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# REVISITING VALUE CHAIN INITIATIVES: INSIGHTS FROM THE BASE-OF-THE-PYRAMID PERSPECTIVE



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This publication was produced for review by the United States Agency for International Development. It was prepared by Ted London, PhD, senior research fellow at the William Davidson Institute & faculty member at the University of Michigan's Ross School of Business, and Ravi Anupindi, PhD, faculty member at the University of Michigan's Ross School of Business, under the QED Group LLC for the Knowledge-Driven Microenterprise Development project.

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## INSIGHTS FROM THE BASE-OF-THE- PYRAMID PERSPECTIVE

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# ABOUT THE AUTHORS

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# EXECUTIVE SUMMARY

The plight of the world's poor, including the plight of billions of local producers in the developing world, continues despite increased attention and investment by the private sector and the development community. Donor- and enterprise-led initiatives, while often having overlapping objectives, approach the opportunity to serve the poor from different perspectives. Indeed, the goals of profits and poverty alleviation are frequently viewed as incompatible, and the two sectors still operate relatively independently of one another. Yet for these initiatives to achieve their promise as sustainable and scalable approaches, development and business efforts must become better integrated. An emerging domain, the base (or bottom) of the pyramid (BoP), offers insights into how this could occur.

In this paper, we examine donor- and enterprise-led value chain initiatives and explore how a BoP perspective based on collaborative interdependence can enhance the integration of these efforts. Our study is based on a combination of extensive desk research, discussions with a variety of field experts, and field visits to project sites in Africa and India.

Donor-led initiatives target industry sub-sectors and often entail intervention within multiple value chains. Implementing partners, selected for their knowledge of the problems and challenges the poor face, their expertise in project execution and their capability to enlist key organizations in the project work. The implementing partners play the role of facilitator, providing advice and mitigating risk. They often invest in developing platforms that multiple actors in the value chain can leverage. The goal of these initiatives is to operate according to a predetermined set of activities and metrics using investments that are capped. Given the short-term and finite duration of the project, there is limited provision for experimentation and hence little tolerance for failure as an opportunity for future learnings.

In contrast, the premise of enterprise-led initiatives is to identify business opportunities to continue their growth strategies and build competitive advantage. Investments are viewed with an economic lens of benefits and risks. Implementation of enterprise-led initiatives proceeds cautiously via pilots designed to test and fine-tune the solution design. Implementation proceeds in an iterative fashion until a robust business model is found or the initiative is terminated. Scalability of the initiative depends on generating competitive advantage and developing transferable skills.

The donor-led approach, based on the donor's design and decision to invest, ensures that certain things at a minimum will happen on the ground. When donors remove themselves from programs, however, scalability and sustainability of interventions becomes less certain. The enterprise approach emphasizes minimizing risks and small-scale experimentation to test business models, and thus does not ensure that a specific investment will be made. However, with a long-term focus on its business model development investments, it has the potential to have an enduring and widespread impact.

The BoP perspective, which relies on a proposition of mutual value creation, offers important insights for enhancing the integration of these two approaches. In particular, both the donor and the enterprise approaches need to develop a partnering model based on collaborative interdependence.

We propose several strategies that donors can use to enhance collaborative interdependence between sectors. They include: 1) ensuring the team has a deep understanding of the unique opportunities and challenges of enterprise development in BoP markets; 2) identifying and using a set of metrics focused on assessing mutual value creation; 3) supporting a flexible partnership model that encourages experimentation and values learning; 4) maintaining a long-term commitment for co-creation; 5) supporting market creation efforts that enable competitive advantage; and 6) emphasizing that key skills and capabilities are fully transferred to enterprise partners before ending the project.

Variation in context may influence the prioritization and sequencing of these strategies. Regardless, they offer a partnership approach that builds on the strengths of each sector and provides insight for a model that can facilitate stronger connections between profits and poverty alleviation. We hope that both the donor and enterprise communities will embrace the opportunities of interdependence and commit to jointly exploring new models that can lead to more-fruitful collaborative engagement.

## **I. INTRODUCTION**

Poverty remains one of society's greatest challenges. The poor typically find themselves excluded from global markets, and there is increasing recognition of the necessity to create a more inclusive system of capitalism. The growing imperative for new thinking has led to increased focus on the role of market-based initiatives as a cost-effective and potentially scalable approach to poverty alleviation.

Market-based approaches to poverty alleviation, however, are not new. Aid-funded support for local small- and microenterprises has been a staple of the development community for many years. Yet the poor remain poorly served, and their enterprises still struggle to

connect with the formal economy. As such, there is increasing recognition of the need to complement existing market-based approaches with new thinking.

The development of the base (or bottom) of the pyramid (BoP)<sup>1</sup> literature provides an opportunity for a new perspective to contribute to this field. The BoP perspective relies on a proposition of mutual value creation; the greater the ability of the enterprise to meet the needs of the poor, the greater the return to the partners involved. Indeed, the BoP domain emphasizes that unmet societal needs are also potential business opportunities. The BoP has gained considerable attention over the past decade. There have been a number of major conferences, including several at the William Davidson Institute (WDI), on the topic, and a growing number of authors and researchers are using the term BoP in their writings. As WDI's previous work with USAID has shown, interest in the BoP domain is also expanding in the field.<sup>2</sup> While increasingly popular, the BoP field is relatively new and still taking shape as a poverty-alleviation approach.

The objective of this research study is to inform how a BoP perspective can be leveraged to enhance a particular market-based approach – initiatives that seek to include local producers in domestic and international value chains. Specifically, we explore how insights from the BoP domain can accelerate the integration of two existing value chain approaches: donor-led initiatives and enterprise-led initiatives. The goal is to provide a set of recommendations on strategies that USAID and their implementing partners as well as other development agencies can use to further enhance the outcomes of their value chain investments.

In the report that follows, we first present our research methodology. This is followed by a review of the value chain approach from its first use as a company strategy for generating competitive advantage to a lens that the development community can use to integrate local producers into domestic and international value chains. Next, we present a summary of USAID's approach to value chain initiatives. We then evaluate prototypical donor- and enterprise-led value chain initiatives by identifying their strengths and weaknesses as well as the similarities and differences in their approaches to achieving overlapping outcomes. We present the BoP perspective and explore how insights from this domain can generate a set of recommendations to enhance the integration of donor- and enterprise-led value chain initiatives. We close with a discussion about how the priority and sequencing of these recommendations can vary depending on context. We conclude with some suggestions for next steps.

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<sup>1</sup> The BoP, estimated at approximately four billion people, is the socio-economic segment with a per capita purchasing-power parity of less than \$3,000 that primarily lives and operates micro and small enterprises in the informal economy.

<sup>2</sup> London, T., Janiga, K., and Valente, M. 2007. "The Base of the Pyramid Perspective and the Social Enterprise Methodology: Understanding the Facilitating Role for Development Agencies." Washington, DC: US Agency for International Development. *Office of Poverty Reduction Report*.

## **II. RESEARCH METHODOLOGY**

The objective of this research study is to inform how a BoP perspective can be leveraged to enhance the integration of donor- and enterprise-led value chain initiatives to generate more sustainable and scalable approaches to poverty alleviation. As a first step, we conduct a comparative analysis of donor- and enterprise-led value chain initiatives. Using a combination of desk research and extensive discussion with leading experts supplemented by field studies, we articulate the key components of both as they move through the stages of design, implementation, and sustainability. We then use research emerging from the BoP domain to articulate strategies for better integration of these two approaches.

Research for this project was conducted over the period of a year. In the first phase of the project, we did extensive desk research to understand the development of value chain thinking from its application to firms in the commercial world to its adaptation by the donor/development community using global value chains as a mechanism for poverty alleviation. We also reviewed examples of value chain initiatives. USAID's wikilinks was a key source for the donor-led initiatives, whereas enterprise-led initiatives were collected from several other sources, including online databases, course syllabi, research articles, and case study collections. Following our desk research, we scheduled in-person meetings with knowledge experts in donor-led value chain initiatives in Washington, D.C. During this visit, we also scheduled meetings with several implementing partners to better understand how the theory of donor-led initiative is translated into practice, including success factors and obstacles faced.

In consultation with USAID and upon its recommendation, we short-listed projects for site visits. We decided to focus on two regions – Eastern Africa and India. We then selected three donor-led initiatives and one enterprise-led initiative in Africa (Kenya and Zambia). We also short-listed three enterprise-led initiatives and one donor-led initiative to visit in India. We continued our discussions (via conference calls) with other field experts to supplement our understanding of donor-led value chain initiatives in practice. The various articles, case studies, and other materials that were reviewed are compiled into a research database (see Annex C).

Phase II of the project commenced with field visits conducted between March and May of 2010. Insights from these visits along with desk research and discussions with leading experts allowed us to develop a deep understanding of the core principles of donor-led and enterprise-led value chain initiatives. This formed the core of our research. We then conducted an extensive review of the BoP literature.

Based on our analysis of the donor- and enterprise-led value chain initiatives and our review of the BoP literature, we developed a set of recommendations on how insights from a BoP perspective could enhance the integration of donor- and enterprise-led value chain initiatives.

We scheduled a visit back to Washington D.C., in May 2010 to share our preliminary findings with USAID as well as the field experts from the development community. We made two presentations, to which several experts were invited. These discussions were used to gain additional feedback and further enhancements from USAID on the project's content and progress.

Following the May visit to D.C., we hosted a three-day Web-based e-consultation session to engage in a discussion with a larger set of experts. This e-consultation session took place June 23-25, 2010. Each day of the program was structured to solicit feedback specific to a set of questions. More than sixty experts were invited to participate. Co-principle investigators Ravi Anupindi and Ted London moderated the session. Participants were introduced to the e-consultation session via a recorded video introduction from the moderators. We incorporated the feedback and insights gained from these consultations in our recommendations and final report.

### **III. THE VALUE CHAIN APPROACH FOCUS**

#### **1. Introduction to Value Chain Concept**

The value chain approach, also known as value chain analysis, was developed as a strategic planning tool for business management. The concept was first described by Michael Porter in 1985 as the actions required from the start of product or service development through the phases of production, delivery, and final disposal.<sup>3</sup>

Porter's work focused on the firm and the value it created for its customers. Value is defined by the amount that buyers are willing to pay and can be measured by total revenues. The firm's competitive advantage emerges from its ability to create value for its buyers that exceeds the associated costs. Porter argued that effectively managing the chain of internal activities adds more value to the end product compared with the additive sum of values of the separate activities. Products pass through a number of activities in the chain, of which production is just one, in order to gain value. According to Porter, a firm's value chain contains nine generic categories of activities classified as either primary or support activities; the five primary activities are inbound logistics, operations, outbound logistics,

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<sup>3</sup> Porter ME (1985) *Competitive Advantage: Creating and Sustaining Superior Performance* (Free Press, New York).

marketing and sales, and service; the four support activities are procurement, technology development, human resource development, and firm infrastructure. By optimizing and coordinating the linkages across these activities, the firm can influence the value it creates and its associated costs.

To sustain competitive advantage in its value chain, however, the firm must understand its industry and competitors and develop an appropriate strategy. Porter had identified five competitive forces that a firm should recognize and ideally alter in order to capture value along its chain of activities.<sup>4</sup> The five forces are the threat of new entrants, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers, and the rivalry among existing firms in the industry. Using this framework combined with value chain analysis, businesses can think through strategies to maintain and improve their competitiveness. For example, considering the threat of entrants means considering other organizations that may enter the same market and compete for profit. Knowing what to expect from future competition enables an organization to fill that value space in the market. These competitive forces vary in different industries and can change as the industry transforms.

Value chain analyses allow a company to better identify its key competencies as well as capability gaps. These gaps are addressed through a process called upgrading whereby the firm alters its existing products and production process to become more competitive. Technology upgrades, for instance, increase productivity and production efficiencies. Training and knowledge diffusion are also key components of the upgrading process.

Porter applied the value chain analysis not only to individual firms, but also at the industry level, which he termed the “value system.” The value system includes the value chains of suppliers, the firm itself, distributors, and end buyers. Within this perspective, a firm’s value chain becomes part of a much broader system that includes many vertical linkages to other value chains. The firm must effectively manage linkages not only within its operation, but also across the broader industry. Competitive advantage and ways to reduce costs may therefore be found beyond the firm level. Thus a value chain approach brings to focus the need to manage interfirm linkages and build strong relationships along the value chain.

One of the major objectives of the value chain approach at the industry level is to manage interfirm linkages along the value chain. Building strong relationships with industry players is critical for developing sustainable value chains. Strengthening vertical relationships along the value chain (i.e., relationships between input suppliers, producers, traders, exporters, wholesalers, and end buyers) is essential to the success of this approach.

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<sup>4</sup> Porter ME (1985) *Competitive Advantage: Creating and Sustaining Superior Performance* (Free Press, New York).

These linkages facilitate the delivery of benefits and embedded services and the transfer of skills and information between firms. In addition, horizontal linkages also require consideration within value systems. In any one value system, there may be multiple producers, processors, or distributors creating and distributing similar products and experiencing common constraints. Horizontal linkages are (formal or informal) longer-term cooperative arrangements among firms doing similar tasks in a value system that involve interdependence, trust, and resource pooling in order to jointly accomplish common goals. Such linkages reduce transaction costs, create economies of scale, and contribute to the increased efficiency and competitiveness of an industry.

Lastly, the enabling market, including relationships with supporting markets, regulations, norms and customs, competitors, and market trends, also requires consideration and maintenance within the value-system approach.

## **2. Value Chain's Application to Poverty Alleviation**

As indicated by the 2010 report "Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice," value chains have become a popular approach to use in development and poverty-alleviation efforts.<sup>5</sup> Development organizations began to support economic initiatives as inclusion in markets and economic growth became recognized as preconditions for poverty alleviation. Initial market-based approaches included local micro and small enterprises (MSEs) as well as business development services, or BDS (i.e., providing business-related training to small producers/enterprises). While these approaches continue to be used, development and donor agencies began to see value chains as an attractive part of the poverty-alleviation equation because of their comprehensive nature, incorporating elements of MSE with BDS and policy components.

USAID has been funding and implementing market-based projects for the past three decades through its Microenterprise Development Office. The initial focus of these projects was on micro and small enterprise (i.e., small firms and producers) development. In the 1990s, as part of a trend within the development sector, USAID developed the business development services (BDS) model. The BDS approach emerged as a way to enhance small-enterprise development by knowledge, skills, and other resources to enhance business performance. Later, USAID's approach to enterprise development transitioned from providing business services and training (i.e., BDS) to a more systemic value chain approach.

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<sup>5</sup> Humphrey, J. and Navas-Alemán, L. (2010) "Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice." *IDS Research Report 63*, Brighton: IDS

There are several stakeholders involved in a value chain approach to poverty alleviation: the international donor, the implementing partner, local firms, producers, and the support-service providers. These value chain initiatives direct project resources between partners in a way that smaller firms or local producers receive the greatest benefit. From the selection of implementing partners to selection of lead-firm partnerships in the field, creating successful relationships and enhancing linkages within the value chain are the main priorities for these efforts.

USAID considers value chain initiatives to be an effective approach for increasing growth and reducing poverty. USAID's value chain approach also targets the end market to drive demand, be it local, regional, or international, since connections to the end market provide the opportunity for increased participation by actors through the value chain. USAID value chain projects target the local producers and aim at enhancing their ability to integrate into domestic and international markets.

USAID value chain projects generally incorporate several components. In the agricultural sector, these efforts often incorporate developing produce that can compete in national and international markets, aggregating demand to enhance farmer selling power, and enhancing vertical and horizontal linkages to improve relationships among firms, increase transaction efficiency throughout the value chain and generate greater local value capture. Another aspect focuses on providing technical, managerial, and financial resources that are currently missing, including supporting efforts directed at upgrading in order to add value to the product or service and improve the efficiency of production and marketing processes. Another area of focus targets improving the institutional environment, including advocating for policy reforms that allow local producers operating in the informal economy to more effectively bridge to the formal sector. An objective is to develop a regulatory environment that favors local producers.

In many USAID value chain projects, the various components are combined in an integrative fashion to improve demand for specific products, to increase the supply of higher-performing local producers, and to create policies that enable these producers to more easily access the formal economy, respectively.

#### **IV. INTRODUCTION TO DONOR-AND ENTERPRISE-LED VALUE CHAIN INITIATIVES**

Donor- and enterprise-led initiatives, while often having overlapping objectives, approach the opportunity to serve the poor from different perspectives. Indeed, the goals of profits and poverty alleviation are frequently viewed as incompatible, and the two sectors still operate relatively independently of one another.

USAID donor-led value chain initiatives (DLIs) are development programs specifically targeting poor producers, including local producers and artisans. In these initiatives, the donor-funded implementing organization (often called the implementing partner or IP) plays the role of network orchestrator. In executing this role, the IP remains outside the value chain and focuses on facilitating, as opposed to directly implementing, any changes. This facilitation can include improving demand for specific products, increasing the supply of higher-performing local producers, and addressing limitations in the national policy environment.

These donor-led initiatives target industry sub-sectors and often entail intervention within multiple value chains. Implementing partners, selected for their knowledge of the problems and challenges the poor face, their expertise in project execution and their capability to enlist key organizations in the project work. The implementing partners play the role of facilitator, providing advice and mitigating risk. They often invest in developing platforms that multiple actors in the value chain can leverage. The goal of these initiatives is to operate according to a predetermined set of activities, metrics and investments.

In enterprise-led value chain initiatives (ELIs), the enterprise acts as the network orchestrator. These enterprises operate within the value chain and look for business opportunities to continue their growth strategies and build competitive advantage. In orchestrating their strategy, investments are viewed with an economic lens of benefits and risks. Depending on their skills and capabilities and comfort level in working with local producers, enterprises may partner with other players (private, nongovernmental, or government) to craft solutions to address the local constraints. They proceed cautiously with pilots to test their business models before deciding whether to invest to achieve scale. The decision to scale includes an assessment of the level of capability development and opportunities for competitive advantage.

DLIs and ELIs, like most initiatives, pass through three stages of development. The first stage is design. Here the initiative is conceptualized and initial goals and metrics are developed. The design stage concludes with the decision of whether or not to implement. If the initiative proceeds, the implementation stage involves launching the proposed business model. The third stage is sustainability. In this stage, the initiative assesses the opportunity

to sustain and scale the activities implemented. While generally sequential in nature, initiatives may return to a prior stage or address more than one stage at a time. The implementing team, for instance, may revisit design during implementation or while exploring sustainability or scalability. With that in mind, the following discussion presents the key aspects of each stage of a prototypical DLI, recognizing that specific initiatives may not follow these patterns exactly.

## **V. DONOR-LED VALUE CHAIN INITIATIVES: A SYNTHESIS OF CORE PRINCIPLES**

### **1. Design of DLIs: Leveraging Experience and Aligning Partners**

A DLI generally commences with a two-step design process. The first step is the decision by the donor to invest resources in a targeted industry (such as agriculture or handicrafts) or subsector (such as horticulture or honey) and the associated development of a document inviting organizations to bid on the project. These are typically called request for proposal (RFP) or request for application (RFA).<sup>6</sup> The second step involves third-party organizations responding to the RFP or RFA.

The initial selection of the industry or subsector is often made by the donor after consulting with local and international experts and relevant government officials. Broad parameters of the interventions needed to improve the competitiveness of chosen sectors are identified. Local producers often operate primarily in the informal economy and can struggle to access formal resources and markets. This may necessitate both provision of BDS and improvements of the business environment for MSEs, addressed via a policy component of the project. The length is also determined, typically three to five years,<sup>7</sup> and high-level metrics that projects need to accomplish are specified. This forms the basis for the RFP or RFA.

A prospective implementing partner (IP) then has about two months to respond with its proposal for executing the project. This response is expected to describe how the

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<sup>6</sup> The RFP (contract) is usually issued through full and open competition. It requests a detailed proposal on price, how the work will be accomplished, and who will accomplish it. The award to the winner is issued in the form of a contract and it is usually a cost-reimbursable contract. Contracts are used when the principal purpose of the relationship between the government and the contractor is the acquisition of products or services for the government's direct use or benefit. Bidders for government contracts are usually for-profit firms (at least as prime contractor). Unlike the RFP, which is a contract, the RFA is a grant. An RFA is usually issued to nonprofit organizations as prime grantees or prime recipients. Grants are used to accomplish a public purpose of support or stimulation. The grant involves transfer of funds (and possibly other things of value) from the government to the organization (grantee). Additionally, the government is not substantially involved in the grant activity. It would normally have to preapprove the organization's methodology and prior experience in working with grants. Basically, the government serves as a "patron" to the organization (provides the funding), although it does perform routine oversight. Finally, USAID also uses a blanket purchase agreement called RFTOP (request for task order proposal).

<sup>7</sup> Extensions of one or more years are possible, and the focus can involve new activities or completion of planned tasks not yet finished.

organization will achieve the broad objectives outlined in the RFP or RFA, including identifying resources required, partners with whom to collaborate, and key steps that will be taken in implementing the project. The organizations bidding on an RFP or RFA have to clearly articulate the design, implementation, and expected outcomes (including sustainability) of their intervention. The yearly activities, budgets, and expected outputs are laid out. Because the overall goals and objectives set forth in the RFP or RFA are often quite broad, the proposal can have several subcomponents across different value chains. A partnership approach that dovetails with other donor programs, as appropriate, may also be required. For example, the project focusing on competitiveness and BDS may be asked to coordinate activities with another project, executed by a separate entity that is targeting the enabling environment.

In Zambia, for example, the country-level identification of needs included greater access to markets, enhanced value-added and production technologies, increased financial and business development services, and improved enabling environment for growth. The donor then solicited proposals for a project titled Production, Finance, and Technology (PROFIT) to address the latter two issues, with expectations that the project would collaborate with the implementing partners of the other two issues. Several broad metrics were identified; for example, increases in number of clients engaged in value-added processing, value of production per unit of harvested land, number of clients accessing finance, and number of women in producer organizations (see Annex B.I.).

The USAID mission in India, after a careful analysis of existing government and other bilateral donor initiatives that were focused on self-help groups, microfinance institutions, and microenterprises, identified growth-oriented microenterprises as a potential engine for employment growth. Growth-oriented enterprises were defined as enterprises straddling the space between traditional microenterprises and small businesses. USAID/India analyses suggested there was a need for intervention in policy, finance, and enterprise support services to ensure that this neglected sector could achieve its potential. It was determined that the intervention program would focus on two key subsectors of agriculture and urban services, involve all key actors in these value chains, and work in a minimum of two of the states in India. This initial research formed a basis for the GMED project.<sup>8</sup>

The donor organization then selects an IP for the project based on an evaluation of the submitted proposals. The selection process usually values the experience the IP can bring to the project, including its knowledge of the problems and challenges the poor face. The IP

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<sup>8</sup> Menon, P.S. (2004) "Request for Tax Order Proposal 386-04-019." USAID India: Growth Oriented Microenterprise Development.

has accumulated a repertoire of experience, knowledge, and solutions through several projects across geographies that it can bring to bear for project execution. IPs are also assessed on their partnership model, including key organizations and individuals enlisted to execute the project. Implicit in this articulation is the role of network orchestrator.

