, some HKB centers are also Bharat Petroleum petrol stations. This allows the companies to spread the costs of utilities such as electricity, water, housekeeping, and security. It also provides HKB with a presence very close to main national and state highways.

● **Financial Information Network and Operations Ltd (FINO)**²²

Among the main barriers to entry for the banking sector in rural areas are the high costs of customer acquisition and servicing. These costs can be brought down significantly through technology. This idea led to the creation in 2006 of Mumbai-based Financial Information Network and Operations Ltd (FINO), a company providing biometric-enabled, smart card-based solutions geared toward rural and semi-urban populations in India.

FINO is a technology provider to banks, microfinance institutions, insurance companies, and government agencies, offering solutions for savings, loans, insurance, remittances, and social benefits. On the front end, FINO sources customers using a network of agents; provides customers with client-branded biometric smart cards; and enables customers to interact with its clients via mobile point-of-transaction (POT) devices. On the back end, FINO aggregates and maintains data transferred from POT devices on its or its clients' core systems. This method of service delivery has brought the cost of serving rural and semi-urban customers down to approximately 25% of the cost of existing alternatives.

To date, FINO has successfully enrolled five million customers in over 166 districts in 20 states. It is the market leader in its space in India with a 60-70% share of all smart cards enrolled, and its clients include the State Bank of India, Union Bank of India, Punjab National Bank, ICICI Bank, ICICI Lombard Insurance, SEWA Bank, and various state governments implementing the National Rural Employment Guarantee Scheme of the Government of India. The company aims to reach 25 million customers in both domestic and international markets.

● GlaxoSmithKline²³

GlaxoSmithKline (GSK) is a leading producer of prescription medicines, vaccines, and consumer health care products with presence in 140 countries. In India, GSK Consumer Healthcare India is the market leader in the Health Food Drink category. Its flagship brand, Horlicks, is a 100 year-old malted milk beverage traditionally viewed as a milk replacer for its protein content and organoleptic properties. GSK Consumer Healthcare India sources milk, barley, wheat, and sugar.

Sourcing milk in India is a challenge due to a lack of chilling capacity and frequent adulteration, as 84% of milk is produced in the unorganized sector and 50% of the total is consumed as liquid milk in local households. To ensure a consistent, high-quality supply of liquid milk, GSK has built a procurement structure in which the company enables every stage of the milk value chain, from setting up support systems for dairy farmers to building strategic relationships with the biggest dairies in the country. GSK has representatives at the village level to guide farmers on health and hygiene, expansion of their dairy farms, deworming, design of dairy sheds, improving yields, breeding, and other issues. In select cases, the GSK representatives also provide feed and medicines. Dairy farmers bring milk either to their local village representatives or directly to GSK milk chilling centers. Tankers collect en route at the chilling centers and transfer the milk to the GSK factory.

By making technical knowledge and market infrastructure available at farmers' doorsteps, GSK has played a pivotal role in increasing commercial dairy farming, enabling farmers to improve productivity, quality, and hence earnings. For example, average yield per animal has gone up by 33%. GSK's dairy supply chain initiatives have also built supplier loyalty and ensured sufficient availability of quality milk for the company. As a result, the company considers this a classic win-win procurement strategy with a long-term strategic intent.

● ICICI Bank

ICICI Bank is India's second-largest bank with total assets of \$75 billion and a presence in 18 countries. Through its network of branches, subsidiaries, and affiliates, ICICI offers a wide range of services, including savings, credit, insurance, asset management, investment banking, and venture capital.

ICICI Bank has worked to promote financial inclusion at the base of the pyramid through access to credit and other enabling services, looking across the market ecosystems in which those at the BOP are embedded. For example, its microfinance program reached approximately eight million BOP families from 2002-3 to 2007-8. In rural areas, where more than 45% of small and marginal farmers lack access to finance, ICICI Bank works with self-help groups, cooperatives, microfinance institutions, and other partners to offer credit, crop insurance, market intermediation services, and training. For example, in the dairy sector, the company currently has tie-ups with approximately 600 dairy units from the cooperative and private sectors, including small, medium, and large processing dairies and affiliated infrastructure units like collection and chilling centers.