In its design, the IP leads by facilitating the various tasks in the project design while making every attempt not to be part of any of the value chains it seeks to enhance. For example, the Cooperative League of the USA (CLUSA), which has over fifty years of experience in economic empowerment in developing countries, was selected as the IP for the PROFIT project in Zambia. In the project design, CLUSA played the role of network orchestrator for multiple value chains including cotton, beef, agricultural retail services, financial services, and commodity markets. The PROFIT project also required that the selected IP work collaboratively with another initiative called the Market Access, Trade, and Enabling Environment Project as well as with partners like Zambia National Farmers Union. The Kenya Maize Development Programme (KMDP), executed by ACDI/VOCA, also involved a diverse consortium of partners within the maize value chain that included a farmer-based organization called the Cereal Growers Association of Kenya, a company focused on improving the infrastructure for farm inputs called the Farm Input Promotions Africa Ltd., and the Kenya Agricultural Commodity Exchange (see Annex B.II.).

In summary, we see that the design of a DLI starts with specified funding for a fixed amount of time, which requires identifying and setting the boundaries for a planned program of intervention and involves working with a diverse set of stakeholders. Host and donor-country governments can influence the design and selection process by articulating some broad priorities. On the one hand, these relationships can add substantial value to these projects by providing access to policy leaders and influence on the regulatory process. Involvement of these stakeholders, however, can also skew the design process because of political influence, and the relatively short duration of the projects can bias selection toward specific value chains.

The donor selects an implementing partner based on its skills and capabilities to work with local producers as well as its ability to convene an array of other organizations to help it deliver the program. In developing its proposal, the potential IP has a short amount of time to clearly detail its analysis of value chains as well as lay out an intervention that meets the broad project goals. The organization may therefore need to rely on an existing toolkit of standardized approaches that can be applied across different value chains. The advantages of this approach are that it allows IPs to efficiently develop their budgets, establish project milestones, and design the delivery of resources. Investment focuses on approaches that enable transferring resources from the IP to local producers and other partners in the value chain.

## **2. Implementation of DLIs: Executing Programs and Building Platforms**

Leveraging inputs from the design process, implementation of DLIs focuses on execution of planned activities along predetermined budget lines. The IP that won the contract works with its preset partners, who are subcontracted to deliver specific aspects of the program based on their expertise. The focus of this execution is on facilitation. That is, the IP and its partners work with value chain actors to assist them in making the enhancements by providing education and knowledge transfer, improving access to technical or financial inputs, and assisting group formation.

When working with the private sector, the goal is usually to identify multiple lead firms to engage in value chain enhancement activities. A focus on multiple lead firms is intended to prevent creation of monopolies by leveling the playing field, and thus provide more opportunities to the local producers to engage in the value chain. It also helps the IP fulfill the predetermined scale of intervention identified in the design. IPs often have the budget to invest in common goods, such as producer training and group formation. By building platforms that result in more consistent quality and easier access to sufficient quantity, DLIs partially mitigate risks for current and new actors. The hope is that this approach addresses constraints in the value chain that prevent it from functioning effectively and catalyze further innovations, so that once the project is completed, these actors are capable of sustaining the enhancements themselves.

Often a substantial portion of the project's investment focuses on transferring skills and resources to actors across the value chain. The BDS component, in particular, emphasizes addressing gaps in access to monetary and knowledge assets. BDS efforts typically revolve around providing financial resources, technical expertise, and business skills that enable local producers to compete better in their subsector. The goal is to build capacity and enhance local productivity.

Consider the following examples. The concept of a "service provider as an entrepreneur" was one of the key innovations introduced by the PROFIT project across the agricultural retail services as well as in the cotton value chain. Until the PROFIT intervention, the numerous suppliers of agricultural inputs had their last distribution points in towns, which posed an accessibility challenge to the local producer. With guidance, as well as subsidized training from PROFIT, several suppliers adopted an agent model under which each supplier had trained agents who provided inputs and services to the local producers at their doorstep. Similarly, in the cotton value chain, PROFIT introduced the notion of tillage and spray service providers as entrepreneurs to the lead firms like Dunavant and Cargill. Provision of these extension services at the farmer's doorstep was expected to improve

quality, productivity, and safety while decreasing costs of production. A key metric PROFIT measures is the number of local producers who have received training and certification as service providers (see Annex B.I.).

As part of a strategy of facilitation and building platforms, the KMDP project in Kenya focused on organizing farmer groups to allow them to gain the advantages of scale in buying inputs as well as selling outputs, developing a warehouse receipts program where local producers would have the ability to store their produce for future sale as well as have access to financing with stored grains as collateral, and helping input suppliers organize field demonstrations (see Annex B.II.).

In the fresh fruits and vegetables (FFV) value chain, instead of working directly with the farmers, the GMED project utilized an embedded service-delivery model. Under this model the IP facilitated a long-term integrated purchasing partnership between a purchasing firm and the farmers that includes provision of extension services to the farmers, with initial technical assistance from the IP (see Annex B.III.).

Thus, we surmise that in DLIs, the IP and its partners use their existing skills and project resources to bridge the gaps in the value chain identified at the design stage. They avoid becoming an actor in the value chain, choosing instead to be a facilitator providing advice and mitigating risk. A key part of the project is often to invest in developing platforms that multiple actors in the value chain can leverage. By working with multiple lead firms, the project looks to avoid local monopolies by raising the playing field for everyone.

The goal is to execute against a predetermined set of activities and metrics with investments that are capped. One metric often used to assess a project's implementation effectiveness is tracking the amount of money spent against the project's budgeted outlays. Given the short-term and finite duration of the project, there is little provision for experimentation and hence limited tolerance for failure as a source of future learnings.

### **3. Sustainability of DLIs: Transferring Resources and Raising the Playing Field**

In a DLI, success for the IP is typically measured by changes in the overall competitiveness of the subsector and the effectiveness of the resources transferred. Enhancing the overall competitiveness of a specific subsector emphasizes generating benefits for a variety of existing and new businesses operating across the value chain. In particular, this approach focuses on integrating local producers more equitably into this value chain. If this subsector is to compete in international markets, DLIs must work with local producers and lead firms to move a product from production to the end market more efficiently, at a higher quality, and/or in a more unique form than the value chains in competing countries.

When donor funds are used for these efforts, the benefits generated are expected to be shared across the various local producers and firms participating in the industry, with the goal of raising the entire playing field.

The design phase lays out the key performance indicators for monitoring project effectiveness. Indicators comprise process-related metrics that measure the intensity of the activities being performed as well as outcome-related metrics that track the results of the intervention. Examples of process-related metrics include number of producers trained, number of farm demonstrations conducted, number of local producer groups formed, and number of women in producer organizations. Together, these measure the scale of the common platforms being created through the project. Outcome metrics measure the effectiveness of the funded activities and include, for example, production costs per acre and yield per acre.

Implementation calls for a facilitation approach to value chain enhancement. The project often provides, for example, some form of subsidized support to key value chain actors, such as lead firms, to facilitate their activities. While typically not measured, it is anticipated that such an approach will result in a transfer of skills to these value chain actors, who will now have greater capabilities to work directly with local producers and their partners in the future, thus setting the foundations for scalability of the venture.

Separate from monitoring, a project is expected to have an impact-assessment component. The objective of this assessment is to measure outcomes and impacts of the project against its original end objectives. Typically, an assessment is executed as a separate project by an entity different from the IP to provide the donor organization an unbiased report on effectiveness of the project implemented.<sup>9</sup> These assessments generally occur after the project is completed and sometimes at the midpoint.

Recall that one of the key innovations that the PROFIT project brought to the cotton and agricultural retail services value chain was that of a “service provider as an entrepreneur” whereby farmers were trained to be agents for the input suppliers and service the needs of the smallholder farmer. PROFIT worked with several lead firms, assisting them in training of agents for input sales as well as service provision. A process metric used to measure success was the number of agents trained. An outcome metric used was the number of local producers availing of the services offered by these agents. By 2009, the project had managed to train a large number of agents. Arguably, the model is ready for scale-up with a large pool of trained agents, yet our field observations highlight two critical issues. First, service uptake is still lagging, indicating insufficient demand for the services offered per

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<sup>9</sup> Our respondents noted that these evaluations, at least in some cases, might not be unbiased. The third-party organization conducting the evaluation may, in actuality, be a competitor of the current IP.

service provider. Second, we observed that the main lead firm, Cropserve, is not ready to scale because supporting such an agent network would put too many additional strains on the rest of its value chain, including the information technology systems. The project itself is coming to an end, and therefore any further refinements of enhancement activities have to be undertaken by the value chain actors themselves (see Annex B.I.).

GMED's initiative in the FFV value chain in India focused on upgrading the skill sets of the local producers in horticulture production while connecting them to retailers for sale of produce. GMED had partnered with ITC in three regions in India. By the end of the project in 2008, GMED had trained several lead local producers, with demonstrable increase in productivity and quality of production. An impact assessment was conducted in April 2008 using control and treatment groups. While there was evidence of impact of training on quality and productivity improvement, the assessment also highlighted the increases in costs of adoption of practices and concerns regarding access to finance.

In 2009, due to business imperatives, ITC subsequently exited from two of the three markets. Our investigations during the summer of 2010 suggest that even though ITC exited, lead producers in one of two remaining areas have been able to build further on initial training provided by GMED and expand the network. Our hypothesis is that the local producers in this region are able to leverage their newfound capability to capture the growing demand for high-quality produce, due to the proximity of two large urban centers of Pune and Mumbai. In terms of continuing the best practices, local producers have chosen to adopt a subset and adapt others to optimize the tradeoff between productivity and costs (see Annex B.V.).

In summary, we observe that a DLI seeks to build the foundation for sustainability and scalability by building platforms that enhance the competitiveness of the sector and transfer of skills and capabilities to the value chain actors. Predetermined metrics are used to monitor progress and measure success along these dimensions. This is followed by an impact assessment to see if the DLI indeed met the goals laid out initially in the design. While this evaluation is often conducted soon after project completion, there remains limited understanding of the long-term sustainability of these projects. Therefore, it is hard to know whether the lead firms in these projects sustain the initiatives and eventually scale. Anecdotal evidence suggests otherwise. We could postulate a few of the reasons. One is that the hoped-for skills-and-capability transfer to lead firms to work with the local producers and their partners did not succeed sufficiently enough. Second, while the activities facilitated as part of the DLI demonstrated effectiveness, it is unclear if sufficient attention is paid to efficiency of the initiative for the various value chain actors involved. Finally, when the focus of the project is to raise the playing field for multiple lead firms in a

subsector, individual value chain actors may not perceive a unique competitive advantage for themselves.

## **VI. ENTERPRISE-LED VALUE CHAIN INITIATIVES: A SYNTHESIS OF CORE PRINCIPLES**

### **1. Design of ELIs: Seeing Opportunities and Finding Partners**

The main focus of the enterprise is to design a solution that is economically beneficial over the long-term and creates a competitive advantage for itself within a single value chain, of which it is or wants to be the key actor. A challenge for many ELIs is recognizing the potential value proposition in serving the poor and developing new business models that respond to the unique context found in these markets. To do so, the enterprise may have to engage with various nontraditional partners – private, nonprofit, or government – to design its solution. Care needs to be taken to understand each party's objectives and agenda and work toward fulfilling these in a coordinated fashion, which is another skill many enterprises may lack. Implicit in this articulation is the role played by the enterprise as a network orchestrator. The enterprise takes a leadership role leading and facilitating value chain enhancement.

ELIs are acutely sensitive to the risks of an investment with potentially uncertain returns; after all, working with local producers is often a new experience for these private enterprises. The solution design, for example, can entail making investments that cannot be later used in other markets. If the venture perceives the challenges as too daunting or assesses the situation predominantly as one with distant and uncertain economic returns, it may view this as too risky an investment. As a result, an ELI may need support from external partners to defray some of the cost and risk of launching the initiative.

Working with local producers may not be in the DNA of every enterprise. Enterprises lacking vision and partnering skills will likely choose not to pursue a strategy of working more closely with this segment. Consider the example of organized retail in fresh fruits and vegetables (FFV) in India, a growing business opportunity driven by increasing urbanization and overall economic growth. Local producers have traditionally sold their produce to an auction house, where it was then sold to end buyers by the traders operating at the auction house. Quality and productivity have historically been low in this sector. In 2005, when GMED offered an opportunity to (newly) established urban retail chains to work directly with the local producers, all but one refused, suggesting that they did not see the merit. Only ITC, which had a strategic interest and previous experience working with the BoP, was interested in a partnership with GMED.

Others may perceive a business opportunity in working with local producers. Such enterprises must develop a deep understanding of the current local situation and will often need to find partners to craft appropriate solutions to address them. Cropserve, an agricultural input supplier in Zambia, had traditionally built its business model as supplying to largely commercial producers. Gradually it came to realize the business opportunity in servicing local producers; for example, it believed that the local producer is a more brand-loyal and less price-sensitive customer. Its initial approach of reaching the smallholder farmer was through extension officers based in the larger towns who would provide knowledge of input usage that would presumably trigger increased input sales. That is, Cropserve saw knowledge gaps and tried to fill them. It turned out that this approach was insufficient. In addition to gaps in knowledge, the local producers faced transaction inefficiencies in procuring inputs from company stockists located far away from their villages. The company, however, did not know how to address this need in an efficient manner, and thus did not develop a revised business model. Only a decade later, with support from PROFIT, did it redesign its initiative to introduce the “farmer as an agent” model. This approach allowed Cropserve to address gaps in constraints in a different way, and the company decided to implement this new business model on a pilot basis.

Then there are firms that have the inclination, patience, capability, and capacity to work with the local producers. They understand that developing a value chain with local producers can potentially deliver them a competitive advantage. The International Business Division of ITC, a large private diversified business group, exports commodities like soybean meal, wheat, shrimp, etc. The inefficiencies of the existing farm-to-market supply chain, as well as new entry from Western conglomerates, forced ITC to reengineer its business model to deliver itself a comparative advantage. In the 2000s, it embarked on the e-Choupal initiative to deploy information and communication technology (ICT) to reengineer the procurement of commodities from rural India. The model brings information and knowledge of market prices to farmers’ doorsteps via kiosks while giving them a choice to transact either with the mandi<sup>10</sup> or with ITC directly. By purchasing directly from farmers, ITC significantly improved its procurement efficiency; at the same time, a streamlined supply chain offered better returns to the producers (see Annex B.V.).

Jaipur Rugs originated with the desire of its founder, N.K. Chaudhary, to find a sector that had good business potential as well as the ability to provide large-scale employment to rural artisans in their villages. He found that the labor-intensive handmade carpet industry, with significant export potential, could be that sector. The company is driven by social values, reflected in its commitment to fair wages, investment in skills training/upgrading,

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<sup>10</sup> A mandi is a local auction house where produce is auctioned to traders.

access to health care and education, and provision of opportunities to aspiring entrepreneurs (see Annex B.VII.).

Similarly, Fabindia was set up with a mission to provide market outlets for the products of rural artisans in India while ensuring that they improve their livelihoods and preserve their skill sets. Initially set up as an export business, Fabindia also saw opportunity in urban retail within India. However, the risk of dependence on external buyers as well as domestic economic policies restrained the growth of the company in the early years. In the late 1990s, as the Indian economy liberalized, Fabindia adopted a retail strategy to tap into the growth potential of rural products for fast-growing urban India (see Annex B.VI.).

Thus we see that in spite of business opportunities that may exist in crafting solutions for local producers, variation in the maturity level of enterprises in terms of mind-set, skills and capabilities, and resources to engage in this space elicits different responses. Some consider working with local producers a part of their corporate social responsibility. Those that recognize a business opportunity attempt to create new models to capture the growth potential inherent in doing business with the BoP.

In contrast to a DLI, an ELI is often focused on a specific value chain with an economic objective and built on the premise of developing competitive advantage. Investments for value chain enhancements are viewed from the economic lens of risk and reward; if the barriers are perceived to be large, the enterprise may choose not to enter. Additionally, the enterprise is often unwilling to invest in social goods that may also generate economic benefits for future competitors. On the other hand, if there is economic opportunity demonstrated via the pilot, then the enterprise will be incentivized to make further investments over time to bring the venture to scale.

While the enterprise may perceive the need to work with multiple stakeholders, it may not have the right skill sets or sufficient experience working with such diverse sets of partners. The partners, especially nonprofits and the government, are also acutely sensitive to building a relationship with a for-profit enterprise, and therefore gaining cooperation may not be easy. To succeed, an enterprise will have to learn and develop new skills and capabilities to work with both local producers as well as nontraditional partners, which takes both time and patience.

## **2. Implementation of ELIs: Flexible Investment and Testing Business Models**

A deep understanding of the local context, relationships with new partners, and the creation of a preliminary business model form the basis of an ELI's design. In the implementation stage, the focus of the enterprise is to test the opportunity to create a

competitive advantage for itself and generate sufficient returns. Given the risk inherent in working with local producers, implementation proceeds cautiously, allowing for innovation and sufficient experimentation and learning to develop a robust model. Learnings from pilots enable the enterprise to fine-tune the solution design. Thus solution design and implementation proceed in an iterative fashion until a robust business model is found or the initiative is terminated.

In an ELI, the preliminary hypothesis is that the enterprise and its partners do not know what works and partners may not know all the issues that can affect the adoption of the intervention. Local producers, for example, may mistrust outsiders, and the enterprise may need to make special efforts in building trust. The partners proceed cautiously and learn together as well as ensure that both have something to gain from this relationship.

Executing a pilot also allows a venture to develop skills and capabilities at a relatively low level of investment. The pilot allows for learning and determining if the business model is suitable for more substantial investment, as appropriate. Only when the pilot is deemed successful at demonstrating sufficient economic return does the enterprise choose to expand the initiative. Otherwise, it chooses to exit or significantly scale down the initiative. All along, the enterprise is the network orchestrator and needs to build its capabilities to develop new business models that give it a competitive advantage.

Just because a pilot is unsuccessful does not mean that there is an insufficient business opportunity worthy of additional investment. Enterprises vary in their skills and capabilities to craft solutions and learn from experiments. Pilots may be unsuccessful because of a bad solution design and limited ability on the part of the enterprise to construct creative solutions.

Consider the example of Cropserve introduced earlier. With the intention of expanding agricultural input sales to local producers, the company placed extension officers in the towns. The solution, however, did not result in the desired increase in sales for local producers, and Cropserve was unable to craft a more efficient solution on its own. Only after partnering with PROFIT and leveraging a “farmer as an agent” platform was the company willing to invest in piloting a new initiative. Initial observations suggest that while this model is better than Cropserve’s earlier approach, the company is not ready to scale, as supporting such an agent network has put additional strains on the rest of the Cropserve value chain, including the information technology systems.

Consider again the example of ITC (see Annex B.V.). Several aspects of its e-Choupal initiative needed to be tested, including selection of the sanchalaks (e-Choupal kiosk coordinators) and the direct-procurement process at its hubs. ITC started with a few pilots

in a small region and used one of the existing processing plants as a procurement hub. After several iterations, ITC was able to build a robust model for the selection of sanchalaks. Today, ITC's e-Choupal is one of the largest private-sector interventions connecting small farmers to markets. Building from organizational confidence after the successful reengineering of commodities sourcing and seeing the business opportunity in organized retail for fresh fruits and vegetables, ITC embarked on sourcing fresh produce directly from local producers in 2005. Lower-quality production, lower productivity, and the lack of a robust cold-chain infrastructure have plagued the fresh produce industry in India. ITC thus recognized that the challenges in this segment would be different from those it experienced in commodities.

ITC began with a small pilot across three states. It partnered with the GMED project to provide training to its extension officers and lead producers. The company also organized pilot direct-procurement centers where local producers could sell their produce. With intentions to bring the model to scale, it built a cold-chain infrastructure (e.g., refrigerated trucks) to move produce directly from farm to market. Thus, ITC's pilot attempted to test several aspects of the overall solution: urban retailing of FFV, enhancing the productivity of the producers, direct sourcing from local producers, and a cold-chain infrastructure.

Initial results demonstrated the viability of direct sourcing and extension services. However, ITC faced significant challenges in FFV retail. With no significant past experience in retail, the company was unsure if it was having an internal management issue or if the extremely competitive external environment in FFV was creating challenges. To further test its ability to manage retailing, ITC scaled down its expansion plans and decided to concentrate in a single region with six stores close to its headquarters. In this region, the company buys direct from the local producers. ITC, however, discontinued its cold chain, which was no longer viable at the current scale of operations. To build a more robust business model, ITC is now also exploring institutional sales to large hotel chains and other businesses.

Labor is a critical component in handmade rugs. As Jaipur Rugs (JR) grew, it needed to engage with more weavers. Yet, as JR found out, weaving was not a widespread skill in India; nor was weaving attractive to geographies that were rapidly industrializing. On the other hand, there were many areas within India with severe poverty where people had no viable economic opportunity. JR decided to tap into this potential labor pool. The Jaipur Rugs Foundation (JRF) developed a six-month training program to train people in the craft of weaving. JRF, in collaboration with the state government, identifies communities in need of economic development opportunity, implements the training program, and follows it by a six-month trial-production period. Within a year, the productivity and quality are brought

up to a level sufficient for scale production. At this stage, the production capacity of the new source is transferred to JR.

The management of Fabindia also experimented with various models for organizing rural artisans to help address the challenges of productivity, financing, and market linkages. Ultimately, in 2007, the company reorganized to create several community-owned companies (COCs) across the geography of India. COCs provide an organizational structure within the community to address the challenges rural artisans face (see Annex B.VI.). They are also structured to give the artisans a financial stake in the company. We believe it is one of the most innovative forms of organization that engages with small producers.

Thus we see that, in contrast to a DLI, an ELI emphasizes testing new business models. Since it wants to be more engaged in the value chain, it needs to create skills and capabilities to bridge the gaps identified. Given the inherent risk in working in an unfamiliar context, it treads cautiously, using pilots to learn and test the initial design. An enterprise may choose to work with other partners (private, government, or donor); however, the nature, viability, and usefulness of such partnerships are also tested during the piloting process. Regardless, the ELI wishes to maintain control of the value chain orchestration with a focus on building its capabilities as well as creating a business model to capture a portion of the playing field.

### **3. Sustainability of ELIs: Competitive Advantage and Capability Development**

As discussed before, the premise of ELIs is to identify business opportunities while addressing the needs of local producers. With an understanding of the challenges surrounding this approach, an enterprise can then attempt to craft a solution that is economically beneficial and has the potential to deliver a competitive advantage. Depending on its skills and capabilities as well as appetite for risk, it may choose to work with partners from private or nonprofit sectors, local communities, government, or donor organizations. Implementation proceeds cautiously via pilots designed to test the business model. The pilots and metrics, usually focused on an economic objective, are designed to evaluate both the effectiveness and the efficiency of the intervention. These provide important insights into the sustainability of the initiative.

Scalability of the initiative depends on several factors external and internal to the enterprise. Externally, capacity of the suppliers, market potential, and the enabling environment, for example, could limit the scalability of the initiative within the same product space. Internally, the transferability of the skills and capabilities of working with local producers and their partners that the enterprise has learned from the current

initiative will influence its ability to expand into other products or geographies where other potential business opportunities exist.

Launched in Kenya in 2000, Honey Care Africa (HCA) (see Annex B.IV.) focused on building a business around procuring and selling high-quality honey to domestic and international urban markets; as such, the venture had to address activities along the entire value chain, including sourcing honey from local producers, processing and packaging, and distribution and sales, and it had to respond to both productivity and transactional (e.g., access to market) constraints. To do so, HCA developed a capability to partner with a variety of nonprofits and donors along the value chain to promote beekeeping, enhance local productivity and product quality, provide financing, and offer a guaranteed market to the local producers in the regions they worked.

Presently HCA faces a number of challenges due to a lack of a sustainable competitive advantage. The company had positioned its products in the higher end of the honey market; stiff competition, however, in the lower segment has limited the demand potential for HCA. With challenges in the business environment and a continuing need for working capital, HCA is strained to provide a guaranteed market to local producers for hives as well as invest in further expansion. HCA's management feels that as a for-profit company, it faces more challenges in obtaining donor funding and cross-sector partners than would a nonprofit organization with the same mission.

The example of ITC's activities across different value chains presents an interesting perspective. The company's intervention in soybean and then wheat and other commodities shows it was able to scale the initiative across different products and geography. By expanding the set of constraints addressed, ITC demonstrated that it had developed significant transferable skills and capabilities to work with local producers to craft solutions in different contexts.

In contrast, the company has not had the same success with its initiative in the FFV sector. As discussed earlier, ITC started with pilots in three geographies and ultimately scaled it down to one region. Along the way, it realized that while skills in sourcing from local producers transferred across contexts, competing in the FFV sector required a different set of skills and capabilities in managing retail. For example, while there is demand for high-quality produce, ITC has as yet not succeeded in attracting consumers to pay a premium for it. ITC is exploring models to further differentiate its products. Given the perishable nature of the product, scaling the venture will eventually require significant capital investments in cold-chain infrastructure, and hence ITC wants to proceed cautiously.

The examples of Jaipur Rugs and Fabindia also demonstrate the skills and capabilities the respective ventures have developed in engaging with small producers. Jaipur Rugs is exclusively focused on the handmade rugs industry. To sustain growth, it has developed a model for scaling across various geographies of India. The geographical expansion, however, will likely put strains on an already extended supply chain. Growth at JR is also fueled by engaging with large retail customers in developed markets. JR recognizes the need to enhance its skills sets in running a streamlined supply chain and in customer relationship management. JR also sees bottleneck and constraints in other (both pre- and postweaving) stages of the carpet value chain. In collaboration with a lead firm like JR, donor assistance to upgrade these stages will significantly enhance the competitiveness of the handmade carpet value chain in India.

On the other hand, as a retailer, Fabindia sources and sells a large variety of products. The new reorganization has shifted the responsibility of working directly with the small producers to the COCs, leaving Fabindia to focus on the challenging retail environment in India. Of course, Fabindia is very closely engaged with the management of the COCs. It realizes that the success of COCs and Fabindia are closely intertwined. COC as an organizational innovation to engage with small producers has tremendous potential. The CEO of Fabindia is deeply engaged in developing mechanisms to leverage COCs to bring sustainable development to the community. Donors can play an important catalytic role in helping COCs achieve their potential.

Thus we see that ELIs design their solutions to leverage business opportunities. Implementation proceeds cautiously, using pilots to assess the solution design. A successful pilot demonstrates the viability of the business opportunity, helps the enterprise develop skills and capabilities, and generates a competitive advantage. A deliberate process of business development helps ensure the sustainability of the initiative in its current market and provides the opportunity to build the capabilities needed for scaling. Of course, business environments are dynamic, and changes may jeopardize sustainability over time. Similarly, scalability is not guaranteed and will depend not only on the enterprises' capabilities and intent, but also on constraints in supply, demand potential, and the enabling environment.

## VII. COMPARISON OF DONOR-AND ENTERPRISE-LED INITIATIVES

Articulating key aspects of enterprise- and donor-led value chain initiatives offers an opportunity to compare key principles that underlie these two approaches which address constraints faced by local producers. While both approaches may be trying to achieve the same outcome of better integrating local producers into a specific value chain, clear differences emerge in knowledge about local markets and access to relevant expertise in the design of the initiative, a focus on execution versus experimentation during implementation, and the orientation toward transferring resources and increasing competitiveness versus building competitive advantage and creating capabilities as measures of sustainability.

Another way to compare these two approaches is to examine the floor (likely minimum) and ceiling (potential maximum) levels of their impacts. Given their emphasis on best practices, execution, and resource transfer, donor-led projects have a solid floor. Based on the design and decision to invest, certain things at a minimum will happen on the ground. The upside, or ceiling, is also fairly well established, given the time frame, investment amount, and guiding metrics. Specific resources will be transferred over a predetermined time frame. However, when the DLI exits at the end of the project, sustainability and scalability of these investments remain less certain.

ELIs, on the other hand, have a relatively lower floor and the potential for a higher ceiling. Their emphasis on minimizing risks and small-scale experimentation lowers the floor. The enterprise's design may not be funded or its pilots may be deemed unworthy of further investment. Exit may come early, resulting in only a modest commitment of resource. The upside, however, is potentially substantial. Enterprises generally have a long-term view in their business model development investments; their goal is to create sustainable and scalable initiatives. If the design and piloting go well, then an enduring and widespread impact can result.

In a number of important respects, these enterprise-led and donor-led initiatives are complementary value chain approaches that already work together within certain contexts. Effectively integrating these approaches, however, still remains a major challenge. To its credit, the donor community has shown a willingness to change. As discussed above, donor-led value chain initiatives are increasingly employing a facilitation (help them do it) rather than a structural (let us do it ourselves) approach. Donors are also more willing to work with the private sector to help encourage firms to have more direct interactions with local producers in their procurement or distribution efforts.

Similarly, enterprises have increasingly explored opportunities to partner with donor agencies. Companies, for example, make voluntary investments of financial, managerial, and technical resources to address specific poverty-alleviation issues. Beyond these philanthropic efforts, which often come through corporate social responsibility (CSR) or other humanitarian-oriented departments, some companies are partnering with donor agencies and development organizations on revenue-generating activities. These programs, however, are often modest in scale and scope and may be as much about public relations as business strategy.

These efforts by donors to provide resources to enterprises and by companies to invest in development community-led initiatives are certainly encouraging. Yet these collaborations still retain a strong emphasis on maintaining the independence of the partners. Neither party is comfortable adopting the success metrics of the other. Donors remain concerned about using their resources to enhance company profitability. Companies view donor community performance metrics as tangential to their strategic goals. For both parties, economic and societal performance is seen as competing and requiring trade-offs.

The BoP perspective provides a new view on this relationship between profits and poverty alleviation, one based on mutual value creation. To achieve this, however, the enterprise and donor sectors must continue to modify their orientation to partnering. These sectors have operated independently for too long. The BoP perspective suggests that enterprises and donors should develop their partnerships based on collaborative interdependence.

#### **VIII. BOP PERSPECTIVE: PARTNERSHIP BASED ON COLLABORATIVE INTERDEPENDENCE**

The development of the BoP domain has helped catalyze interest in new ways of thinking about the intersection of business strategy and poverty alleviation. The BoP, estimated at approximately four billion people, is the socio-economic segment with a per capita purchasing-power parity of less than \$3,000 that primarily lives and operates micro and small enterprises in the informal economy.<sup>11</sup> BoP ventures specifically target the BoP segment as buyers, sellers, and entrepreneurs. These ventures straddle the formal and informal economies and identify opportunities to bring productive assets from these two environments together in a mutually beneficial manner. They also span sector and size, including initiatives by large international companies and local small- and medium-scale enterprises, as well as businesses developed by nonprofits and social entrepreneurs.

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<sup>11</sup> Prahalad, C.K. and Allen Hammond. 2002. "Serving the World's Poor, Profitably." *Harvard Business Review* 80(9):4-11.

The BoP domain's first major contribution was to offer a compelling logic to business-minded leaders for viewing the poor as an untapped market of consumers and producers.<sup>12</sup> Rather than relegating the poor as a socio-economic segment best left to the development community, a BoP perspective suggests that (for-profit or not-for-profit) enterprises could launch business ventures that would generate acceptable economic returns while also addressing unmet needs of low-income consumers and producers.<sup>13</sup> As the domain progressed, more refined insights were developed about the mind-sets, capabilities, and partnerships that enterprises need to establish in order to develop viable business models.<sup>14</sup> Most recently, based on a decade of learning and experimentation, the next generation of BoP strategies has begun to emerge. These approaches focus on framing the opportunity as creating a fortune *with* the base of the pyramid as opposed to the prior orientation of finding a fortune *at* the BoP. This shift from "fortune-finding" to "fortune-creating" emphasizes the importance of co-creating business models, technology designs and value propositions with the BoP and their partners.<sup>15</sup>

The BoP perspective relies on a proposition of mutual value creation; the greater the ability of the enterprise to meet the needs of the poor, the greater the return to the partners involved.<sup>16</sup> Indeed, the BoP domain emphasizes that unmet societal needs are also potential business opportunities. While the boundary conditions and specific interactions between profits and poverty alleviation require deeper exploration and careful monitoring, this proposition clearly points to mutual value creation as a critical aspect of the enterprise's performance.<sup>17</sup>

Central to achieving mutual value creation is the perspective that enterprise success is based on "how we can help each other," a partnering orientation grounded in collaborative interdependence. This viewpoint is fundamentally different from the one adopted by most donor- and enterprise-led value chain initiatives. Currently, these initiatives view their partnership through the lens of "how can we help you," a perspective based on retaining independence.

Developing partnership models based on collaborative interdependence means that each partner must embrace the opportunity for mutual value creation. For donors, the success of

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<sup>12</sup> Prahalad, C. K. and Stuart L. Hart. 2002. "The fortune at the bottom of the pyramid." *Strategy + Business* 26:2-14 and Prahalad, C.K. and Allen Hammond. 2002. "Serving the World's Poor, Profitably." *Harvard Business Review* 80(9):4-11.

<sup>13</sup> Prahalad, C.K. 2006. *The Fortune at the Bottom of the Pyramid*. Upper Saddle River, NJ: Wharton School Publishing.

<sup>14</sup> London, Ted and Stuart L. Hart. 2004. "Reinventing strategies for emerging markets: Beyond the transnational model." *Journal of International Business Studies* 35:350-370.

<sup>15</sup> London, Ted and Stuart Hart, 2011. *Next Generation Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value*, Upper Saddle River, NJ: FT Press.

<sup>16</sup> London, Ted. 2009. "Making better investments at the base of the pyramid." *Harvard Business Review* 87:106-113."

<sup>17</sup> London, Ted, Ravi Anupindi, and Sateen Sheth. 2010. "Creating mutual value: Lessons from ventures serving base of the pyramid producers." *Journal of Business Research* 63:582-594.

their poverty-alleviation efforts is tied to the success of the enterprise. If the enterprise succeeds, then the donor will achieve its performance goals. If not, then the donor will have little to show for its investment. For enterprises, success requires appropriately responding to local constraints. Only by understanding and then reducing these constraints, and thereby helping to alleviate the poverty faced by smallholder farmers, will the enterprise generate value for itself. Establishing collaborative interdependence thus helps ensure that the incentives of the key actors are aligned, a concern noted about existing development programs.

Adopting a BoP perspective and establishing collaborative interdependence with the donor sector, however, it is not business as usual for most enterprises. Their experience with the BoP segment is likely limited, and they may not understand the value-creation opportunities for themselves or those they seek to serve. Enterprises may also lack capabilities in relationship development that would facilitate market entry. They may not have the resources or long-term orientation necessary to experiment in developing partnership-oriented BoP business models. Furthermore, they need to develop business and societal metrics that support a learning orientation and incorporate the performance expectations of their new cross-sector partners.

Adopting a BoP perspective is also not business as usual for most donors and DLIs. Collaborative interdependence requires DLIs to help enterprises create a competitive advantage for themselves and their partners. Rather than an exclusive focus on maintaining equity by raising the entire playing field, donors need to be comfortable with the possibility that their enterprise partners will try to capture a portion of the playing field. To catalyze enterprise development, DLIs will therefore need to be willing to invest in building enterprise capabilities and in creating a more attractive market opportunity, outlays that may serve to enhance a specific company's competitive advantage and its profitability.

## **IX. RECOMMENDATIONS TO USAID: STRATEGIES FOR FACILITATING INTERDEPENDENCE-BASED COLLABORATIONS**

Collaborative interdependence offers new insights into developing effective market-based approaches to poverty alleviation. This partnership orientation between donors and enterprises offers an approach that complements models based on independence or dependence. To date, the BoP domain has concentrated on identifying strategies for enterprises to develop more successful initiatives. The BoP perspective, however, has yet to offer substantial insights into how donors and DLIs can further incorporate collaborative interdependence into their portfolio of strategies.

Applying the BoP perspective to the role of DLIs suggests several more strategies that these projects can use to support ELIs as these enterprises move through the stages of design, implementation, and sustainability; therefore, the following recommendations are primarily directed at donors and implemented by partners. The overarching goal of these recommendations is to acknowledge strategies that emerge from applying a BoP perspective and outline the way they should be implemented. We should note that some of these strategies may, in part at least, be currently offered by USAID and other donors and their implementing partners. Our objective is to explicitly articulate a holistic set of strategies and recognize the need to view all of these recommendations in terms of a portfolio of activities. These recommendations are meant to enhance efforts by both donors as they develop the design of value chain initiatives and by their implementing partners as they conduct work in the field.

- **Ensure team has a deep understanding of enterprise development in BoP markets**

The BoP perspective emphasizes that there is an intrinsic economic rationale to the informal sector, and that organizations wanting to serve the poor should craft strategies that rely on the existing resources, expertise, and social infrastructure already present in the market. This means that the enterprise must be able to identify and leverage what is “right” in BoP markets. As this is a new market context for these enterprises, they are unlikely to possess the ability to acquire a deep understanding of the local context.

To catalyze interest and support potential internal champions in enterprises, especially in the early stages of design, DLIs should continue to explore ways to provide knowledge on best practices for enterprise development (for USAID this may continue to take place through Business Development Services) and supplement with new information about BoP market opportunities. Effectively doing this will require building the appropriate set of capacities into their team. In particular, they will need to build a team that includes members with both a solid business background and specific knowledge about enterprise development in BoP markets.

With this expertise, donors can more effectively span the differences between sectors and be appreciated as a valued partner in the initiative-development process. Using these personnel, plus those with more traditional development and technology-oriented backgrounds, donors can offer a robust set of programs that offer insights into assessing the opportunities in BoP markets and addressing the challenges in developing new initiatives. These can include broadly offered seminars to attract companies to the opportunity, presentations for specific companies to address concerns and catalyze action, and hands-on workshops to help develop and modify action plans. These latter efforts

should include offering a roadmap for venture success based on prior learnings and emerging best practices.

Without well-round expertise on their team, DLIs will struggle to connect their ideas and resources to the enterprises' strategic priorities and internal decision-making processes. If that happens, a DLI will not be seen as a partner that can productively interact with the enterprise team over an extended time. Instead, it will be viewed as a service provider with specific areas of technical or contextual expertise that the enterprise could use from time to time. The independence across sectors will remain.

- **Develop and emphasize metrics valued by both partners**

The BoP perspective emphasizes mutual value creation and relies on the view that enterprises generate not only economic returns for the investing organizations but also societal benefits for the poor living and transacting in the informal market economy. As with any business, the better the enterprise can hear and respond to voices from its target market, the better it can improve its business model. Enterprises that focus on economic performance and neglect the needs of those they seek to serve will likely fail. DLI efforts that overemphasize societal metrics at the expense of economic ones will struggle to develop and sustain cross-sector partnerships.

A DLI will therefore further benefit from working closely with the enterprise to develop a set of metrics that helps link enterprise performance to poverty-alleviation outcomes. The DLI must feel confident that it is able to assess an enterprise's poverty-alleviation impacts. In doing this though, the DLI must also focus on developing a set of poverty-alleviation measures that adds value to enterprise-development efforts.

These poverty-alleviation measures, for example, can examine how an enterprise's value proposition reduces the constraints faced by local producers. They can also measure how an enterprise's business model changes economic well-being, builds local capabilities, and affects social and geographic isolation of these farmers. These types of customer-level data are also valuable to an enterprise team, or the project implementers, as it can then adjust its business model to better meet local needs. The section on "Indicators That Align Business and Social Performance" (see later) discusses potential metrics in greater detail.

Collaborative interdependence also requires that DLIs be willing to accept enterprise-oriented goals as key components of their success metrics. One example is measures of efficiency and effectiveness as they would relate to the training of smallholder farmers. For donors, these measures might focus on the number of farmers trained and the quality of the training program. Donors would want to see both of these rise. These outcomes,

however, don't necessarily point to enterprise success. Enterprises, instead, might prefer to focus on sales per trained farmer and training cost per farmer. They would want to see the former go up and the latter go down. Collaborative interdependence requires recognizing these differences and agreeing on an appropriate set of metrics that generates information valued by both sectors.

- **Support a flexible partnership model**

Collaboration interdependence between donor and enterprise also requires building considerable flexibility into the partnership. The BoP perspective emphasizes that enterprises embrace the need for trial and error as they move through the design and implementation stages. Business-model creation is an innovative process that will take time to come to fruition. Financial commitments, for example, are best viewed as investments that start small and are then potentially scalable.

Implementation, in particular, requires an orientation based on learning rather than execution. Thus to support enterprises during this stage, donors will want to ensure they can offer flexibility in the type, timing, and length of their support. Enterprises will need different types of support at different times. Initially, as discussed above, critical support may center on generating an understanding of opportunities and challenges in the BoP marketplace. In the implementation stage, the enterprise may need access to modest amounts of subsidized capital to facilitate experimentation. If any pilots prove successful, the enterprise may need its external partners to scale up their investments in building platforms (as discussed below) that it can leverage.

In addition to type, the timing of supporting resources should not be predetermined. DLIs should not be required or expected to use a certain amount of resources each year. Early stage experiments can be low cost to maximize the returns from a learning orientation. On the other hand, these enterprises also need to be capitalized for scale. Thus when the business model is investment ready, the DLI should have the ability to facilitate a greater investment. The timing and success of these developments, however, is difficult to predict in advance.

As such, DLI support during the implementation stage requires a willingness to accept learning outcomes and a long-term orientation as part of their metrics. Not all new business models, for instance, will be worthy of additional investment. Only high-potential ones should be expanded by committing additional resources. The less successful ones should be stopped or redirected. These failures can generate learnings, but the DLI's investment is non-recoverable. Trying to accurately predict in advance which models will

be worthy of investment, the type and amount of investment needed, and timing for these investments is challenging and likely to be inaccurate.

Collaborative interdependence therefore also means that DLIs must retain their commitment to their enterprise partners in enhancing a specific value chain for an extended period, perhaps more in the order of eight to ten years, as necessary. Flexibility in the level of commitment across this time frame is also possible. In the first three to five years, DLIs may need fewer resources but engage in more intensive interactions with their enterprise partners. Later on, the DLI may need a smaller team but more resources, as the enterprises take viable business models to scale.

- **Demonstrate commitment to co-creation**

While company interest and investment is necessary to catalyze the development of a BoP enterprise, co-creation is a crucial component of collaborative interdependence. The BoP perspective emphasizes that enterprises must combine knowledge developed at the top of the pyramid with the wisdom and expertise found at the base in a way that enables co-discovery of new opportunities to serve those at the BoP. When firms enter markets containing familiar consumers, adapting current products and models works well. When they enter the BoP marketplace, however, these enterprises cannot rely on solutions imported from developed markets. The enterprise's business model and any associated technological solution should be co-created among a diversity of partners, with local ownership and involvement seen as crucial to success.

Collaborative interdependence, therefore, requires DLIs to commit to working with the enterprise to help them learn about, and base their business models on, the needs of smallholder producers. They must become vested in the success of the co-creation process. Their metrics (as discussed below) should reflect this. Donors should also consider continuing to second some of their personnel to the enterprise (and enterprises should be willing to accept them into their organizations). This will facilitate knowledge transfer as well as help in catalyzing new partnerships. Being part of the enterprise team will allow these seconded personnel to contribute their expertise based on an in-depth understanding of enterprise-specific strategies and concerns. These individuals also act as a conduit between sectors by identifying potential partners, providing necessary introductions, and helping bridge initial differences in these relationships.

This level of commitment by donors to supporting business-model co-creation will also reassure other potential partners as to the merits of this enterprise's endeavors. These partners see the DLI's level of commitment as a sort of stamp of approval as they consider working with the enterprise. DLIs therefore must be comfortable with the metrics that

measure the poverty-alleviation outcomes of the business. A robust partnership with a DLI will also provide critical support to internal champions looking to convince top management of the viability and value of investing in initiatives targeting BoP markets. Without this level of commitment from a DLI, potential external and internal supporters may instead focus on retaining their independence and resist any substantial investment in the initiative's development.

- **Support market creation that enables competitive advantage**

DLIs should consider providing resources not only to encourage enterprise development, but also to invest in market creation. The BoP perspective emphasizes that market-creation investments are an important complement to efforts directed at enterprise development. Enterprise market entry can be based on discovering an existing market or creating a new one. A discovery orientation assumes that opportunities for competitive advantage already exist and can be found by an observant enterprise. Once discovered, enterprises can then focus on building business models that sustain this competitive advantage.