These dairy units refer farmers with "pouring memberships" to the bank, which follows up with its own due diligence and issues loans. Whenever a loan client comes to sell his or her milk, the dairy subtracts the appropriate repayment installment from the price it pays and transfers that money directly to the bank. This program offers doorstep service for the farmer, added loyalty and increased milk supply for the dairy, and aggregated demand at a reduced risk for ICICI. The program currently covers around 35,000 farmers across seven states (Punjab, Haryana, Rajasthan, Gujarat, Maharashtra, Andhra Pradesh, and Tamil Nadu).

Linked to this, ICICI funds the dairy processing units, collection and chilling centers themselves through its Rural Business Banking and Agri Business Banking programs (which provide comprehensive banking solutions to small rural and agricultural enterprises and to medium and large enterprises, cooperatives, and other institutions in food processing, agricultural input supply, and other agriculture-related industries). Approximately 150 units have been financed under these two programs.

● Idea Cellular^{24,25}

IDEA Cellular (Idea) is part of the Aditya Birla Group. Idea is the fastest-growing GSM service provider in India, which has become the largest and fastest-growing cellular services market in the world as telecom companies, through product-price innovations, have reduced

charges, increased subscriber bases, and positioned themselves to exploit economies of scale to further enhance affordability and usage. Idea is taking the mobile revolution from urban India to rural India offering a suite of products and services customized to the needs of rural and semi-urban consumers at the base of the pyramid. For example, Idea has forged alliances with vendors for low-cost handsets and launched small recharge sachets in denominations as low as US\$0.20. The company provides Value Added Services (VAS) such as “radio on demand,” which has been particularly successful in rural areas where FM radio does not reach. Other examples include an SMS-based religious offering service and dialer tones in languages other than Hindi and English. Idea’s media and advertisement campaign is also conducted primarily in local languages, to reach out to rural users. The company’s largest VAS sales come from rural and small urban towns, where it has found that even very low-income customers are willing to pay per-unit premium prices if they get the services they want. Idea had 44 million subscribers as of the end of March 2009, making it the third-largest private GSM operator in India with a 15% share of the market. The company has more than 1,520 branded service centers and more than 700,000 retail outlets around the country, including in places where roads do not yet exist. More than 300,000 of those retail outlets sell products and services to consumers at the base of the pyramid.

● International Development Enterprises India^{26,27}

International Development Enterprises (IDE) India is a non-profit organization dedicated to ending rural poverty through market-based approaches. IDE India develops affordable technologies appropriate to the needs of small farmers; helps build the value chains that manufacture, distribute, retail, and install those technologies; and raises awareness among potential customers to stimulate demand. The organization has focused primarily on irrigation technology, including drip irrigation and treadle pumps. IDE India currently operates in 15 states, nurturing a network of approximately 35 manufacturers, 100 distributors, 825 dealers, and 1,620 assemblers. IDE India’s market ecosystem also includes approximately 225 non-governmental organizations, which help raise awareness and provide agricultural extension services, among other functions. The irrigation technology developed by IDE India has been exported to various countries in Africa, Latin America, and Asia, where the organization also provides knowledge and skills for designing and implementing development projects.

IDE India has reached approximately a million small-scale farmers, enabling them to increase their productivity while saving water and energy – thus increasing their incomes. IDE India calculates that these farmers have realized \$934 million in income based on investments of \$374 million of their own and \$23 million by IDE. In addition, jobs have been created throughout the value chain, in manufacturing, sales, installation, and maintenance of IDE systems.

● ITC Ltd²⁸

ITC Ltd is a leading Indian conglomerate with interests in agribusiness, paper products, hotels, branded apparel, and other industries. Within the agribusiness division, ITC’s much-celebrated e-Choupal model streamlines procurement from small-scale farmers at the base of the pyramid.

Indian agriculture markets have been dominated by the highly inefficient mandi system in which both farmers and buyers lose value. ITC’s e-Choupals use information and communications technologies like computers, the Internet, and radio to offer farmers access to information, extension services, agricultural inputs, and other household products and services, as well as markets for their produce. Information and extension services typically include local and global price data, weather forecasts, and knowledge of new farming techniques. Some e-Choupals also facilitate access to financial services like crop insurance. Prices on products purchased through e-Choupals are typically lower than those available from village traders, because e-Choupal operators can aggregate and transmit orders to ITC representatives who buy in bulk. Importantly, farmers can also use the e-Choupal system to sell directly to the company, eliminating middlemen and obtaining higher prices. Today, there are 6,400 e-Choupals in 40,000 villages in eight states, serving more than 4.1 million farmers. ITC intends to grow the network to 20,000 e-Choupals in 100,000 villages in 15 states by 2015 – at which point it will serve over 10 million farmers. Recently, the company has also started linking the e-Choupals to regional hubs called Choupal Saagars, which act as one-stop shops in the brick-and-mortar sense, offering farmers a wide variety of products and services such as farm equipment and inputs, fuel, consumer goods, warehousing, soil testing, healthcare, and more. More than 110 companies are now involved, using ITC’s e-Choupal and Choupal Saagar network to do business with rural India.