Markets serving the BoP segment may not necessarily exist or offer any sources of competitive advantage for enterprises. Donor investments in market creation, therefore, can be critical to facilitating enterprise entry. Most enterprises will need access to a stable and reliable platform for distribution or procurement to implement a viable business model. Without external support for developing this platform, the enterprise team will face substantial hurdles in trying to move this endeavor forward.

As we have seen before, DLIs already engage in platform creation. However, platform-development investments must recognize the need for both the participants in the platform and the proposed user of the platform to have sustainable business models. A platform, for example, could incorporate training local farmers to become agents for enterprises to provide inputs and services to other farmers. These agents are essentially entrepreneurs and look to build a business out of the provision of these goods and services, perhaps supplementing their farm income. DLIs should ensure that not only does the input-supplying enterprise benefit from this agent network, but that the farmer entrepreneur also sees a viable business model in this endeavor.

In addition, the DLI must remain focused on the efficiency of platform creation. In the beginning, platform creation may be subsidized by donor funds. However, such activity will need to continue beyond donor investments, especially if scale is a goal. Unless the efficiency of platform creation is demonstrated, enterprises are unlikely to take up this responsibility on their own. Thus the platforms created must be both effective and efficient.

Skill sets to develop platforms therefore need to be transferred to the enterprise (see next section on skills transfer).

In building these platforms, DLIs should invest knowing that key success metrics for enterprises include sustaining profitability through achieving competitive advantage. Competitive advantage requires building a business model that facilitates enterprise development and limits competitor response. DLIs must recognize that their enterprise partners may not want a level playing field and will, instead, want to capture part of the playing field. Indeed, enterprises will likely want to gain inclusive or priority access to these platforms. Competitive advantage and the associated long-term sustainability of the enterprise will most likely emerge from establishing a set of mutually beneficial partnerships with local organizations and entrepreneurs that can provide preferential access to existing platforms.

- **Ensure skills are transferred and not just leveraged**

Scalability of enterprises, in general, requires creating capabilities that can be transferred to new contexts. Developing these transferable capabilities involves building internal skills and knowledge that enterprises retain and can exploit as they explore opportunities to expand into new markets. The BoP perspective emphasizes that most enterprises will need to build a specific transferable capability for BoP markets. This new capacity, termed social embeddedness, is defined by London and Hart<sup>18</sup> as “the ability to create a web of trusted connections with a diversity of organizations and institutions, generate bottom up development, and understand, leverage, and build on the existing social infrastructure.”

Capability building is how a partnership approach grounded in collaborative interdependence attains a level of permanence. At some point, the DLI will end its contracted engagement with the enterprise and wrap up its investments in a specific value chain. In working with the enterprise, as mentioned above, the DLI can act as a bridge to other organizations and send its staff to the enterprise team. This will help the enterprise secure its position in the current marketplace. This, however, does not ensure skill transfer and capability development.

In working with enterprises to build social embeddedness, DLIs must balance both doing too little and doing too much. If they do too little, the enterprise may be limited in its business-model development efforts. On the other hand, if they do too much, the enterprise may not build the internal skills and capabilities it needs to expand to new market contexts.

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<sup>18</sup> Page 164, London T & Hart SL (2004) “Reinventing strategies for emerging markets: Beyond the transnational model.” *Journal of International Business Studies* 35(5):350-370.

The latter is much more likely to happen, as both parties want to achieve early success. Interestingly, the greater risk is also in doing too much. This is reinforced by the argument of a higher floor but a lower ceiling. If the enterprise relies too much on leveraging the DLI's skills, it may be able to sustain itself in its current BoP market, but this success may blind both parties to the fact that the enterprise lacks the capability to scale.

On the other hand, if the DLI does too little, the initial business model may not come together. Thus the floor is lower. Early failure, especially if the partners maintain a long-term orientation, can provide important lessons on more effective approaches to managing collaborative interdependence. Success for both partners is when the enterprise develops a capacity in social embeddedness. With that, the ceiling expands, as the enterprise's internal appetite and ability to scale will be higher. In addition, this may also signal the opportunity to wind down the collaboration, as the DLI has now achieved its goal of transferring key skills and demonstrating the value proposition of connecting profits and poverty alleviation to its enterprise partner. Finally, to track the effectiveness and efficiency of this process, the DLI should also establish metrics based on the speed, cost, breadth, and depth of the skill transfer.

## **X. APPLYING STRATEGIES BASED ON THE CONTEXT**

In the previous section, we highlighted several strategies that DLIs may be using and can be enhanced to establish collaborative interdependence between the business and development sectors. While these can be considered a holistic set of recommendations, prioritization and sequencing can depend on the context. In particular, three attributes of the context are especially important. First is the maturity level of the enterprises that operate in the geography, by which we mean the enterprises' skills and capabilities in working with the BoP segment. Second, we need to consider the product space; for agricultural products, the challenges of addressing constraints for the commodity sector will be different from those faced for high-value products, such as those in the FFV sector. In arts and crafts, each subsector (carpets, garments, handicrafts, etc.) will have its own unique challenges. Finally, the ultimate customer – domestic or international – will also play a role in how the interdependence strategies can be applied.

Assuming there is a viable private sector involved in a particular value chain, enterprise interest in serving local producers falls into one of three categories. At one extreme, there are enterprises that have developed viable business models for serving local producers and are considering opportunities for further growth. Other enterprises may be interested in this market but do not have the capability or business model to enter. At the other extreme, some enterprises may not be aware of or have any interest in serving local farmers. Additionally, a fourth category occurs in the case where no viable private sector for a

specific value chain exists. These different enterprise contexts can influence the priority and sequencing of a DLI's collaborative interdependence strategies targeted at catalyzing enterprise development.

Consider, for example, the first type of enterprise, typified by ITC, Fabindia, and Jaipur Rugs. With significant skills and capabilities developed over several years of working with the BoP, ITC's primary needs in collaborating with a DLI are access to specific technical skills, assistance in developing trust with local producers, and support to conduct early experiments. In this situation, the DLI may want to prioritize particular aspects of its flexible partnership approach and ensure skills transfer, while investing less in building a team focused on catalyzing action. For ventures like Fabindia and Jaipur Rugs, which have a long history of working with small producers, the primary need might be training producers (in technical, business, and consumer orientation<sup>19</sup>), understanding and assisting in capacity building, and removing bottlenecks in the respective subsectors.

In the second category are enterprises that see potential in serving the local producers but are unable to construct a viable model; experiments conducted by them often end in disappointment, reinforcing the idea within management that serving smallholder farmers is not a viable strategy. Cropserve, discussed earlier, is an example of such a company. DLIs may need to sequence their strategies to collaboratively work with such enterprises. If the enterprise has previously struggled to address the producer constraints, it is likely that its confidence in the BoP segment as a growth market is eroding. DLIs therefore must first focus on building a strong team that can develop a deep understanding of the business model of the enterprise, how it had viewed the BoP, the types of solutions it had constructed before, and why they did not work. There is also likely a strong need to engage deeply with the enterprise on designing viable business models based on best practices. A flexible partnership approach, co-creation, and a balanced set of metrics will then come into play as the enterprise pilots and refines new solutions. The DLI will also need to explore whether market creation is required. Successes demonstrated through pilots should then be used to enhance skill transfer, so that a BoP strategy and associated capability development take a stronger foothold in these organizations.

The next category of enterprise is the one that does not view the BoP as a source of competitive advantage; the companies that rebuffed GMED's offer in the FFV sector fall into this category. These companies must first be sensitized to the opportunity that exists in the BoP space. To start, the DLI needs to sufficiently illustrate to the enterprises why and how through BoP business models and best practices they could profitably work with

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<sup>19</sup> Our discussions with these firms highlighted the need to incorporate consumer orientation in any training provided to the small producers. This is particularly important in the arts/crafts sector since the enterprises sell to end consumers and the producers may not have any appreciation of consumer tastes and expectations.

smallholder farmers. After that, the DLI can then use the other strategies discussed in working with interested enterprises as they move through the design, implementation, and sustainability stages.

The last enterprise context is that of nonexistence, where there is no viable private sector in a specific stage(s) of the value chain. Consider, for example, the cashew industry in Mozambique. Raw cashews were exported for processing to India. Thus Mozambique was simply a producer nation. With no local processing facilities, the opportunities for value chain enhancements were limited. In such situations, the DLI can take on the role of a business incubator to create appropriate enterprises with local partners. A strong team, commitment to co-creation, and investment in market creation are likely the initial key strategies. Once a viable business model for a local cashew-processing facility is established, other strategies will gain prominence as the DLI looks to expand its impact on the value chain. This is the approach taken by TechnoServe in its work in this industry.<sup>20</sup>

The sequencing and prioritization of DLI collaborative interdependence strategies are also affected by the nature of the product (e.g., commodity vs. high end, food vs. arts/crafts) and the demand destination (domestic or international). The variations can arise from differences in the technical challenges and the complexity of the respective value chains. In the agricultural commodity sector, for example, the overall value chains are often well established with opportunities for low-cost piloting. High-end agricultural products, especially those destined for international markets, may require a more substantial initial investment and face more stringent standards.

In agricultural commodity value chains, therefore, DLIs may find the greatest benefit from prioritizing building platforms and transferring skills. They can achieve a substantial impact by making the market opportunity more attractive and ensuring that enterprises have skills that they can then transfer to new contexts. Enhancing the value chain for high-end agricultural products, on the other hand, may require the DLI to emphasize a flexible partnership model. Developing the FFV sector, for example, would benefit a great deal from a cold-chain infrastructure. This type of infrastructure is expensive to build and can only be justified by achieving some scale of operations. Thus, the enterprise may need some funding support in the pilot stage and access to larger amounts of capital when it comes time to scale. International markets often have more demanding quality, safety, and traceability requirements that impose specific challenges across the value chain. Encouraging local producers to achieve certification requirements or to plant export-only crops, for example, requires a deep understanding of mutual value creation. The resulting

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<sup>20</sup> Karnani, A. and Koenig, C. (2009) "TechnoServe: Cashing in on Cashews." *The William Davidson Institute: GlobalLens* 1-10.

business model should recognize, reward, and protect producers from the risks they will be taking.

## **XI. INDICATORS THAT ALIGN BUSINESS AND SOCIAL PERFORMANCE**

Both the business and development sectors recognize the importance of having a robust set of metrics to track performance. These sectors, however, had tended to emphasize and measure different aspects of performance. Enterprises tend to measure economic performance, while donors emphasize social outcomes. Furthermore, both sectors often feel there is a trade-off between economic and social performance.

Enterprises serving BoP markets often have financial metrics and measures of output, such as the number of products manufactured. Yet these metrics do not offer insight into how well their business model is meeting the needs of those they seek to serve. The enterprises are not engaging in a regular conversation with their BoP customers and suppliers.

Evaluations by the donor community emphasize process-oriented metrics, such as the number of local producers trained, demonstrations conducted, and groups formed, that measure intensity of the efforts, and outcome-related measures, such cost and yield per acre, that assess the results. These measures, however, do not provide a holistic sense of the poverty-alleviation outcomes.

Indeed, the majority of donors and enterprises do not have a systematic way to assess and enhance their poverty-alleviation performance by engaging in an ongoing dialogue with the BoP. As a result of these differences, and despite a thorough examination of these projects, we were unable to identify a comprehensive set of existing indicators used by either donors or enterprises that both could adopt. Instead of (or in addition to) their traditional sets of metrics, we suggest enterprises and donors embrace a set of common metrics that allow them to identify what is working – and what is not – from the perspective of the BoP.

Value chain initiatives grounded in collaborative interdependence must begin to view measuring on-the-ground impacts as an investment that allows them to increase the value created for the BoP and for the venture. Hearing and better responding to the holistic set of local needs will allow the initiative to continually innovate its business model and offer a value proposition that results in improvements in both economic and social performance.

The BoP Impact Assessment Framework (developed by one of the authors of this report) offers one approach to helping organizations better understand and improve their on-the-

ground poverty-alleviation impacts.<sup>21</sup> The framework enables a holistic assessment of possible poverty-alleviation impacts (both positive and negative) of a venture by assessing three areas of well-being: economic, capability, and relationship. The framework is applied across three key local actors affected by the enterprise: the producer (seller), consumer (buyer), and community. While DLIs and ELIs may collect some of these individual metrics, a key feature of the framework is to provide a holistic set of indicators that can be used by any venture (see Annex B.VII.).

For enterprise managers, the BoP Impact Assessment Framework provides a robust and systematic approach to conducting (1) a strategic analysis to gain a deep understanding of their holistic set of impacts, and (2) a performance analysis to identify, track, and improve outcomes over time. The BoP Impact Assessment Framework is designed as an iterative process in which the findings of both the strategic analysis and performance analysis are meant to enhance future business-model development as well as provide insight on the most critical metrics.

For donors, the framework provides governments, development groups, and potential investors with a standardized approach to compare the poverty-alleviation outcomes across projects and enterprises. For both, it also moves impact assessment away from the perspective of “monitoring and evaluating” as a post-hoc review to an orientation of “assessing and enhancing,” which emphasizes the iterative learning that needs to occur to continually increase the value created for both the venture and those it seeks to serve.

## **XII. CONCLUSIONS & NEXT STEPS**

Market-based approaches play an important role in addressing the problems of poverty. One market-based approach, value chain initiatives, focuses on the opportunity to better connect local producers to domestic and international markets. Both the donor community and enterprises have developed value chain initiatives to work more closely with local producers. These DLIs and ELIs have different strengths and weaknesses as they move through the design, implementation, and sustainability stages. While these approaches are complementary and may be trying to achieve the same outcome, donors and enterprises have largely preferred to maintain their independence from one another.

Using the lens of the BoP perspective, we present a collaboration model based on interdependence to better integrate investments in DLIs and ELIs. In particular, we propose several strategies that DLIs can use to enhance collaborative interdependence between the two sectors. Variation in context may influence the prioritization and

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<sup>21</sup> London T (2009) “Making better investments at the base of the pyramid.” *Harvard Business Review* 87(5):106-113.

sequencing of these strategies. Regardless, the strategies offer a partnership approach that builds on the strengths of each sector and provides insight for a model that can facilitate stronger connections between profits and poverty alleviation.

The key ideas for collaborative interdependence are grounded in BoP research. We recognize, however, that the proposed strategies would benefit from further testing and refinement. We hope that both the donor and enterprise communities will embrace this task in the spirit of interdependence and commit to jointly exploring new models that can lead to more-fruitful collaborative engagement.

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# ANNEXES

## ANNEX A: Global Value Chains and Value Chain Governance

### Global Value Chains

The development of global value chains was facilitated by increased globalization and the opportunity to shift production and other activities to lower-cost locations and partners, including urban and rural producers in developing countries. This outsourcing has enabled the reorganization of the production process at an international level, allowing goods to be produced in multiple stages in a variety of locations, with value added at each stage.

There has been much debate on whether globalization is good for the poor in a developing country. Given that globalization is here to stay, the question is not whether globalization is good or bad for the poor, but rather how to make it work better for the poor. To understand this, one needs to develop a deep understanding of global value chains to see how the poor can potentially participate in and benefit from globalization. The value chain approach, originally articulated to understand competitive advantage at a firm and industry level, has been adapted to analyze how globalization can foster economic development at a country level.<sup>22</sup>

Global value chain (GVC) analysis requires understanding the role of “lead firms” in global industry. Lead firms are defined as the enterprises that can impose standards and specification on other members of the value chain and whose decisions highly influence the organization of and power balance within the chain.<sup>23</sup> These firms set parameters for the other actors to follow, as they have market power or control over key technological or information assets.

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<sup>22</sup> Kaplinsky, R. (2000) “Globalisation and Unequalization: What Can Be Learned from Value Chain Analysis.” *Journal of Development Studies* 37 (2), pp. 117-146.; Kaplinsky, R. and Morris, M. (2001) “A Handbook for Value Chain Research.” Working Paper Prepared for the IDRC, Brighton, UK, Institute for Development Studies.

<sup>23</sup> Gereffi, G & Christian, M. (2009) “The Impacts of Wal-Mart: The Rise and Consequences of the World’s Dominant Retailer.” *Annual Review of Sociology* 35: 573-591.

Using a global value chain approach helps determine how industries are organized, the relationship between players in the chain, how local processes are influenced by global decisions, and how lead firms and their suppliers move the product from its conception to the end buyer. The global value chain framework connects global and local levels of production and is therefore useful in merging large multinational corporations with new markets, and local producers with supplies and more effective mechanisms for selling goods to buyers at different stages of the value chain.

Entering global markets and participating in global value chains is generally easier for larger, more experienced companies with greater access to resources, as it can require complying with both international and local standards, policies, and certification expectations. Meeting a broad range of legal, quality, environmental, and labor requirements has proved problematic for small and medium enterprises, even in high-income countries.<sup>24</sup> Smaller firms, primarily due to their size and limited resources, have to sell through intermediaries. Intermediaries require smaller firms to be as disciplined about external protocols as they are required to be. This means the same legal, quality, environmental, and labor standards larger firms or organizations are bound by apply to smaller firms.<sup>25</sup>

That said, global value chains can represent an opportunity for smaller firms to access new markets if they can consistently achieve the quality and quantity demanded by end users. The burden to adhere to the aforementioned standards is weighted heavily during the beginning phases of production within the value chain. Often, smaller firms producing the same product within a value chain work together to enhance supply and reduce the cost of acquiring the necessary new capabilities and expertise.

Given the costs and risks, it is important to consider whether smaller firms that integrate into global value chains gain benefits as compared with those who do not. Case studies published by the Organisation for Economic Co-operation and Development demonstrate instances where participation in global value chains benefits smaller firms in both industrially developed and emerging countries.<sup>26</sup> Specifically, these case studies conclude that small firms benefit due to increased information flow and technology transfer from value chain partners that affect the firms' efficiency and business practices.

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<sup>24</sup> Kaplinsky, R. and Morris, M. (2001) "A Handbook for Value Chain Research." Working Paper Prepared for the IDRC, Brighton, UK, Institute for Development Studies.

<sup>25</sup> Kaplinsky, R. and Morris, M. (2001) "A Handbook for Value Chain Research." Working Paper Prepared for the IDRC, Brighton, UK, Institute for Development Studies.

<sup>26</sup> "Enhancing the Role of SMEs in Global Value Chains." OECD Conference Report 2008.

The case study of smaller-firm suppliers, however, also identified several challenges for these groups. To be part of these value chains and remain competitive, the smaller firms needed to adopt the latest technologies. Smaller firms may face difficulties in undertaking research and development activities, training of personnel, and in complying with the requirements of product quality standards. These firms often rely on their government for support with training intended to improve their existing skills and technology assets and to provide assistance in meeting different standard requirements. In summary, some of the research on smaller-firm involvement in global value chains suggests that small or medium-size organizations have opportunities for growth and upgrading; however, involvement also requires these organizations to operate outside of the resource level of their local environment.<sup>27</sup> Integrated global value chain analyses that measure not only global value chain involvement (i.e., number of organizations and rates of production) but also more specific aspects of smaller-firm involvement (i.e., specific characteristics – social, economic, and capability resources – of these organizations’ local environments) may provide improved mechanisms for small-firm involvement.

## Value Chain Governance

The ability of smaller organizations to extract returns for the value they create depends on the governance structure of the value chain. The governance structure determines the relationship between the lead firm and industry suppliers, including smaller firms. Different types of governance are determined by the characteristics of the transaction relationships between parties in a value chain, including the complexity of information exchange, the opportunity to codify this information, and the capabilities of suppliers.<sup>28</sup> Among the five types of governance – modular, relational, captive, market governance, and hierarchical, the latter two are most commonly found in global value chains. Market governance is the simplest form of value chain governance and occurs when the linkages between value chain activities are weak because information and knowledge shared is relatively straightforward. This kind of governance often occurs when there are a large number of suppliers and where market forces determine price. Hierarchical or controlled governance often occurs when small suppliers are dependent on large and dominant buyers and the lead firm has a high degree of monitoring and control. This kind of governance is apparent when there are a smaller number of suppliers within a global value chain.

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<sup>27</sup> Kaplinsky, R. and Morris, M. (2001) “A Handbook for Value Chain Research.” Working Paper Prepared for the IDRC, Brighton, UK, Institute for Development Studies.

<sup>28</sup> Gereffi, G, Humphrey, J. and Sturgeon, T. (2005) “The Governance of Global Value Chains.” *Review of International Political Economy* 12, 1 (February): 78-104.

Lead firms play critical roles in value chains, including setting and enforcing standards, as well as managing the interactions between the firms within the value chain in order to improve communication and diffusion of technology. They also decide which activities will be incorporated in the chain and which ones will be outsourced. The positioning of firms along the chain is also usually determined by lead firms.

# ANNEX B: Summaries of Selected Projects

## ANNEX B.I.

### PROFIT project, Zambia

#### Objectives of the Venture

The PROFIT project aims to increase rural economic activity and reduce poverty all while ensuring that micro and small enterprises (MSEs) contribute to and benefit from the growth process. To achieve this goal, PROFIT uses a value chain approach to improve the linkages between MSEs and other actors in the cotton, beef, veterinary services, financial services, and retail services value chains.

#### Overview of the Venture

PROFIT began as a five-year project in June 2005 with a total budget of \$15 million; recently a project extension was granted until September 2011. The Cooperative League of USA (CLUSA ) acts as the implementing partner on behalf of USAID; subcontractors include International Development Enterprises (IDE) and the Emerging Markets Group (EMG). The project focuses on several different value chains, including cotton, beef, veterinary services, financial services, and retail services. PROFIT uses a value chain approach to strengthen vertical and horizontal linkages and to support markets among five different value chains. Due to time constraints, WDI's field visits focused only on the value chains for cotton and the retail input services for agribusiness products (*see Figure 1, PROFIT value chain approach*). The major objectives and actions led by PROFIT on these two different value chains are as follows:

**Cotton:** Cotton production in Zambia remains constrained by low productivity at the farm level; poor infrastructure and high transaction costs add to the inefficiency. However, the export potential and presence of a strong lead firm (Dunavant) that contracts with farmers and provides inputs and assistance make it an attractive sector to target for improvement. PROFIT facilitated collaboration between lead firms like Dunavant, Birchand, and Cargill and the farmers for extension services, facilitated training of farmers in improved cultivation methods, and improved commercial delivery of sector-specific services. The objective is to strengthen the existing export potential and existing market linkages while overcoming the poor infrastructure, high transaction costs, and relatively low yields of the industry.

Dunavant is one of world's largest merchandisers of cotton, with a core business of cotton ginning and export. Dunavant has been engaged with smallholder farmers since 1999-2000. Over these years, Dunavant has not only sourced cotton from the farmers but also provided inputs on credit, extension services, and productivity training to the smallholder

farmers. Farmers were used as agents for sale of inputs; some entrepreneurial farmers also took upon the role of buying agents. The agents received commission on sales.

The partnership between Dunavant and PROFIT aimed at building the capacity of community-based agriculture service providers through two different programs: spray and tillage services; they are respectively referred to as spray service providers (SSP) and tillage service providers (TSP). The lead firms would provide technical training, and PROFIT would provide assistance in business training for the service providers to become entrepreneurs. PROFIT also assists in connecting the service providers with farmers. Under the PROFIT project, by FY 2009, over 700 SSPs received technical training and about 360 received business training. Use of SSP services showed an increase in cotton yield of about 30% and a corresponding margin increase of 25%. Similar training is provided to the TSPs; TSPs assist in land preparation, ripping, and tillage services. By FY2009, there were about 400 TSPs trained even though only 100 were active. Usually the equipment is provided by the lead firm, but equipment maintenance remains a challenge. Dunavant proposed that farmers purchase their own equipment, including tractors. PROFIT tried to find partners to finance the purchases but was unsuccessful in convincing a financial institution to give loans to small farmers. Finally, as an experiment, Dunavant decided to pilot provision of a tractor to one farmer on credit. To its surprise, this farmer paid off his loan in one year. Dunavant is now considering expanding the program with outside (donor) assistance to build a revolving fund for the same.

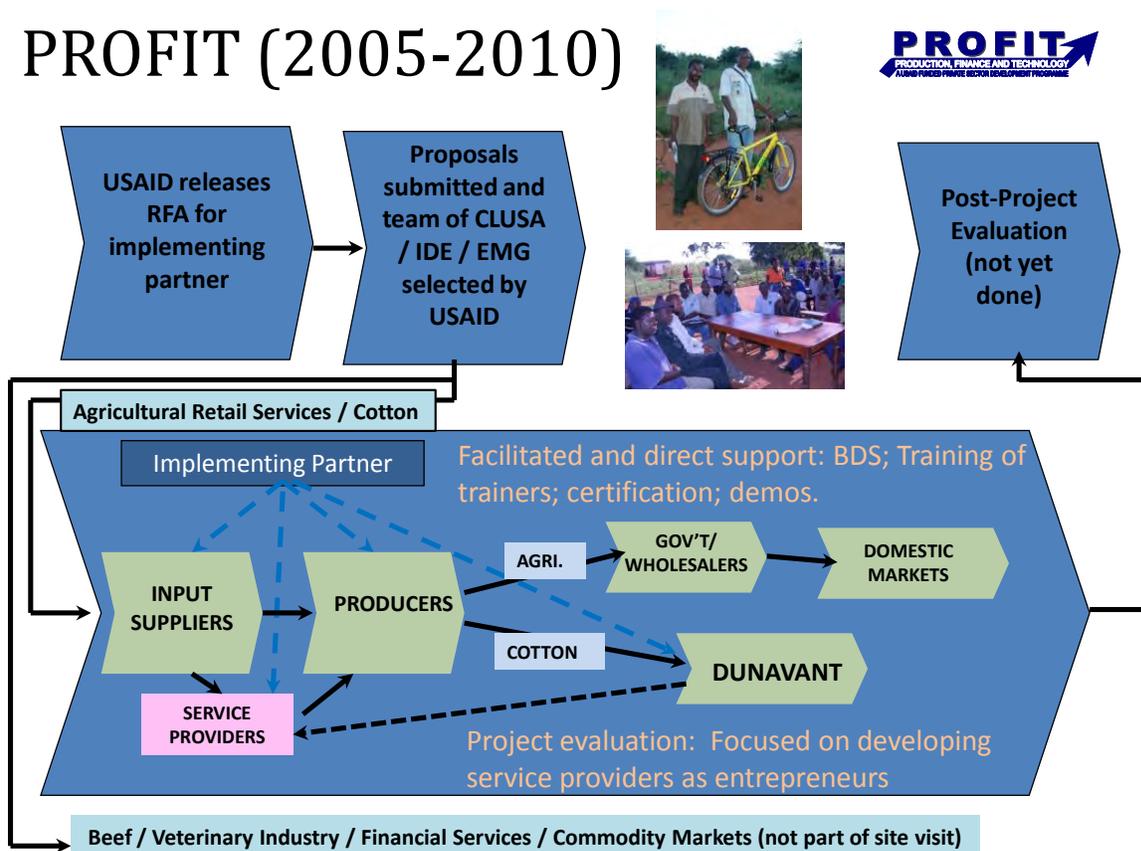
Dunavant benefits from PROFIT as a result of connecting farmers to service provider systems. PROFIT helps Dunavant identify both farmers willing to work with service providers and the service providers themselves (there are far fewer service providers than agents). As a result, Dunavant's sales have increased considerably so far. The major challenge Dunavant is facing is the difficulty of obtaining payment up front because the service is prepaid. Dunavant expressed its inability to continue the training program for spray and tillage service providers at current scale without help from PROFIT (or other donors) because it does not have sufficient resources. To continue, it will need to find another partner for the training component. The training will continue in the meantime but on a smaller scale and with no incentives for the farmers.

Retail input services: Availability of quality agri-inputs and services at an affordable cost is key to productivity improvement at the farm level. Retail agri-input services thus play an important role across multiple crops. Consistent with the value chain approach, PROFIT works with lead firms in input supplies to help them expand their distribution network to service the smallholder farmers more effectively. Typically, the distribution points of the input suppliers ended at large towns where the company stockists kept the supplies. Farmers needing seeds, fertilizers, etc., had to travel to the town to purchase these inputs; often there would also be a mismatch between packaging quantity available and the farmers' needs.

Similar to the concept of service providers in the cotton value chain, PROFIT proposed the idea of farmer as an agent and service provider to the lead firms for input supplies. PROFIT provides both facilitated training (technical training done by the companies or lead firms)

and direct training (business training) to the farmers. Business advisors from the PROFIT team provide business training to the farmers within the project area. These advisors also reinforce connections between farmers and input suppliers in order to assist with discounted prices. A network of agents supported by PROFIT provides the improved-farm-practice training to the farmers. The agents receive commissions (about 15%) from sales of inputs triggered by such training; the agents are expected to provide the training and extension services to farmers at no charge. They supervise the work of the farmers to ensure proper use of chemical products while also raising awareness of how to protect themselves from the products (e.g., how to wear protective clothing). The agents are farmers and part of the communities. The farmers had no access to these services prior to PROFIT. PROFIT provides training through material and demo plots. As summarized in Figure 1, the company-specific agents operate sales and provide different services (spray and tillage services) to the farmers on behalf of the input suppliers. The operational model is one where PROFIT trains agents who are community farmers, and those trained agents then train other local farmers. By FY2009, there were about 1,500 agents in the network servicing over 140,000 smallholder farmers. PROFIT has also facilitated certification and accreditation of the training program by CropLife (formerly known as Agricultural Chemicals Industry Association), Zambia.

**Figure 1: PROFIT value chain approach**



Several retail input providers have participated in this partnership with PROFIT. The largest such participant is Cropserve. Cropserve saw value in serving smallholder farmers but was struggling to develop a business model to reach them. PROFIT's farmer-as-an-agent model appealed to Cropserve. Cropserve is benefiting from the PROFIT project through increases in its sales as well as direct connections to farmers due to the reinforced agent network. However, it faces several ongoing issues. Since agents are supported by shops in the towns, expanding the agent network would require that Cropserve expand the number of shops. Unfortunately, Cropserve is currently unable to effectively control the stocks and the sales, as it does not have adequate information technology systems to provide visibility. Instead it feels that it needs to first strengthen the relationships and confidence with the existing agents before expanding the network. Another issue Cropserve is facing is the expense associated with maintaining the agent network. It is expensive to find new agents and sometimes difficult to convince them that they will profit from working with Cropserve, since agents want to see the return on investment immediately. Finally, typically farmers prepay agents for their inputs; so if the agent cheats, it ultimately affects the reputation of Cropserve, as agents are specific to input suppliers.

### **Strengths and Challenges**

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The key innovation the PROFIT project brought to the lead firms in the cotton and retail services sector was that of "farmer as an agent" and "farmer as a service provider" to effectively address the last-mile problem. PROFIT's participation has developed linkages between farmers and the lead firms. The lead firms appear to have benefited from expanding their sales and service network to smallholder farmers. The project has managed to create a substantial base of trained agents/service providers. Certification and accreditation by the industry association, CropLife, is also a major achievement.

Lead firms, however, appeared hesitant to scale the training program further. It appears that the training facilitated by PROFIT will continue, albeit at a smaller scale without PROFIT support. This could be due to internal issues of financial and technical capabilities to sustain the agent and service provider network. Agents/service providers are an additional layer in the respective value chains; they provide a useful service. However, it is as yet unclear how profitable their business model is. Several agents expressed reservations about the viability of their businesses.

# ANNEX B.II.

## Kenya Maize Development Project, Kenya

### Objectives of the Venture

The Kenya Maize Development Programme (KMDP) aims primarily to increase productivity and efficiency of the maize subsector in Kenya, with emphasis on strengthening the private sector, increasing access to agricultural markets and business support services, and improving the effectiveness of smallholder organizations.

### Overview of the Venture

The Kenya Maize Development Programme (KMDP) began as a four-year cooperative agreement between USAID and Kenya. The project also involves a diverse consortium of partners within the maize value chain that include the Cereal Growers Association of Kenya (CGA), Farm Input Promotions Africa Ltd. (FIPS) and the Kenya Agricultural Commodity Exchange (KACE). The initial agreement was signed in September 2002 and implemented by ACDI-VOCA. An extension was granted through March 31, 2009, to enable the project to consolidate gains during the first five years. As of March 2010, KMDP was still operating, and USAID's support was scheduled to end in June 2010.

Maize is a staple product for the people of Kenya. Kenyans spend about 28% of their income on maize, and yet prices are among the highest in Africa. Maize production accounts for close to a quarter of the country's GDP, and yet government investment in the sector is extremely low. Smallholder farmers (SHF), who contribute a majority of the production, face difficulties in access to market as well as access to information and knowledge to improve their productivity. Low investment, inefficient production, and an inefficient farm-to-market system contributed to worsening levels of poverty. Increased investment, improved productivity, and better access to market then are the main ingredients for poverty alleviation.

The KMDP program is designed to address these issues. The KMDP program uses a value chain approach to increase the efficiency of the maize sector in Kenya; this is achieved by assisting in farmer group formations, linking input suppliers and financial institutions to farmer groups, improving access to markets, and introducing a warehouse receipts program to provide SHFs the ability store and sell at their discretion as well as use it as collateral for credit. Thus the KMDP program works directly or indirectly with several value chain actors.

Significant effort went into improving the productivity of maize farmers. Initiatives included providing training in improved farming and giving them better access to seeds and other agri-inputs. Specifically, training covered improved crop-management practices, seed-variety selection, and use of planting and top-dressing fertilizers and conservation tillage coupled with the use of chisel plowing and herbicide application. KMDP partnered with FIPS for dissemination of these practices. Several field demonstrations for proper use

of seeds and other inputs were arranged in collaboration with seed and input suppliers. Several initiatives targeted provision of information services to the farmers. In addition, KMPD worked to create farmer groups to give them the power of scale and facilitate better connectivity with other value chain actors. KMDP also worked with the government to enable a warehouse receipts program for small farmers. Under such a program, farmers could store their produce in a warehouse and sell it at an appropriate time of their choosing. Under business development services, KMPD facilitated business fairs that brought together farmers with other value chain partners. Business fair participants include small- and large-scale cereal farmers, traders, distributors, and millers. The 2008 Business Fair was attended by 18,000 farmers and 70 private sector companies. In addition, field days hosted by a farmer in his village were organized in collaboration with the private sector actors and government to bring improved practices to the doorstep of the farmer.

Various groups benefit from this initiative. Following are brief descriptions of how each actor benefited from its involvement in the KMDP program.

- **Farmers:** Farmers benefit from the project by improvements in crop productivity through input supply (e.g., seeds and fertilizers) and training (e.g., management of production – storage, speculation, pricing, and marketing). Education demonstrations organized by the seed companies and facilitated by the KMDP initiative helped farmers understand seed varieties and introduced the use of hybrid seeds. Access to up-to-date farming information (e.g., weather information) helped farmers better plan their crop maintenance and harvesting. Adoptions of the improved practices have led to at least a threefold increase in productivity. Organizing farmers into small groups also had implicit benefits. Farmers no longer had to pay for transportation into town individually but rather shared the cost. Additionally, farmers had greater bargaining power as a group, when they chose to sell as a group, and access to better credit. Farmers were able to obtain loans/credit through the equity bank with interest rates at 10% and 8% to be reimbursed after a year.
- **Seeds and fertilizers providers:** The KMDP project helped connect farmers living in remote communities with seed and fertilizer suppliers. Kenya Seeds Company, representing 75% of the seeds market in Kenya, is a major supplier. The company ensured seed quality to farmers, developed trusting relationships with them, and helped farmers by educating them on seed care (e.g., isolation, control, and agronomic management). It also trained farmers on how to use new varieties of seeds, process units, and distribute and market their crops. Much of Kenya Seeds Company's work created brand loyalty among the farmers, with anticipated long-term sales benefits. KMDP helped Kenya Seeds Company organize the farm demonstrations and trainings for different groups of farmers on the different varieties of seeds. To facilitate formation of new relationships with potential customers, KMDP also initiated Kenya Seeds Company's participation in business fairs.
- **Stockists:** Stockists are distribution agents for the agri-input companies. With assistance from KMDP, the stockists managed demonstrations about use of quality seeds and modern farming techniques (e.g., land preparation, harvesting). These initiatives helped them connect with farmer groups, leading to increased sales.

- Millers: Millers run microenterprises that provide milling services to the local community. KMDP assisted millers by providing them training in business management, specifically, marketing and pricing, as well as connecting them to farmer groups. Sales to millers is an alternate channel for the farmer.
- Warehouses receipts program: Traditionally, warehouses were designed for use by large-scale farmers. Warehousing is an essential service in the commodities sector; it provides safe-storage, alleviating the farmers' need to sell immediately. Warehouses not only earn revenues by providing storage services, but many acting as traders offer to purchase the produce from the farmer when he is ready to sell.

### **Strengths and Challenges**

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KMDP appears to have had a major impact in improving the productivity and market access for SHFs. Intermediate processors like the miller have also benefited from being part of the value chain.

Challenges remain, however. Some farmer groups still face constraints like inadequate storage space and insufficient access to credit. It appears that some of the farmer groups were not yet ready to operate on their own without assistance from the project. However, in absence of the IP, it was unclear if any of the lead firms (different value chain actors) had developed the skill sets to form groups and sustain them. Providing hybrid seeds, fertilizers, and spacing information (the Production Planting String program of KMDP in collaboration with Africa-Farms Inputs Promotional Services, or FIPS) are some of the aspects that help the farmers increase their production per unit area. The project seeks to help farmers improve their access to the appropriate seeds and fertilizers in different regions in Kenya. There are numerous challenges, including a government monopoly, the aging farming population, and lack of appropriate and supportive policy.

# ANNEX B.III.

## GMED Project, India

### **Objectives of the Venture**

The fresh fruits and vegetables (FFV) intervention of Growth Oriented Microenterprise Development's (GMED) venture focused on smallholder farmers with the objective to improve their productivity, decrease their use of pesticides, and increase their income by connecting them to markets.

### **Overview of the Venture**

GMED was USAID's first microenterprise program in India. It was a four-year, \$6.3 million program implemented by ACDI/VOCA from 2004-2008. GMED's venture components included agribusiness and urban services. The agribusiness component focused on fresh fruits and vegetables (FFV), organically certified food products, maize value chain improvement, and the inclusion of HIV/AIDS-affected farmers into commercial supply chains. The urban services component worked to improve municipal solid waste management through outsourcing to micro and small enterprises (MSEs).

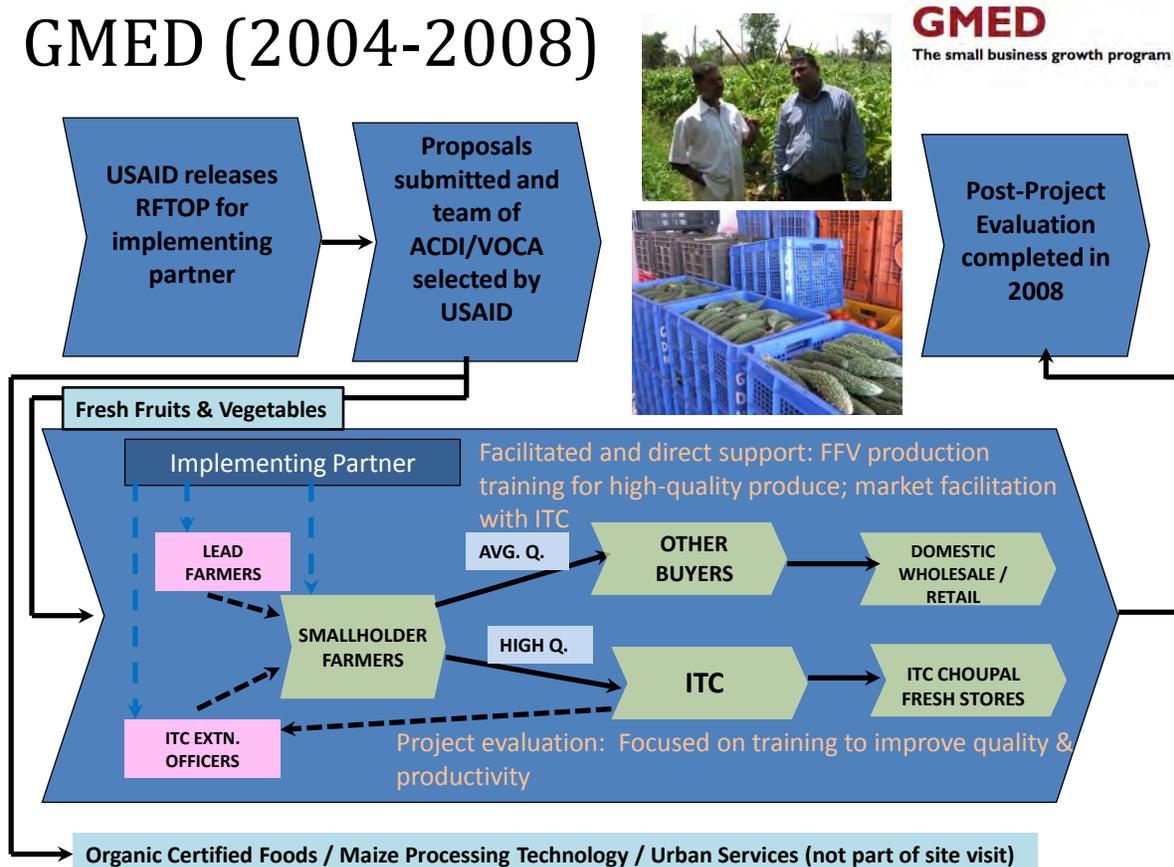
Around 2004-05, organized horticulture retail in India grew to be popular among enterprises. Many enterprises – e.g., Reliance, ITC, Godrej, etc. – announced a move to this space to take advantage of the high-growth grocery retail markets. Agricultural produce, like most other commodities in India, moved from farm to market through the “mandi” system, where farmers' produce would be auctioned to traders who purchase on behalf of buyers in urban markets. A large majority of FFV farmers are smallholder farmers with land size of 0.5-2.0 acres. FFV production methods include fast-cycle crops, requiring harvesting and selling on a daily basis. Given the size of the produce harvested by a smallholder farmer and the frequency, it is often the case the farmer sells the produce at farm gate, just outside the farm, to an aggregator or a commission agent who takes the produce on his behalf to the mandi. This process introduces another group of intermediaries between the producer and the final buyer.

In 2005, the Agricultural Produce Marketing Committee Act (APMC) of 1962 that prevented private parties from buying directly from smallholder farmers was amended to allow direct purchasing. However, its implementation was left to individual states. Between 2005 and 2007, there were 22 states that had amended the APMC act.

Consistent with the value chain approach, GMED approached several current/prospective FFV retailers to see if they wanted to work with smallholder farmers. Most of these enterprises did not show interest, except ITC, which requested technical support in best-in-class FFV production practices to be taught to farmers. Extending the success of ITC's e-Choupal initiative in commodities, ITC wanted to expand into FFV, connecting farms to markets integrating sourcing, wholesaling, and retail. ITC wanted to pilot its wholesale/retail concept in three geographies – Pune (in the west), Hyderabad (in the south), and Chandigarh (in the north). ITC wanted to differentiate itself from competition

by sourcing and selling quality produce. ITC and GMED agreed to partner whereby GMED would provide assistance in training farmers in best practices of FFV production to improve their quality and productivity and ITC would act as the preferred buyer for the produce of the smallholder farmers (see Figure 2).

**Figure 2: GMED FFV value chain in India**



GMED identified three production areas for FFV production in the vicinity of the markets where ITC planned to open its stores. The Pune market was linked with the Manchar production area (about 50 km from Pune and 80-90 km from Mumbai), the Chandigarh market linked with the Malerkotla production area (about 70-80 km), and Hyderabad market linked with the 25-40 km surrounding market area where produce was grown. GMED's engagement with smallholder farmers had the following components: (a) identify lead farmers, (b) train the lead farmers in FFV production practices, (c) connect input suppliers to farmers, (d) teach farmers about crop diversification and risk management, and (e) connect farmers to retail buyers (in this case ITC). GMED also trained ITC's agri-extension officers so that they could continue the extension services when the GMED project ended. Internally GMED identified agri-experts who assisted in delivering the technical services in each of the three geographies. In some markets, GMED had to spend more time building rapport with community farmers due to poor experiences farmers had in the past when collaborating. For example, farmers were skeptical of seed suppliers, as

some local suppliers had sold them seeds of questionable quality. Similarly, in the Malerkotla region, poor experiences with private corporate buyers (e.g., PepsiCo and Mahindra) made farmers skeptical of corporate entities, including ITC. Within the GMED venture, additional time was taken to build relationships with farmers, especially while connecting input suppliers to farmers and while teaching farmers about crop diversification and risk management.

ITC emphasized that it would buy only quality produce from farmers. It worked with GMED to train farmers to grade produce according to A, B, or C and notified farmers that it would buy only grade A. From 2006-08, the partnership between GMED and ITC flourished, as ITC expanded its retail footprint from 3 to 14 stores, though this was a significant scale-down from the plans to open 140 stores. By the time the GMED project ended in September 2008, it had trained about 30 lead farmers (with a beneficiary base of about 500 farmers) across the three regions.