● Jain Irrigation Systems

Jain Irrigation Systems is the second-largest manufacturer of irrigation systems worldwide and also a leading processor of fruits and vegetables. For instance, Jain is the world's largest producer of pureed mangos and the third-largest producer of dehydrated onions. In India, Jain has built its success in dehydrated onions by sourcing from small-scale contract farmers. Approximately 60% of its onion supply comes from approximately 4,000 farmers with an average acreage of 2.5 acres under onion production.

Jain sees contract farming as the future of its processing business as advantages accrue to the company and to the farmers. The contract farming model is built on selecting progressive, receptive farmers and providing them with quality onion seeds; access to irrigation systems, fertilizers, and other inputs; agronomical guidance; and management training through Jain extension agents on the ground. The company then buys the onions back at a guaranteed price – either a minimum price established at the beginning of the growing season or the market price at harvest time, whichever is greater. Often the relationship with Jain enables the farmers to obtain credit from commercial banks.

For Jain, the advantages of this model include direct control over the quality and security of supply. Farmers benefit from the availability of high-quality seeds, input finance, agronomic support, and an assured market for a crop that yields an additional \$300-\$400 per acre compared with previous growing practices. Based on the success of this model, Jain is planning to increase its contract farming base in mangos, bananas, and pomegranates, among other crops.

● Jaipur Rugs²⁹

The Jaipur Rugs Group designs, develops, manufactures, markets, and exports rugs to more than 20 countries, working with top retail chains such as Crate & Barrel in the United States and ELTE in Canada. Its 2007-2008 revenues were more than \$10 million and its sales growth has averaged more than 40% a year in the past three years.

Jaipur Rugs operates in eight states in India using a vertically integrated model in which the company oversees the entire production chain, from raw material selection to spinning to dyeing to weaving to finishing. Working in tandem with the Jaipur Rugs Foundation, the company has incorporated more than 40,000 low-income people into its production chain, approximately 28,000 of them as weavers. About 60% of them are women and about 80% are illiterate.

The Jaipur Rugs Foundation identifies, assesses, and recruits weavers and provides them with the training and other social support services they need to participate effectively in the Jaipur Rugs production chain. For example, foundation staff visit weekly or bi-weekly to make sure productivity and quality are good. The Jaipur Rugs Company, in turn, supplies yarn and color-coded patterns, paying on the basis of production typically once a month. The weavers themselves are responsible for establishing dedicated working areas, which are usually outside for lack of electricity and thus must be covered to protect the work in case of rain. They must also return the patterns when they are finished along with any unused material.

Jaipur Rugs guarantees 100% buy-back of the rugs its weavers produce (in cases of inadequate quality, the company pays a reduced rate commensurate with the extent of the defect). However, its weavers are not employees; rather, the company likes to call "each artisan an entrepreneur." As such, they are subject to some of the risks of entrepreneurs as well. Jaipur Rugs provides global market linkages for what they produce, commercializing the rugs in markets they might never have been able to reach on their own. By the same token, though, the company cannot protect them from decreased demand when those markets take a downturn.

Jaipur Rugs has received a number of awards for quality and its model has recently attracted international attention – for example, becoming the subject of a case by professor and base of the pyramid guru C.K. Prahalad.

● Mozal Aluminum³⁰

Mozal is a \$2 billion aluminum smelter built with foreign investment in post-conflict Mozambique. As part of its long-term strategy, Mozal was interested in sourcing from local SMEs, but initially the company had problems establishing contracts and ensuring that quality and environment, health, and safety standards were sufficiently high. In 2001, in the construction phase, Mozal and IFC began working together to build the capacity of local SMEs to qualify for contracts with it and other large companies. Through training and mentorship, their efforts enabled 15 SMEs to win over \$5 million in contracts. Based on this initial success, when Mozal entered the operations phase in 2003, the partners decided to establish the Mozambique SME Linkage Development Program (Mozlink) to:

- Create stronger and more competitive SMEs through mentoring, coaching, training, and exposure to best practices
- Increase SME access to finance

- Provide business opportunities to Mozambican companies without compromising on safety, quality, or competitiveness
 - Create jobs through local SME growth
 - Transfer knowledge and business from other countries to Mozambique
 - Expand the concept of SME linkages by involving other large corporate partners, such as Coca-Cola, Sasol, and SABMiller
- Mozlink pursues these goals via a three-pronged strategy consisting of knowledge sharing, supply analysis, and an SME Development Center through which 12-month cycles of training and mentoring are provided to local small businesses, often by local business development services providers.