Due to business contingencies, in the first quarter of 2009, ITC pulled the plug on its retail experiment from the Pune and Chandigarh markets to focus attention in the Hyderabad market. Each of the three regions was affected differently.

Hyderabad Region: Since ITC maintained its retail presence in this area, it continues to work with the smallholder farmers through its extension officers and demonstration farms. At the end of the GMED intervention, there were about 130<sup>29</sup> farmers implementing GMED practices; today there are about 200 farmers who sell directly to ITC, and 50% were part of the original GMED/ITC collaboration. After the collaboration between GMED/ITC ended, ITC customized some of the original training to suit local conditions in addition to extending the training to include Good Agricultural Practices (GAP). For more details on ITC expansion and growth, see the description in Annex B.V.

Pune Region: The smallholder farmers for this market were located in the Manchar region that is in close proximity to both Pune and Mumbai. While ITC made an impact in this market, there were other retail players who bought directly from the smallholder farmers. None of the other retail competitors was engaged with the farmers like ITC and they didn't provide training and extension services. Many of the farmers in this region felt that the GMED training allowed them to grow quality produce and realize the market potential for producing quality products, first through their interaction with ITC as a buyer. They also valued the production techniques introduced by GMED. The farming techniques allowed farmers to improve productivity and reduce costs. Since the GMED/ITC collaboration, all the smallholder farmers have expanded their farmer groups in this region. Some descriptive stories of smallholder farmers involved in the GMED/ITC collaboration follow:<sup>30</sup>

Ram Seth: His now-deceased brother, Babaji, was the lead farmer with GMED and a supplier to ITC. With assistance from GMED, Babaji started with 25-30 farmers in

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<sup>29</sup> This number is questioned by ITC to say that it was actually 30-40 farmers. Likely the discrepancy may be in how many were trained (by GMED) vs. how many actually implemented the practices.

<sup>30</sup> These are based on direct conversations with farmers in this region during WDI's field visit in May 2010.

his group. Ram expanded the group to about 100 by the time GMED ended in September 2008; currently his group has grown to 200 farmers. Farmers in his group get training on an “as needed” basis. They have continued to work with Mr. Hemant Gaur, Director of Vasundhara Agr-Horti Producer Ltd. Mr. Gaur used to work for ITC providing advice and guidance to the farmers. Out of his generosity and deep interest in the progress of farmers, he continues to advise the farmers and appears to be highly regarded within the community.

Dattatreya Balerao: Balerao is a lead farmer producing vegetables, potatoes, and onions. Balerao now supplies his produce to collection centers of other retailers like Spencers. The organized retailers buy grade-A produce, so Balerao sells his remaining produce at the mandi. His original farmer group has expanded from 8 or 9 to 40-50 farmers. As a lead farmer he a) propagates practices he learned through GMED, b) plays the role of matching supply and demand, and c) facilitates cash payment to his group members (the retail buyer pays him by check).

Sunil Gangaram Totre: Totre is a lead farmer producing vegetables, potatoes, and onions. Using his own money, Totre built a large water tank where he stores water during monsoon season and then uses it for irrigation. Now, many farmers are inspired by his example and some have considered building similar tanks. He has said that his next steps include a) coordinating production of different vegetables depending on market demand within his farmer group, b) establishing a presence in the farmers market in Mumbai so he can capture a larger share of the total margin, and c) integrating his produce into food processing. Totre’s farm group thinks that if small-size cold-storage technology is available, it will be willing to invest in it in the future.

Balasaheb Gawade: The 2 or 3 farmers in Gawade’s village who had adopted GMED techniques by September 2008 has now expanded to 25-30 farmers. Gawade believes there is increasing demand for quality produce, and hence farmers are adopting the new techniques. He thinks that GMED brought quality consciousness to the FFV business.<sup>31</sup> Some current challenges he faces are issues of climate change (warmer climates, lack of sufficient water, etc.) as well as inputs that aren’t synchronized in terms of availability with farmer needs. His village has 600-700 farmers. He has helped form a group of 100 farmers. Together, they plan to invest in cold storage, transportation, and product marketing, and eventually organic production. Presently, the group charges farmers Rs. 100 per month to build a corpus fund that could be leveraged to invest in the aforementioned activities.

Anil Kashid, lead farmer: GMED-ITC intervention improved Kashid’s productivity fourfold. GMED also gave him some ideas to build a temporary cold storage on his farm using jute bags. He has expanded his business and owns a procurement position at a private tomato mandi. He has also expanded his farmer group from 15-20 to 40-50. In addition to managing the group, Kashid connects his fellow farmers to the market. Members of his group are expected to grade their produce at the

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<sup>31</sup> The important role of ITC as a quality-conscious buyer cannot be underscored.

farm, and there is no subsequent quality check at Kashid's mandi center. Kashid provides crates to the farmers and coordinates visits of extension service providers to the farmers in his group.

The Pune region has also benefited from the presence of Deepak Fertilizers (DF), a diversified business entity working with chemicals, fertilizers, agri-business, and realty. In 2005, DF formed a farmer group to provide training and diagnostic services, including soil testing. Farmers used to pay a lifetime membership fee of Rs. 150. At its largest, Deepak Fertilizers consisted of 1,005 members. In 2009, DF altered its annual membership structure. The group size initially declined to 100 and has since slowly rebounded to 300 farmers. Farmers are now issued a photo ID, provided accident insurance policies, and receive priority allocation of farm inputs when there is a shortage. When ITC entered the market, Deepak Fertilizers became a buyer for ITC. Now it continues to buy from ITC's farmer groups. Some products are exported while others are sold in domestic markets. DF plans to introduce Global GAP for export products as necessary. Of the input providers, DF seems to be the only one offering an inclusive, closed-loop (sale of inputs to purchase of outputs) model, while also providing extension services to farmers.

Malerkotla Region: Presently, Bharti Walmart and Tata Khet Se are two companies buying directly from the farmers. Information that the former GMED team has received on this region indicates that most of the farmer groups have not expanded since September 2008. It is unclear where and to what extent extension services are being provided by these retailers. Tata Khet Se has organized one group of GMED-trained farmers into a registered producer company.

### **Strengths and Challenges**

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It appears that GMED's FFV intervention was quite successful in raising quality, improving productivity, and reducing costs. It also appears that GMED's intervention has been sustainable two years after the end of the project. The progress in the Hyderabad and Pune regions is evident. ITC maintains a presence in the Hyderabad area and has taken ownership of extension services and lead farmer groups in the Pune region. The farm groups in the Pune region appear to be highly entrepreneurial and have taken the lead in continuing and propagating the practices initiated by the GMED-ITC partnership. The farmers in this region claim that the training the partnership provided them has helped them increase their produce quality. They also value the production techniques introduced to them that have enabled them to improve productivity and reduce cost.

The fresh fruits and vegetables (FFV) venture was only one part of the many projects that GMED executed during the same time. A rough estimate of expenditures on the FFV intervention, as reported by the GMED team, equates to 20% of the total project cost (\$6.3 million), or about \$1.25 million. When the project ended, as per the annual report, GMED had trained 30 lead farmers and impacted practices of approximately 500 farmers. On a per-capita basis, program costs per lead farmer are then estimated at \$41,667 and costs per beneficiary at \$2,500.

Another challenge related to the initiative was the limited growth in the Malerkotla region in northern India. From a demand perspective, for high-quality FFV, Pune and Mumbai exhibited the highest potential for growth, followed by Hyderabad and Chandigarh. The limited growth may be attributed to producers and/or retailers reacting to perceived market opportunities. In addition, we believe that perhaps the social background, the initiative, drive, and leadership qualities (or lack thereof) exhibited by the local producers, also plays a critical role in whether practices initiated by a project are sustained and scaled.

# ANNEX B.IV.

## Honey Care Venture, Kenya

### Objective of the Venture

One of Honey Care Africa's primary objectives is to facilitate local certification and distribution of high-quality honey produced by beekeepers within smaller communities in Africa. A second objective of the venture is to sell beehives and to train individuals, communities, and development organizations in beehive maintenance and honey production as a profit-making opportunity. Both objectives to sustain commercial viability act as an overarching means to ensure self-sufficiency within communities.

### Overview of the Venture<sup>32</sup>

Honey Care Africa (known as Honey Care) is a commercial honey company launched in 2000 by Kenyan entrepreneur Farouk Jiwa and two investors. This for-profit, sustainable venture was developed to generate economic, social, and environmental value within Eastern Africa. At the time of Honey Care's inception, many local producers refused to work with larger corporations or development institutions and would work only with local NGOs. Over time, community members had developed mistrust of these groups, which made scaling commercial production difficult, as NGOs often did not have the resources alone to support large-scale production and selling. Honey Care's unique response was to develop the "Tripartite Model," or triple bottom line. This model engages local NGOs, international development groups, and financial institutions in local honey production. Partners play complementary roles, drawing on core competencies of the Honey Care initiative to radically reconfigure the dynamics among the private sector, the development sector, and rural communities. Each organization has relative operational independence, and each organization works through Honey Care to source honey products from local producers.

Prior to Honey Care's intervention, honey producers in Kenya faced numerous challenges, including inefficient market access, inadequate financing, and insufficient access to extension services. Honey Care created a much shorter value chain by making a direct link between the rural producers and urban markets. Honey Care provided farmers with the tools required to harvest honey, and it processed, packaged, and sold the high-quality honey to domestic and international markets. To facilitate production of high-quality honey in larger volumes, the company sold Langstroth beehives to individuals, communities, and development organizations. These hives are customized for optimal honey production within the Kenyan environment. Since the Langstroth hives were a new and expensive technology, Honey Care provided training and financing to farmers. It also purchased honey produced at a guaranteed price and paid the farmers promptly for their produce. This helped create trust between the local farmers and Honey Care.

The higher-quality honey fetched a premium in the market. To ensure quality, Honey Care conducts quality certification of honey products through collaborations with specialized

<sup>32</sup> "Honey Care Africa (A): A Different Business Model." Richard Ivey School of Business. 907M22.

companies. Currently, 65% of the production is dedicated to the domestic market, 30% to the U.S. market, and 5% to the Japanese market. The organization is also working toward meeting European standards and entering the European food market.

Separately, Honey Care also sells customized beehives to other East African countries, including Uganda, Sudan, and Botswana. Several NGOs now partner with the Honey Care venture, supporting its sustainable model for self-sufficiency by helping to reduce organizational mistrust and identify new producers and customers within the East African market.

### **Strengths and Challenges**

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Honey Care has dramatically expanded productivity and improved beekeeping in the region by providing superior technology, training, financing, and market access. The product is high quality and fetches a premium in the marketplace.

At the same time, Honey Care is facing important challenges. Markets have become more competitive. While Honey Care targeted the premium end of the honey market, there has been stiff competition from the lower rungs, consuming some of its sales. This has put some pressure on the company's finances, making it difficult for it to address all aspects of the honey value chain. For instance, Honey Care could benefit from more NGO partners to assist with farmer training, which would help Honey Care scale its initiatives. Honey Care needs support from partner NGOs to manage these prevailing social challenges.

Funding provides another challenge for Honey Care. It has been difficult to attract donor organizations because Honey Care is a private company and does not operate according to a traditional aid model. For example, in the past it has been easier to obtain money from donors for sanitation issues or food security related to the beehives sold to the farmers, not for honey. Another issue with funds faced by Honey Care is the high turnover of farmers (about 10%). Not only does Honey Care lose on its investment because of the cost and time spent training farmers that drop out of the program, but also because it loses sources for purchasing quality honey products. Honey Care often operates at a deficit. The deficits are typically 4 months long, from when Honey Care provides a farmer with a beehive and when he is able to pay Honey Care back for the up-front costs.

In response to some of these challenges, Honey Care developed a new strategy for moving forward. The strategy developed by initiative leaders is to leave the honey business as it is, without conducting any new extension services, and instead focus on selling beehives in order to scale the business. The reasoning behind this decision is that domestic demand in the beehive industry is very high. Another reason is the fact that Honey Care already offers the most expensive honey in the domestic market and competition in the domestic market is already high, therefore energy should be spent developing another aspect of the Honey Care initiative for money-making opportunities. Once sales have increased, Honey Care plans to ask NGOs to help develop the extension services.

# ANNEX B.V.

## ITC International Business Division, India

### Objectives of the Venture

ITC's International Business Division has developed a profitable business model and competitive advantage by serving the needs of small and marginal farmers across staple commodities and fresh fruits and vegetables. Its e-Choupal business platform provides real-time information and customized knowledge, offers choice and efficient transactions, and by collaborating with appropriate product and service providers, brings to farmers the benefits of specialization.

### Overview of the Ventures<sup>33</sup>

ITC is a large private group with diversified presence in several businesses, including cigarettes, paperboard, fast-moving consumer goods, hotels, and commodities. Established in 1990, the International Business Division (IBD) of ITC, hereafter referred to simply as ITC, exports agricultural commodities such as soybean meal, rice, wheat and wheat products, lentils, shrimp, fruit pulps, and coffee. In India, the farm-to-market supply chain can be considered as a three-step process. Postharvest farmers get their produce, either themselves or through agents, to a mandi – a government infrastructure for auctions – where private parties participate in an auction to buy the harvest and then sell these to buyers (like ITC) in distant urban markets. The small and marginal farmers went to market without any credible price information, incurred the sunk cost of transportation, endured the inefficient sales transactions, and often did not receive prompt payment from the traders operating at the mandi. Buyers like ITC lacked visibility in the supply chain and relied heavily on the traders operating at the mandi.

#### *e-Choupal: Reengineering the Commodities Value Chain*

Increased competition, along with an inefficient farm-to-market supply chain, generated a strategic imperative for ITC to reengineer the procurement process for commodities in rural India to obtain a comparative advantage. Specifically, in 2000 ITC embarked on the e-Choupal initiative to deploy information and communication technology (ICT) to reengineer the procurement of commodities from rural India. The model brings information and knowledge of market prices to farmers' doorsteps via kiosks while giving them a choice to transact either with the mandi or with ITC directly. By purchasing directly from farmers, ITC significantly improved its procurement efficiency. Innovations introduced by ITC include physical infrastructure of a hub-and-spoke network, where spokes correspond to village-level kiosks (called e-Choupals) consisting of a personal computer with Internet access. The hubs are procurement centers or processing plants where direct deliveries occur. Each of the spokes served a cluster of six villages and was

<sup>33</sup> For a detailed description of the commodity value chains, see R.Anupindi and S. Sivakumar, "Supply Chain Reengineering in Agri-Business – A Case study of ITC's e-Choupal", in Supply Chain Issues in Emerging Economies by Hau L. Lee and Chung-Yee Lee (Editors), Elsevier-Springer, 2006.

managed by a farmer (referred to as a *sanchalak*). The networked personal computer was housed in the sanchalak's house. During the pilot phase, ITC struggled to find the right sanchalak who could command the respect of the local villagers and yet be approachable so that any farmer would not hesitate to visit the kiosk. Through trial and error, it fine-tuned its model of sanchalak selection. The sanchalak's responsibility was to provide information and knowledge free to any farmer in his cluster while earning commissions for facilitating transactions for direct sale of commodities to ITC. Thus, ITC redesigned the procurement process to enhance the efficiency of the current transactions through better information, knowledge, and choice. (See the top part of Figure 3 for the e-Choupal supply chain on commodities.)

To test the viability of the concept, ITC started the initiative with a pilot consisting of a small number of kiosks and initially used its soybean processing centers as hubs for direct procurement. Once it was convinced of the value of the intervention for itself and the farmers, it started scaling the network to include non-processing centers as hubs. Subsequently, the company expanded the network to include other commodities like wheat, pulses, shrimp, and coffee, customizing processes across commodities, as necessary. Having streamlined the transaction processes, ITC then focused on programs to improve productivity through training, provision of higher-quality inputs, knowledge of their use, etc. Today ITC's e-Choupal infrastructure consists of over 7,000 kiosks across several states providing its services to millions of farmers.

#### *Choupal Fresh: Fresh Fruits and Vegetables*

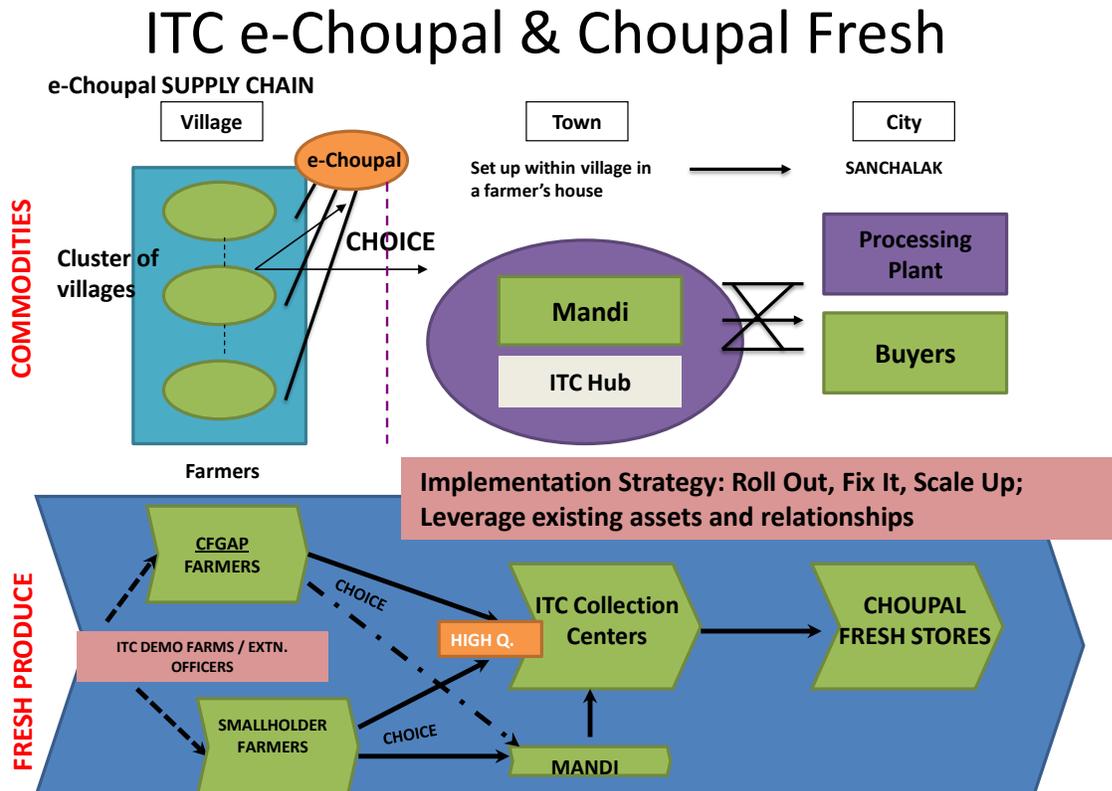
Building upon its success in the commodities markets with the e-Choupal model, in 2005 ITC contemplated entering the horticulture value chain to source fresh produce and sell it in wholesale and retail markets in India; this initiative was to be named *Choupal Fresh*. ITC's initial idea was to reengineer the fresh-vegetables supply chain. This would mean going directly to the farmer to source quality vegetables and wholesale them in urban centers. ITC soon realized that further integrating into retail would offer an even better opportunity. So, in the second half of 2006, ITC launched a pilot to open three stores, one each in Hyderabad, Pune, and Chandigarh. For the back end, ITC developed a cold chain from the farm to the market. It partnered with the USAID-funded project GMED for providing technical training to farmers as well as to ITC's agricultural extension officers. India is the second-largest producer of fresh fruits and vegetables (FFV) in the world. Most FFV production is undertaken by small and marginal farmers with land holdings of 0.5-2.0 acres. Traditionally, farmers sell their produce at the farm gate, just outside the farm, to an aggregator, who then sells the produce to a licensed trader who is registered at the local mandi.<sup>34</sup> This local trader then sells the produce to another trader, typically in a larger city, who sells to urban wholesale markets or retail outlets. Some farmers may take their produce to the local mandi and sell it through a commission agent to a trader. In this transaction, the farmer is not guaranteed to get a good price (suspected collusion amongst traders), and he pays a 10% commission as well as handling charges. The produce is often of average quality; the mandi system has a way to segregate quality and pay accordingly.

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<sup>34</sup> A mandi is a local auction house.

The Agricultural Produce Marketing Committee Act (APMC) of 1962 prohibits private contracting between a farmer and a buyer. This act was recently amended to allow private parties to buy directly from farmers, but its implementation has been left to the states; as of 2010, about 22 out of 28 states have amended the APMC act. This amendment has allowed players like ITC to buy directly from the farmers. FFV production provides a fast-cycle crop for the farmer, since the time from sowing to harvest is short.

Figure 3: e-Choupal supply chain



Historically, the quality and productivity of FFV production in India has been very low. Farmers did not have the right expertise and the mandi system to market linkage did not provide sufficient incentives for farmers to improve quality. When ITC decided to enter the market in 2006, it believed that quality would be a differentiating factor in the marketplace. Therefore it wanted to source quality products directly from the farmers. It also realized that farmers would need technical assistance to upgrade their production techniques. So it partnered with GMED to source technical expertise in FFV production. GMED helped ITC identify lead farmers, set up demonstration farms, and train ITC's extension officers as well as farmers in improved production techniques (e.g., proper preparation of the plot, setting up plant nurseries, proper planting techniques such as spacing between plants, mulching to prevent weeds, use of drip irrigation, appropriate fertilizers, shade net, etc.). These practices not only helped improve quality and productivity during the season but also

taught farmers to extend the season, allowing them to produce vegetables a few weeks before and after the peak season when price realizations are higher. The basic structure of the farm-to-market FFV supply chain for ITC is shown in the bottom part of Figure 3.

Not all practices proposed by GMED were adopted by the farmers. For example, farmers rejected the adoption of a polyhouse,<sup>35</sup> as they were unconvinced about the return on investment. They also modified some practices to suit environmental constraints they faced, like limited power availability. GMED invested resources in training while the rest of the costs were borne by ITC. A lead farmer typically worked with 5-10 farmers and also acted as an aggregator of produce for his farmer group. During the pilot phase of the Choupal Fresh project, ITC's cold-chain trucks picked up produce directly from the field of the lead farmer and moved the produce to a wholesale point in the city. GMED identified about 10-15 lead farmers who covered about 130 farmers. In the initial phases, the lead farmer was paid a small commission by ITC for playing the role of aggregator.

With the initial experience of the three pilot stores, by the end of 2006 ITC had plans to expand the Choupal Fresh retail initiative to 140 stores. Meanwhile, organized urban FFV retail in India, with support from political parties, was beginning to face stiff resistance from the unorganized and small retailers for fear of loss of jobs and livelihoods. Within six months, ITC announced a scale-back of its retail plans and was targeting a maximum of 50 stores in the same three cities. This was further scaled down; at its peak, ITC had set up 14 Choupal Fresh retail stores (7 in Hyderabad, 4 in Pune, and 3 in Chandigarh). Despite scaling down significantly, FFV retail continued to be a challenge for organized retail. Urban consumers were unwilling to pay premium prices for higher quality. There was also stiff competition from unorganized retail. ITC also realized that managing far-flung retail operations away from its headquarters was outside its comfort zone. In the first quarter of 2009, ITC decided to withdraw from the Pune and Chandigarh markets to focus on Hyderabad. Furthermore, to improve efficiency of sourcing, it also discontinued its cold-chain transportation operations and set up two direct collection centers in close proximity to its farmer clusters where farmers would come and drop off their produce. The initiative did maintain the rest of its original structure, including its staff of extension officers and demonstration farms.

Today ITC operates five retail stores in Hyderabad and sells to institutional buyers (e.g., hotel chains, large office complexes, etc.), as well as runs several mobile vans to sell FFVs in local gated neighborhoods. Farmers have continued the improved practices they were initially taught. The ITC agricultural extension officers now assist existing as well as new farmers in implementation of the improved techniques. There are a total of 200 farmers who sell to ITC directly; of these about 50% participate in the extension services provided by ITC's demonstration farm. The ITC demonstration farm is on 2 acres leased from one of the lead farmers. Farm practices are demonstrated here. ITC also grows more exotic vegetables (e.g., cherry tomatoes, colored peppers) to illustrate and motivate the farmers to adopt these new varieties.

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<sup>35</sup> A polyhouse is a greenhouse with shade net, drip irrigation, and humidity-control system requiring electricity and water, both of which are in short supply in large parts of rural India.

ITC has since discontinued the concept of lead farmers. The lead farmer concept was useful to jump-start the process and build trust. As ITC's reputation has grown and farmers have started selling direct to ITC at its collection centers, the need for lead farmers is no longer necessary. Some other minor changes have also been made. For example, the GMED project taught the farmers how to set up a nursery on their own to grow saplings from seeds. In the Hyderabad area, farmers came to ITC and suggested that ITC provide nursery services to the farmers. Consequently, farmers now provide seeds to ITC's demonstration farm, where ITC grows the saplings for the farmers. ITC charges a small fee of Re 0.60 per sapling for this service.

Every morning between 10 a.m. and 1 p.m., farmers bring their produce directly to one of ITC's two collection centers. Farmers are expected to grade the produce on their farm and supply the highest quality (called grade A) to ITC. ITC also inspects the produce upon delivery. For the higher-quality produce that farmers deliver, ITC pays one rupee more than the prevailing mandi prices. Over time, farmers have become accustomed to the fact that they will get a higher price at ITC for their quality produce, so they prefer to sell to ITC. Since a farmer's production usually is larger than what ITC can buy, farmers also sell to other retailers (directly at their collection points located in the vicinity of ITC's collection point) or take it to the mandi. With FFV being highly perishable and with no access to cold storage, farmers try to sell what they have harvested the same day.

To further differentiate the produce it sells in the market, ITC is now beginning to implement a localized version of Global Agricultural Practices (GAP). This localization, called Choupal Fresh GAP, has several key components: (a) CF GAP is a group certification scheme for small and marginal farmers; (b) extension activities are done by ITC staff for implementing the recommended package of practices rather than merely suggesting the same to each farmer; (c) noninclusion of certain areas mandated for GAP (e.g., wildlife conservation plan, are onsite living quarters habitable?); and (d) reduced cost of certification and compliance for the farmer (the same is currently subsidized by ITC). There are currently 24 CFGAP farmers spread across 10 villages; these are visited by the ITC agri-extension officer, who covers about 3 or 4 farmers a day. The ITC agri-extension officer logs data on practices, production, and sales (by channel) for each farmer. ITC intends to brand the localization of GAP as CFGAP for Choupal Fresh GAP. Further, ITC believes that once a farmer is CFGAP certified, it becomes easier for him to be global GAP certified when the need arises. Additionally, CFGAP certification will bring the farmer a step closer to organic farming.

ITC is also organizing farm picnics for its urban customers with the purpose of creating awareness about CFGAP farming and in turn potentially creating demand for CFGAP products. The first such picnic was deemed quite successful as measured by customer satisfaction.

## Strengths and Challenges

ITC has demonstrably built a strong business platform for connecting farms to markets in the staple-commodities space. The initiative has scaled well and today serves millions of farmers. ITC's e-Choupal has now become the preferred supplier of commodities to other businesses in India.

FFV continues to offer a great opportunity for economic improvement for smallholder farmers. The FFV farmers who sell directly to ITC through the collection centers have improved quality and productivity during the farming season but have also been taught, through extension services, to extend the season. ITC procures higher-quality product and pays a small premium to the grower. ITC pays cash on delivery. ITC is the preferred buyer for the smallholder FFV farmers; they only wish ITC would buy their entire harvest. ITC continues to explore and find new markets to sustain and scale its sourcing with smallholder farmers. Other items on the farmers' wish list included ITC buying seeds and other agri-inputs for them (so they can get cheaper prices) and installing cold storage at the collection center.

Organized FFV retail continues to be a challenge. ITC is still in an experimental phase even after more than four years of work in this field. The competition from unorganized retail is high and consumers' willingness to pay higher prices for better quality is still low. However, ITC claims that it operates its stores in Hyderabad profitably. Another challenge is that FFV availability is seasonal since most production is local. Long-distance production is hampered by the lack of cold chains. Companies like ITC are hoping they can coordinate the production schedules of local farmers to allow production of a wider range of FFVs for longer durations. Investment in cold-chain infrastructure is still considered too expensive for the price points that are currently sustainable in FFV markets.

# ANNEX B.VI.

## Fabindia, India

### Objectives of the Venture

Fabindia is a retail firm with a mission to preserve the art of traditional craft by providing work and employment to skilled rural artisans by connecting them to urban markets.

### Overview of the Venture<sup>36</sup>

Fabindia, a privately held company, is a retailer that brings clothing, arts, and handicrafts etc., made by rural artisans to Indian urban consumers and international markets. Fabindia was established in 1960 by John Bissel as an export house. The first retail store in India was created in 1975. Today, under the leadership of William Bissel, son of the founder, Fabindia has expanded to 111 stores located in Indian urban centers and a few locations abroad. The product range is diversified, with more than 155,000 SKUs. Fabindia's main assertion is that there is significant artisanship in rural India, and unless a market is found, it will soon die out. Fabindia connects artisans with markets and sources products from these artisans. Knowledge of the craft does not necessarily translate into products that urban or international consumers may desire, since an artisan in rural India is not familiar with the needs and tastes of the urban consumer. For example, the artisans in Chanderi area in Madhya Pradesh are well-known for the beautiful saris they produce with intricate designs and very fine weaves in silk and cotton. It is unlikely that they would think of other uses for the fabric, such as curtains, tablecloths, and cushion covers. Fabindia introduces these ideas to artisans and thereby broadens their product portfolio.

Product ideas (especially designs on fabric) may come from artisans or from Fabindia's product-design team. The process is often iterative. Finished product ideas for the style of garments and other furnishings are developed by Fabindia.

Until 2007, Fabindia sourced material from more than 30,000 artisans spread across India. Material from suppliers would come directly to a central warehouse. Quality inspection of raw material also occurred at the central warehouse. If the material required further processing (e.g., garment making), it was issued to garment factories for finishing. Finished products were then sent to the various stores through one of the several market-region warehouses.

#### *Rural artisans as shareholders*

In 2007 Fabindia began a reorganization to create community-owned companies (COCs) across various regions in India. COCs are independent companies with shareholding among artisans, Artisans Microfinance Pvt. Ltd. (AMFPL) – a subsidiary of Fabindia – and social venture funds. Sourcing responsibilities have been shifted to COCs. COCs source from artisans and then supply to Fabindia. COCs maintain the inventory and oversee quality control of products they source. This allows Fabindia to deal with only 17 entities instead

<sup>36</sup> More information about Fabindia is available in a detailed (albeit dated) case study titled "Fabindia Overseas Pvt. Ltd.," 9-807-113, Harvard Business School Publishing, July 2008.

of hundreds of artisan clusters. Inventory ownership transfers to Fabindia only after the COCs have shipped the products to Fabindia's regional warehouses. The COC structure also gives artisans a share in the company that they supply. Artisans are also given seats on the board of each COC. AMFPL works through Access Bank to provide financing to the COCs, which is guaranteed by Fabindia; that is, Fabindia is liable if a COC defaults. In theory, this financing could be used by the COC in several ways, including providing financing to artisans as needed.

The COCs within Fabindia started off as an experiment in Jaipur as Desert Artisan Handicrafts (DAH). Then DAH expanded in other regions of the country with branch offices. Three years ago the structure was formalized by transitioning various branch offices of DAH into independent companies. There are 17 such COCs now. The main responsibility of a COC is design (in collaboration with artisans and Fabindia), finance (e.g., financing materials as necessary), quality control, and providing market opportunities (selling to Fabindia). A COC may cover a wide variety of product categories. For example, DAH Jaipur manages textile garments, print fabric, garment accessories, durries, leather giftware, furniture, and ceramics.

DAH Jaipur is supplied by about 2,500 artisans. DAH Jaipur has quality-control professionals who visit artisans a minimum of three times at various stages of the production cycle – preproduction (to check that they are using the correct yarn), during production, and postproduction. Artisans negotiate a piece price (price per an item they supply) that is developed using a bottom-up costing methodology.

DAH Jaipur increases value by adding a fabric-to-garment conversion unit. The design unit in Jaipur creates new designs for garments, submits these designs to the product-selection committee (PSC) of Fabindia and, once approved, receives orders to produce them. The garments produced by a specific COC usually use fabric produced in that region, cutting down on transport from COC to Delhi for garment conversion.

A little over 90% of the 2,500 artisans are shareholders in DAH Jaipur, each with an average of about 9 shares. The distribution, however, is highly skewed toward several artisans with large shareholdings. Shares are valued by AMFPL every quarter. Share values have gone up at least fivefold, from Rs. 100 to Rs. 530, from the time they were issued.

#### *Artisan clusters in Chanderi and Pranpur*

Chanderi is a large weaver cluster in the central state of Madhya Pradesh. Each household has at least one loom. Master weavers may have 7 to 12 looms. It is primarily a family business. People live in extended families and all adult members work on the looms. Because the craft is suitable for women, both men and women work. Since it is home-based work, women prefer it. There are more than 2,000 looms in the Chanderi region. Before Fabindia, local businessmen with contacts in the market would offer work to rural artisans. These men did not pay well for the products produced (in the past, only saris) and payment was never made on time. Many artisans felt they had no other choice but to work for local businessmen. Once Fabindia entered the market, price realizations became higher, product

ideas diversified, payments became reliable (Fabindia usually has 30-day payment terms), and market opportunities increased.

Prices of finished products are negotiated between COCs and artisans. Raw material sourcing is the responsibility of the artisans. They maintain revolving credit with their yarn suppliers and pay the suppliers when Fabindia pays them for the finished products. The weavers are free to sell through other channels, and those with excess products do. Price realizations differ, and Fabindia seems to be the preferred customer. The state government provides subsidies for the purchase of looms and other equipment needed by the artisans. In addition to purchasing products from individual weavers, Fabindia also sources from an organization of weavers called Bunkar Vikas Sanstha (BVS), an association of 119 weavers.

BVS was set up under the United Nations Industrial Development Organization (UNIDO) project to give the weavers aggregation capability. Until UNIDO was present, BVS functioned well. This may have been because of the professional supervision that the UNIDO team provided to BVS. Since the departure of UNIDO, the relationship between BVS and Fabindia and now the COCs has become a bit tense. COCs place orders with BVS, which then outsources the jobs to weavers, paying them labor rates. Prices are negotiated between COCs and BVS. The COCs' perspective is that BVS is bureaucratic, inflexible, not interested in responding to consumer demands, and doesn't produce good-quality products. BVS says that COCs do not give them sufficient orders. Some weavers are unhappy with how BVS operates. The rates paid by BVS to weavers are lower than what they can earn if supplying directly to Fabindia. As a result, orders from COCs to BVS have been declining.

### **Strengths and Challenges**

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Fabindia helps artisans increase their revenues and the quality of their craft. The reorganization into COCs has been successful and has increased Fabindia's effectiveness while better involving artisans within the venture activities. William Bissel believes that COCs can become an agent of economic and social change in the communities.

Fabindia clearly benefited from the participation of the donor organization, UNIDO, to cover its social costs. For instance, in the Chanderi cluster, there was a 3-year UNIDO project to provide training to weavers and to help them form self-help groups. When UNIDO approached Fabindia for help with market connectivity, Fabindia deepened its relationship with the artisans in that region. The UNIDO project increased the overall supply base in the region. It is unlikely that Fabindia would not have invested in training and COC group formation on its own. When the COCs were formed, there was a need for substantial managerial training for the various leadership positions that would be created within each COC; Ford foundation provided grants to facilitate the training.

The challenges faced by weavers include working-capital constraints as well as the abnormal fluctuation in prices of raw materials that they have to absorb since Fabindia prices are negotiated on a yearly basis; Fabindia has claimed that prices are always adjusted within a range to account for such cost fluctuations. The poor-quality yarn-dyeing facility is a major problem. Color consistency and delivery from the local yarn-dyeing

facility are also unreliable. Mechanization is possible, but demand is not high enough to warrant capital investments. This is an area for potential investment from COCs. It is currently unclear whether they will consider these investments. Finally, bonuses for shares owned by the artisans are paid by check. Weavers with a small number of shares claim that banking is a problem, as banks charge fees to maintain an account even though Fabindia has negotiated with local banks to not charge for such transactions.

# ANNEX B.VII.

## **Jaipur Rugs, India**

### **Objective of the Venture**

Jaipur Rugs (JR) connects rural community members to global markets for handmade carpets and rugs. JR orchestrates an end-to-end supply chain, developing human capability and skills at the grassroots level to provide steady income to rural men and women in distressed parts of India by producing very high-quality products consistently and selling them in international markets.

### **Overview of the Venture<sup>37</sup>**

Jaipur Rugs is a privately held company with revenues close to \$50 million. JR makes and exports handmade carpets and rugs to international markets; it has approximately a 10% market share of exports of handmade rugs and carpets from India. JR sells to customers directly (through its online site) as well as to large retailers in the United States (e.g., Costco, Crate & Barrel, Neiman Marcus, etc.). JR is divided into four entities: Jaipur Rugs Company, Jaipur Rugs Incorporated, Bhoomika Wools, and Jaipur Rugs Foundation (JRF). Jaipur Rugs Company (JRC) handles all the operations from raw material procurement to final sale for every market except the United States. In addition to headquarters in Delhi, there are 22 branch offices throughout northern and western India. Jaipur Rugs Incorporated (JRI) is located in Atlanta, Georgia, and handles distribution, marketing, and sales for the United States. Bhoomika Wools facilitates the wool-acquisition process solely for JRC. The Jaipur Rugs Foundation (JRF) is a nonprofit organization that works for the welfare and development of the villages in which JR does its production. JRF is launching programs to improve the general living conditions in the villages.

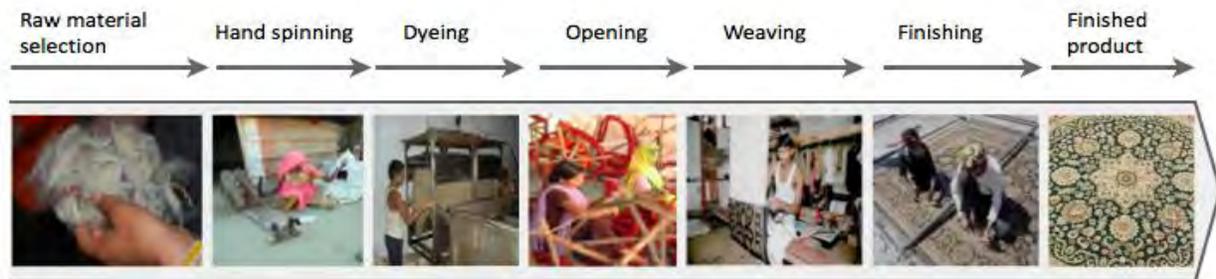
Carpet production can be broken down into three broad steps: preweaving, weaving, and postweaving. As represented in Figure 4 *Jaipur Rugs carpet production*, preweaving activities include buying wool and other material, conversion to yarn (some yarn is also imported), dyeing of yarn, and opening (i.e., the process of making spindles from the hanks of dyed yarn). Postweaving operations include finishing operations (such as cleaning). Of the three steps, weaving is the most labor intensive, and JR engages rural weavers for this process. JR manages the entire supply chain from preweaving to postweaving and export. The carpets are designed in-house at its headquarters in Jaipur; some designs may also be suggested by JR's customers. The design process produces a pattern that forms the basis for a weaver to weave the carpet. The design patterns along with the raw material (yarns) are sent to a weaver who completes the production. The weaver is paid on a rate based on per square inch of production. JR engages about 30,000 weavers spread across the country. The finished rugs are shipped back to Jaipur for postweaving operations.

Rural women and men are engaged in the preweaving and weaving part of the cycle. In the preweaving stage, wool sorting and spinning are done by hand. Typically women pick up

<sup>37</sup> Please refer to a detailed case study titled “Jaipur Rugs: Connecting Rural India to Global Markets,” case 1-428-849, Ross School of Business, September 2009.

wool, take it home, spin it to yarn into a “hank,” and deliver it to Bhoomika Wools, a subsidiary of Jaipur Rugs. Women are paid by the weight (in kg) of wool they spin. However, the large majority of the labor employed is in the weaving stage.

**Figure 4: Jaipur Rugs carpet production**



Weavers are organized in clusters in various parts of India. Weavers often work independently on their looms in their homes. In addition, some entrepreneurs have set up multiple looms in a “center” on their property where local weavers come to work on the rug. Regardless, the weavers are paid directly by JR; the entrepreneur who runs the center gets a commission. Weaving pays about the minimum wage; a full day’s work may earn the weaver Rs. 100-150/= (US\$2-3). The community of weavers is landless; often they are farm laborers. Weaving provides them with a steady source of income. Weavers prefer to come to centers to work rather than work at home; they claim that productivity is higher at the center (due to fewer distractions compared with working at home). In addition, working at a center gives them a sense of a community with other workers.

A weaver may already own a loom; alternately, a weaver may decide to purchase a loom using a loan subsidy from the government, or JR may loan a loom to the weaver in case the weaver is not interested in owning one. For financial loans taken from the government, JRF becomes a financial guarantor. JRF pays the interest to the government; it then “sells” the loom to the weaver along with JR providing the orders. A loom costs about Rs. 18,000-20,000. The piece rate is reduced until the loom is paid for. Each cluster has a branch office with a branch manager assisted by two quality supervisors. There could be about 1,000 weavers under the jurisdiction of a branch office. As demand expands, JR is developing new clusters. Typically it will first send a master weaver to train villagers in the art of weaving; this takes about six months. Subsequently, the weavers are given orders for pilot production, which runs for another six months. JRF manages this initial training and pilot-production activity. Subsequently, the weavers are “handed over” to JR to receive full-scale orders for regular production.

### **Strengths and Challenges**

JR is the largest manufacturer and exporter of Indian rugs. The company emphasizes family ties and is driven by social values that include competitive wages, investment in skills training, access to health care and education, and opportunities for aspiring entrepreneurs. JR is definitely benefiting the poor in India, providing steady incomes and connecting them to the global markets. Important training programs are put in place and managed by JRF

and focus particularly on new production areas where there is no tradition of rug weaving. Despite these strengths, JR faces several challenges in matching demand and supply. Demand-side challenges include working with large and demanding retailers, price pressures (especially mass outlets like Costco), and volume pressures (e.g., Costco's orders will be large and delivery windows will be short, making yarn procurement and production a bottleneck). Challenges in managing supply exist at all stages of the production cycle of a carpet. The challenges include quality, productivity, and delivery timeliness.

JRF has recently signed a MoU with the Institute of Rural Management, Anand (IRMA), located in Anand, Gujarat. IRMA is expected to advise JRF on strategy, which focuses on developing the village community where weavers do their work for JR. In its current setup, weaving, while it provides a more consistent income, is only a stepping-stone to better work, if opportunity arises. So the challenge for JR is how to limit the migration out of weaving to other income opportunities. One of the ideas being considered by IRMA and JRF is to organize the weavers into "producer companies." A producer company is a relatively new concept created by legislation (in 2002 by amending the Company Act) that is essentially "corporatization" of the cooperative concept. IRMA and JRF are in discussions to explore whether the weaving clusters should be encouraged to form themselves into a producer company. They believe that such an organization will give a sense of ownership to the weavers so they take actions that improve their well-being, including improvement in quality, productivity, and delivery, which will also ultimately help JR in its business operations.

# ANNEX C: Library of Resources

## Value Chain and Base-of-the-Pyramid Library

Please note that the majority of the resources listed below are referenced in our report. However, additional resources that we found interesting but did not reference in our report have also been included below.