Between 2003 and 2005, Mozlink Phase I resulted in contracts of approximately \$15 million to 25 SMEs. Since 2005, Mozlink Phase II has resulted in \$18 million in contracts with 50 SMEs. SMEs are also beginning to establish relationships with other large companies: in total, 80 SMEs have established contracts worth over \$20 million with Mozal and other firms.

● SCF Capital³¹

SCF Capital is a boutique merchant bank focusing on systemic change in the structuring of financial supply chain flows for global platform companies working with small and micro businesses. SCF Capital is addressing the unique financing requirements and constraints of these small and micro businesses by creating a new asset class. Using a combination of traditional factoring, buyer confirmation of invoices, and credit insurance, the company is working to create a transparent, investment-grade asset which can be used to obtain credit. For example, whereas small-scale retailers usually pay cash for the merchandise they buy from distributors, SCF facilitates the financing of those purchases by packaging the credits of groups of small-scale retailers together and insuring them as securities.

● Shell Foundation^{32,33}

The Shell Foundation was established by the Shell Group in 2000 with a \$250 million endowment and a further commitment of \$160 million over 10 years. The Foundation's mission is to "develop, scale up, and promote enterprise-based solutions to the challenges arising from the impact of energy and globalization on poverty and the environment."³⁴ Its methodology consists of four steps:

1. Incubation
2. Pilot
3. Scaling best practice

4. Spin-off

Two of the Shell Foundation's flagship programs are Breathing Space and Trading Up. Breathing Space tackles indoor air pollution, which kills 1.6 million women and children every year, by leveraging an initial investment in the development of an improved cook stove with additional investments in entrepreneurs who can lead commercialization efforts on the ground. In India, Envirofit India Pvt Ltd (a subsidiary of US-based non-profit Envirofit International) has raised awareness among consumers in rural and peri-urban low-income markets; obtained a commercial credit line; worked with utensil dealers for distribution; and arranged for consumer finance for the poorest customers through a microfinance institution. The Shell Foundation hopes to see sales in India reach four million households by year five. To date, 50,000 stoves have been sold in India and 520,000 stoves have been sold around the world. These stoves cut toxic emissions by 80% and fuel usage by 50%. They can also reduce cooking time up to 40%.

Trading Up establishes linkages between developing world producers and major retailers in the developed world. On one side, the Shell Foundation partners with retailers in order to understand their and their customers' needs. On the other side, working with intermediaries ranging from non-governmental organizations to for-profit businesses, the foundation arranges for the seed capital and technical assistance producers require to meet the retailers' needs. In India, for instance, the foundation is helping to channel certified organic and fair trade cotton to groups like C&A, IKEA, and Marks and Spencer.

● Source for Change³⁵

Source for Change (SFC) is a Business Process Outsourcing (BPO) company built on the idea that social values can be achieved through the private marketplace. SFC provides high-quality services at competitive prices by creating technology jobs for low-income rural women, who demonstrate keen attention to detail and long-term loyalty to the company. The company's clients include Pratham India, The University of Maryland, the Government of Rajasthan, Piramal Water Pvt Ltd, InTouch Solutions, ARAVALI, Reel Colour Studios, and the Confederation of Indian Industry. For Pratham India, one of the largest Indian non-governmental organizations, SFC executed a 19,200-form data entry project in 21 days and was cited as the highest-quality data entry provider among 20 different vendors. Other examples of SFC's work include magazine page layout, bill and invoice processing, library cataloguing, and contact verification via

telephone. Based in Bagar, Rajasthan, SFC currently employs 38 women who range in age from 18 to 35 and have at least a 10th grade education. All but three are first-time paid employees. SFC's vision is to catalyze 100,000 technology jobs for rural Indian women.

● **Syngenta Foundation**^{36,37}

Syngenta is a leading agribusiness concern with more than 24,000 employees in more than 90 countries around the world, selling primarily seeds and crop protection products. The Syngenta Foundation for Sustainable Agriculture is a non-profit organization that works to increase the income-earning opportunities of small-holding farmers by raising their crop productivity and linking them to markets – working in partnership with players like cooperatives, government agencies, non-governmental organizations, and universities. In India, the foundation has established four projects across four states, two in Maharashtra (Chandrapur and Jawhar) and one each in Orissa (Kalahandi) and West Bengal (Bankura). These projects focus on improving the cultivation of rice and vegetables. Farmer training is a core component of all four projects, covering topics such as efficient utilization of soil, water, and nutrients; use of improved farm equipment; seed treatment; rainwater harvesting; and fertilizer briquetting. Training is imparted both in the classroom and via demonstration. In Bankura, Kalahandi, and Jawhar, Syngenta Foundation is making efforts to organize the farmers into groups and to help them carry out their own marketing of fresh vegetables. In tropical sugar beets, Syngenta Seeds is working with approximately 6,000 farmers growing from seeds developed specifically for warm climates. Eco-efficiency is a strong theme, and participating farmers have noticeably decreased crop duration and water usage. The project also helps farmers establish buy-back linkages for their produce with the processing factory.

Appendix 2 Jaipur Roundtable Participants

Aavishkaar Venture Management Services Pvt Ltd
Amalgamated Plantations Private Limited
Andhra Pradesh Paper Mills Ltd
Anglo Zimele
BASIX
Bharti Del Monte
Bhartiya Yuva Shakti Trust (BYST) - Youth Business International
Cairn India Ltd
Calypso Foods
DSCL Hariyali Kisan Bazaar
FINO
GlaxoSmithKline
ICICI Bank Ltd
Idea Cellular
Intellectual Capital Advisory Services Pvt. Ltd (Intellecap)
International Business Leaders Forum
International Centre for Entrepreneurship and Career Development
International Development Enterprises India
International Finance Corporation
ITC Ltd
Jain Irrigation Systems Ltd
Jaipur Rugs Company Pvt Ltd
Jaipur Rugs Foundation
Monitor Group
SBP
SCF Capital
Shell Foundation
Source for Change
Syngenta Foundation
United Nations Development Programme

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Notes



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IFC, the private sector development arm of the World Bank Group, adds value to private sector investment by offering its client a range of Advisory Services. For instance, to catalyze local economic growth, IFC designs and implements programs to integrate Small and Medium Enterprises (SMEs) into the supply chains of its clients to create income generation opportunities for communities around clients' project sites. These results are achieved through a mix of interventions, such as local supplier development programs, training in business/technical skills for SMEs and micro-entrepreneurs, and facilitating SMEs' access to finance and entry into new markets.

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THE CSR INITIATIVE, HARVARD KENNEDY SCHOOL

Under the direction of John Ruggie (Faculty Chair) and Jane Nelson (Director), the CSR Initiative at Harvard's Kennedy School is a multi-disciplinary and multi-stakeholder program that seeks to study and enhance the public contributions of private enterprise. It explores the intersection of corporate responsibility, corporate governance, and public policy, with a focus on the role of business in addressing global development issues. The Initiative undertakes research, education, and outreach activities that aim to bridge theory and practice, build leadership skills, and support constructive dialogue and collaboration among different sectors. It was founded in 2004 with the support of Walter H. Shorenstein, Chevron Corporation, The Coca-Cola Company, and General Motors and is now also supported by Cisco Systems Inc., InterContinental Hotels Group, Microsoft Corporation, SAP, and Shell Exploration and Production.

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IBLF is a not-for-profit organization established in 1990 to promote responsible business leadership and partnerships for international development. It is supported by over 100 companies from around the world and a range of other partners including inter-governmental organizations, bilateral development agencies, and NGOs. IBLF works in over 50 countries, mobilizing visionary leadership, building cross-sector partnerships and engaging the capabilities of companies to create innovative and sustainable development solutions.



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International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, DC 20433
USA
www.ifc.org

Harvard Kennedy School
Harvard University
79 John F. Kennedy Street
Cambridge, MA 02138
USA
www.hks.harvard.edu/m-rcbg/CSRI

International Business Leaders Forum
15-16 Cornwall Terrace
Regent's Park
London NW1 4QP
United Kingdom
www.iblf.org