Title	Authors or Organization	Year	Description	Web site	Link to PDF
<i>Value chain materials</i>					
<b>Competitive Advantage: Creating and Sustaining Superior Performance</b>	Porter, M.	1985	Describes how a firm can gain advantage over its competition. The book introduces Porter’s groundbreaking concept of the value chain, which disaggregates a company into “activities,” or the discrete functions or processes that represent the key factors of competitive advantage.	<a href="http://books.google.com/books?id=H9ReAijCK8cC&amp;printsec=frontcover&amp;dq=inauthor:%22Michael+E.+Porter%22&amp;hl=en&amp;ei=L6OTTI7tBcL88Aaw4fWcDA&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=1&amp;ved=0CDgQ6AEwAA#v=onepage&amp;q&amp;f=false">http://books.google.com/books?id=H9ReAijCK8cC&amp;printsec=frontcover&amp;dq=inauthor:%22Michael+E.+Porter%22&amp;hl=en&amp;ei=L6OTTI7tBcL88Aaw4fWcDA&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=1&amp;ved=0CDgQ6AEwAA#v=onepage&amp;q&amp;f=false</a>	NA
<b>Globalization and Unequalization: What Can Be Learned from Value Chain Analysis</b>	Kaplinsky, R.	2000	Despite the fact that many individuals have gained from globalization, many individuals still live in poverty, and inequity between countries continues to rise. This article discusses how to participate in the global economy so that communities might develop sustainable and equitable income. More specifically, this study shows how value chain analysis can be used to illustrate inequities in global economic activity as well as positive economic activity. Conclusions provided include how value chain analysis lends insights into policy development and implementation.	<a href="http://www.globalvaluechains.org/pub_info.php?p_id=179">http://www.globalvaluechains.org/pub_info.php?p_id=179</a>	NA

<b>Handbook for Value Chain Research</b>	Kaplinsky, R. and Morris, M.	2001	Definition of value chains and their importance in a context of globalization (global value chains). The possibilities of different upgrading through the participation in value chains. Value chain analysis key components. Methodology to undertake value chain research: details on how to map a value chain, on segmentation, governance, upgrading. Arguments on the opportunities for SMEs to integrate global value chains and benefit from them.	<a href="http://www.scribd.com/doc/2319109/A-Handbook-for-Value-Chain-Research">www.scribd.com/doc/2319109/A-Handbook-for-Value-Chain-Research</a>	<a href="http://www.globalvaluechains.org/docs/VchNov01.pdf">http://www.globalvaluechains.org/docs/VchNov01.pdf</a>
<b>Commodities, Donors, Value-Chains Analysis and Upgrading</b>	Gibbon, P.	2003	Report prepared for UNCTAD, Copenhagen, Danish Institute for International Studies. The report describes the links between the development assistance and the commodities sector and presents the upgrading opportunities for producers in certain commodities global value chains.	<a href="http://www.ids.ac.uk/globalvaluechains/publications">http://www.ids.ac.uk/globalvaluechains/publications</a>	<a href="http://www.valuechains4poor.org/file/gibbon-commodities.pdf">http://www.valuechains4poor.org/file/gibbon-commodities.pdf</a>
<b>Commodities, Diversification and Poverty Reduction</b>	Humphrey, J.	2003	Focus on nontraditional agriculture in the developing countries, i.e., new in the country, or horticultural agriculture (cashew nuts, ginger, fresh produces). Horticulture is a way to add value to existing commodities exports. Horticultural agriculture needs vertical coordination or value chain governance whereas traditional agriculture doesn't require a high level of relationships or contracts between the actors. Focus on horticultural exports from Africa (Kenya) to the U.K.	NA	<a href="http://www.soc.duke.edu/sloan_2004/Papers/Humphrey_CommoditiesFAO_Jan04.pdf">http://www.soc.duke.edu/sloan_2004/Papers/Humphrey_CommoditiesFAO_Jan04.pdf</a>
<b>The governance of global value chains</b>	Gereffi, G., Humphrey, J. and Sturgeon, T.J.	2005	Identifies three variables that play a large role in determining how global value chains are governed and change: 1- the complexity of transactions, 2- the ability to codify transactions and 3- the capabilities in the supply base. Generates five types of governance in global value chains: markets, modular, relational, captive, and hierarchical. Develops case analysis: bicycles, apparel, horticulture, and electronics.	<a href="http://www.globalvaluechains.org/pub_info.php?p_id=3">http://www.globalvaluechains.org/pub_info.php?p_id=3</a>	<a href="http://www.global-production.com/scoreboard/resources/sturgeon_2005_governance-of-value-chains.pdf">http://www.global-production.com/scoreboard/resources/sturgeon_2005_governance-of-value-chains.pdf</a>
<b>Trade and Investment Program for a Competitive Export Economy: Annual Report for Partners October 2005-September 2006</b>	Chemonics International Inc.	2006	This project seeks to achieve exponential growth in sales of agricultural exports over the five-year life of the project by increasing the competitiveness of Ghana's private sector in world markets.	NA	<a href="http://pdf.usaid.gov/pdf_docs/PDACJ151.pdf">http://pdf.usaid.gov/pdf_docs/PDACJ151.pdf</a>
<b>Banana Agrichain Competitiveness Enhancement Semi-Annual Report 1 January 2007 - 30 June 2007</b>	Strategic Development Cooperation-Asia	2007	This project enhances the competitiveness of the processed cardava/banana chips industry while promoting broad-based growth that involves and benefits the majority in a sustained way.	NA	<a href="http://www.sdcasia.org.ph/downloads/SemiAnnualReport_June2007.pdf">http://www.sdcasia.org.ph/downloads/SemiAnnualReport_June2007.pdf</a>

<b>Evaluation of the Cambodia Strengthening Micro, Small and Medium Enterprise Program</b>	DAI	2007	The Cambodia MSMEs project employs a market-driven, grassroots strategy aimed at alleviating poverty and fostering economic growth in eastern Cambodia. The project works in several value chains, including aquaculture, pig raising, tile manufacturing, and agricultural equipment manufacturing in some of the country's poorest provinces: Kratie, Kampong Cham, Prey Veng, and Svay Rieng. The project aims to upgrade MSMEs and the value chains in which they operate by building relationships between value chain actors, improving producers' technical skills, helping MSMEs access markets and credit, and assisting MSMEs to find ways to improve the provincial business environment.	<a href="http://www.dai.com/work/project_detail.php?pid=109">http://www.dai.com/work/project_detail.php?pid=109</a>	<a href="http://pdf.usaid.gov/pdf_docs/PDACK768.pdf">http://pdf.usaid.gov/pdf_docs/PDACK768.pdf</a>
<b>One Buyer at a Time</b>	Riordan, J.T.	2007	End buyers can help build the capacities of small firms in the developing countries. The author takes the example of the ceramics production in a remote village in Peru. The identification of a specific end buyer, Pier One Imports, helped with production upgrading and with meeting the buyer's requirements. USAID provided a grant to an intermediary actor, American Trading, which trained the local producers in mass-production techniques instead of traditional production technique which tended to be small scale.	<a href="http://www.ssireview.org/articles/entry/one_buyer_at_a_time/">http://www.ssireview.org/articles/entry/one_buyer_at_a_time/</a>	<a href="http://www.ssireview.org/images/articles/2007_WI_feature_riordan.pdf">www.ssireview.org/images/articles/2007_WI_feature_riordan.pdf</a>
<b>Moving Toward Competitiveness: A Value Chain Approach</b>	The Foreign Investment Advisory Service	2007	Methodology to follow when leading a value chain approach. Several case studies provided and related policy recommendations. Methods to measure performance and establish benchmarks are also provided.	<a href="http://www.ifc.org/ifcext/media.nsf/Content/FIAS_Value_Chain_Approach_Publication">http://www.ifc.org/ifcext/media.nsf/Content/FIAS_Value_Chain_Approach_Publication</a>	<a href="http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/MovingTowardCompetitiveness/\$FILE/Value+Chain+Manual.pdf">http://www.ifc.org/ifcext/fias.nsf/AttachmentsByTitle/MovingTowardCompetitiveness/\$FILE/Value+Chain+Manual.pdf</a>
<b>Enhancing the Role of SMEs in global value chains</b>	OECD Global Conference	2007	The document first describes the production in global value chains along with the opportunities and challenges for SMEs. Five different industrial sectors are analyzed to present their patterns in a globalized context. Several case studies are provided to analyze how SMEs can benefit from their participation into GVC and do better than other SMEs.	<a href="http://www.oecd.org/document/24/0,3343,en_33873108_33873539_38775000_1_1_1_1,00.html">http://www.oecd.org/document/24/0,3343,en_33873108_33873539_38775000_1_1_1_1,00.html</a>	<a href="http://www.insme.it/documents/OECD_Tokyo_Action_Statement_01June2007.pdf">http://www.insme.it/documents/OECD_Tokyo_Action_Statement_01June2007.pdf</a>
<b>Key Elements of the Value Chain Approach</b>	Campbell, R.	2008	This briefing paper outlines some of the key elements of the value chain approach as articulated and promoted by USAID's Microenterprise Development office. Features discussed in the paper include a market system perspective, a focus on end markets, understanding the role of value chain governance, recognition of the importance of relationships, facilitating changes in firm behavior, transforming relationships, targeting leverage points, and empowering the private sector.	<a href="http://www.microlinks.org/ev.php?ID=24002_201&amp;ID2=D_O_TOPIC">http://www.microlinks.org/ev.php?ID=24002_201&amp;ID2=D_O_TOPIC</a>	NA

<b>A new approach to global value chain analysis</b>	Keane, J.	2008	The author focuses on new trade and new growth models: product innovation drives growth (productive actualization of given technologies). Description of governance structures: global value chains (GVC) governance of traded agricultural goods (nontraditional vs. traditional GVCs/or high value vs. low value). Examples of global value chain upgrading (process, product, functional and intersectoral upgrading).	<a href="http://www.odi.org.uk/resources/detail/s.asp?id=2023&amp;title=approach-global-value-chain-analysis">http://www.odi.org.uk/resources/detail/s.asp?id=2023&amp;title=approach-global-value-chain-analysis</a>	<a href="http://www.odi.org.uk/resources/download/2023.pdf">http://www.odi.org.uk/resources/download/2023.pdf</a>
<b>Trade, Transnational Corporations and Food Consumption: A Global Value Chain Approach</b>	Gereffi, G. and Christian, M.	2009	The report identifies how the insertion of SMEs into global value chains can contribute to SME development. Focus on the role of “lead firms” in global industries. GVCs connect local and global levels. Governance structures of global value chains. Focus on the interactions between multinationals in the developed countries and producers and other actors in the developing countries through the food-production lens.	<a href="http://www.globalvaluechains.org/pub_info.php?p_id=647">http://www.globalvaluechains.org/pub_info.php?p_id=647</a>	<a href="http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1564948">http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1564948</a>
<b>Building Competitiveness in Africa’s Agriculture</b>	Webber, M. and Labaste, P.	2009	A guide to value chain concepts and applications. Concepts and definitions of value chains and supply chains. Many case studies and tools for value chain interventions and implementation strategies.	<a href="http://extop-workflow.worldbank.org/extop/ecommerce/catalog/product?item_id=9091093">http://extop-workflow.worldbank.org/extop/ecommerce/catalog/product?item_id=9091093</a>	<a href="http://www.technoserve.org/assets/documents/building-comp.pdf">http://www.technoserve.org/assets/documents/building-comp.pdf</a>
<b>The Impacts of Wal-Mart: The Rise and Consequences of the World’s Dominant Retailer</b>	Gereffi, G & Christian, M.	2009	This article examines the sociological impact of Wal-Mart in terms of four themes: its business model and organizational structure, the dual impacts of Wal-Mart’s labor relations in terms of its own stores and working conditions in its global supply chain, the genesis and effectiveness of community mobilizations against Wal-Mart, and how Wal-Mart’s growth is linked to the emergence of buyer-driven commodity chains in the global economy.	NA	<a href="http://www.annualreviews.org/doi/pdf/10.1146/annurev-soc-070308-115947">http://www.annualreviews.org/doi/pdf/10.1146/annurev-soc-070308-115947</a>
<b>Value Chains, Donor Interventions and Poverty Reduction: A Review of Donor Practice</b>	Humphrey, J. and Navas-Alemán, L.	2010	Taken from IDS Summary: Many donors, governments and private companies now use value chain approaches in their efforts to promote market-oriented growth and poverty reduction. [This] IDS report examines a range of donor initiatives that use value chain approaches and explores the links between the interventions and poverty reduction.	<a href="http://www.ids.ac.uk/go/bookshop/ids-series-titles/ids-research-reports">http://www.ids.ac.uk/go/bookshop/ids-series-titles/ids-research-reports</a>	<a href="http://www.ntd.co.uk/idsbookshop/details.asp?id=1160">http://www.ntd.co.uk/idsbookshop/details.asp?id=1160</a>
<b>USAID value chain Web sites</b>					
<b>USAID value chain wiki</b>	USAID	2010	Presentation of the USAID value chain approach, history of the approach, how to implement it. Several tools and kits provided.	<a href="http://apps.develebridge.net/amap/index.php/Value_Chain_Development">http://apps.develebridge.net/amap/index.php/Value_Chain_Development</a>	NA

<b>USAID key VC principles</b>	USAID	2010	Key principles of the systemic value chain approach developed and implemented by USAID.	<a href="http://www.microlinks.org/ev_en.php?ID=9652_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=9652_201&amp;ID2=DO_TOPIC</a>	NA
<b><i>Value chain projects and case studies</i></b>					
<b>Name of the project</b>	<b>Implementer</b>	<b>Year</b>	<b>Brief description</b>	<b>Link to Web site</b>	<b>Link to PDF</b>
<b>Mozambique Rural Financial Services Study</b>	ACDI/VOCA	2004	Focus on the oilseed value chain to point out the constraints represented by a lack of financial services to upgrade the actors along the value chain.	<a href="http://www.microlinks.org/ev_en.php?ID=8019_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=8019_201&amp;ID2=DO_TOPIC</a>	<a href="http://pdf.usaid.gov/pdf_docs/PNADH601.pdf">http://pdf.usaid.gov/pdf_docs/PNADH601.pdf</a>
<b>Kenya BDS and HDC projects baseline research design</b>	AFE	2004	Presentation of the causal models for the assessment. Focus only on activity passion fruits for the HDC project (Fintrac project).	<a href="http://www.microlinks.org/ev_en.php?ID=11937_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=11937_201&amp;ID2=DO_TOPIC</a>	Access to downloadable document: <a href="http://www.microlinks.org/ev_en.php?ID=7100_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=7100_201&amp;ID2=DO_TOPIC</a>
<b>Cashmere value chain in Mongolia</b>	ACDI/VOCA	2005	Cashmere industry analysis and recommendations to the government of Mongolia.	NA	<a href="http://pdf.usaid.gov/pdf_docs/Pnadd513.pdf">http://pdf.usaid.gov/pdf_docs/Pnadd513.pdf</a>
<b>Kenya BDS and HDC projects baseline research report</b>	AFE	2005	Presentation of the baseline research findings in the fruits value chains and for the smallholder producers of avocados, mangos, and passion fruits.	<a href="http://www.microlinks.org/ev_en.php?ID=11937_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=11937_201&amp;ID2=DO_TOPIC</a>	<a href="http://www.microlinks.org/ev_en.php?ID=9986_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=9986_201&amp;ID2=DO_TOPIC</a>
<b>PROFIT VC project work plan</b>	Implementers CLUSA, IDE and EMG.	2005	Presentation of the PROFIT project intervention framework and principles. Analysis of the four different industries targeted in Zambia: 1. cotton 2. livestock 3. nontimber forest product (NTFP) and 4. tourism. Presentation of the major constraints and the partnerships that will be developed.	NA	Soft copy sent to USAID.
<b>PROFIT project baseline research plan</b>	Implementer DAI	2006	The impact assessment covers only three parts of the PROFIT project: two industries only (cotton and beef) and the retail services for smallholders in a variety of sectors. Identification of outcomes and impacts to be measured for each of the three activities.	NA	Soft copy sent to USAID.

<b>GMED VC project RFP (India)</b>	ACDI/VOCA	2006	Request for proposals.	NA	Soft copy sent to USAID.
<b>Indonesia cocoa bean value chain case study</b>	AFE	2006	The constraints to competitiveness of the cocoa value chain are mainly the inconsistent, poor-quality production due to pest infection. The study tries to answer to the two following questions: 1- What are the incentives of the different actors to invest in higher cocoa bean quality? 2- What are the answers of the actors to these incentives?	NA	<a href="http://pdf.usaid.gov/pdf_docs/PNADH968.pdf">http://pdf.usaid.gov/pdf_docs/PNADH968.pdf</a>
<b>PROFIT project baseline report</b>	DAI	2007	Presentation of the major findings in the three different activities: cotton industry, beef industry, and the retail services.	NA	Soft copy sent to USAID.
<b>Diary value chain analysis in Kosovo</b>	Ubo Consulting	2007	Case study in value chain development in conflicts-affected environment.	<a href="http://www.microlinks.org/ev_en.php?ID=9857_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=9857_201&amp;ID2=DO_TOPIC</a>	Access to downloadable PDF: <a href="http://www.microlinks.org/ev_en.php?ID=23122_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev_en.php?ID=23122_201&amp;ID2=DO_TOPIC</a>
<b>Cambodia Strengthening Micro, Small and Medium Enterprise (MSME) Program evaluation</b>	Wiles and McLaughlin, LLC	2007	Assessment of MSME activities (effectiveness, impacts, sustainability).	NA	<a href="http://pdf.usaid.gov/pdf_docs/PDACK768.pdf">http://pdf.usaid.gov/pdf_docs/PDACK768.pdf</a>
<b>GMED project in India</b>	ACDI/VOCA	2008	Description of ACDI/VOCA's GMED project.	<a href="http://www.acdivoca.org/acdivoca/PortalHub.nsf/ID/indiaGMED">http://www.acdivoca.org/acdivoca/PortalHub.nsf/ID/indiaGMED</a>	NA
<b>GMED VC project final report</b>	ACDI/VOCA	2008	Background and accomplishments on the different activities of the project: fresh fruits and vegetables, organic-certified foods, maize value chain, and urban services/solid waste management.	NA	Soft copy sent to USAID.
<b>Successful practices in value chain development</b>	JAA	2008	Presentation of the key principles for successful value chain development. Focus on an example of J.E. Austin approach: improving dairy value chain in Pakistan.	<a href="http://www.microlinks.org/ev02.php?ID=35379_201&amp;ID2=DO_TOPIC">http://www.microlinks.org/ev02.php?ID=35379_201&amp;ID2=DO_TOPIC</a>	<a href="http://pdf.usaid.gov/pdf_docs/PNADP048.pdf">http://pdf.usaid.gov/pdf_docs/PNADP048.pdf</a>

<b>Supporting entrepreneurship at the base of the pyramid through business linkages</b>	IFC	2008	Presentation of three main categories of opportunity to support BOP entrepreneurship and enterprise development through business linkages: buying from (help companies reduce costs and increase flexibility), distributing through (help reach target markets and offer better services to BoP consumers), and selling (help grow revenues) to BOP farmers, microentrepreneurs, and small-business owners.	<a href="http://www.ifc.org/ifcext/advisoryservices.nsf/Content/BO_P_Publications">http://www.ifc.org/ifcext/advisoryservices.nsf/Content/BO_P_Publications</a>	<a href="http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_31_Business%20Linkages%20RIO.pdf">http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_31_Business%20Linkages%20RIO.pdf</a>
<b>PROFIT 2009 annual report</b>	PROFIT implementers	2009	Presentation of PROFIT major achievements per sector of activity: agricultural input market development, cotton market development, agricultural output market, dairy. Financial market, administration, and field team development; monitoring and evaluation. HIV and AIDS.	NA	Soft copy sent to USAID.
<b>ITC Choupal fresh case study</b>	Coady International Institute	2009	Description of the links between ITC and the GMED project.	<a href="http://www.itcportal.com/sets/echoupal_frameset.htm">http://www.itcportal.com/sets/echoupal_frameset.htm</a>	<a href="http://www.coady.stfx.ca/tinroom/assets/file/resources/publications/8_ITC_Choupal_Fresh.pdf">http://www.coady.stfx.ca/tinroom/assets/file/resources/publications/8_ITC_Choupal_Fresh.pdf</a>
<b>KMDP project</b>	ACDI/VOCA	2009	Presentation of the Kenya Maize Development Programme implemented by ACDI-VOCA. The project helps smallholder farmers to link with the input providers (seeds and fertilizers) and trains the farmers in better managing their production.	<a href="http://kenya.usaid.gov/programs/economic-growth/490">http://kenya.usaid.gov/programs/economic-growth/490</a>	Access to downloadable documents: <a href="http://www.acdivoca.org/site/ID/kenyaKMDP">http://www.acdivoca.org/site/ID/kenyaKMDP</a>
<b>TechnoServe: Cashing in on Cashews</b>	Karnani, A. and Koenig, C.	2009	In the mid-1970s, Mozambique was the world's leading cashew nut producer. But by the late 1990s, the postindependence civil war, a slowing economy, and poor policy decisions had destroyed the sector. Instead of a vibrant value-added domestic industry serving the growing global market, Mozambique's raw cashew nuts were shipped to India for processing, effectively resulting in the export of a major agro-industrial opportunity. This case explores TechnoServe's role in the revitalization of the Mozambican cashew industry.	<a href="http://globalens.com/casedetail.aspx?cid=1428817">http://globalens.com/casedetail.aspx?cid=1428817</a>	NA
<b>Developing inclusive business models: A review of Coca-Cola's manual distribution centers in Ethiopia and Tanzania</b>	IFC	2009	Presentation of the "Inclusive business models" that involve the poor in corporate value chains – whether as employees, entrepreneurs, suppliers, distributors, franchisees, retailers, customers, or sources of innovation – and are or have the potential to become financially viable. Illustration through the Coca-Cola system's manual distribution center (MDC) model.	NA	<a href="http://www.hks.harvard.edu/m-rcbg/CSRI/publications/other_10_MDC_report.pdf">http://www.hks.harvard.edu/m-rcbg/CSRI/publications/other_10_MDC_report.pdf</a>

<b>Business linkages: Enabling access to markets at the base of the pyramid</b>	IFC	2009	This report focuses first on the three opportunities to enable access to markets for the BoP: buying from, selling to, and distributing through, and the associated challenges.	<a href="http://www.ifc.org/ifcext/advisoryservices.nsf/Content/BO P_Publications">http://www.ifc.org/ifcext/advisoryservices.nsf/Content/BO P_Publications</a>	<a href="http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_35_jaipur_2009.pdf">http://www.hks.harvard.edu/m-rcbg/CSRI/publications/report_35_jaipur_2009.pdf</a>
<b>BoP materials</b>					
<b>Name of the material</b>	<b>Author</b>	<b>Year</b>	<b>Brief description</b>	<b>Link to Web site</b>	<b>Link to PDF</b>
<b>Which World? Scenarios for the 21st century</b>	Hammond, A.	1998	Looking 50 years into the future, <i>Which World?</i> analyzes persistent, long-term trends – demographic, economic, social, environmental, and security trends – that are likely to shape and constrain the future. It develops three scenarios – scenarios that reflect very different mindsets or worldviews – to explore alternative possibilities for how the future may unfold. The scenarios are: Market World – a future based on the belief that market forces and new technology, once unleashed, are sufficient to bring rising prosperity and a brighter future to humankind; Fortress World – a grimmer future in which uneven economic growth creates islands of prosperity surrounded by oceans of poverty and despair, a future of growing environmental degradation, conflict, violence, and social chaos; and Transformed World – a future in which fundamental social and political changes offer hope of fulfilling human aspirations.	<a href="http://www.wri.org/publication/which-world-scenarios-21st-century">http://www.wri.org/publication/which-world-scenarios-21st-century</a>	Limited view on Google Books: <a href="http://books.google.com/books?id=PlEyAs95X2oC&amp;printsec=frontcover&amp;dq=Which+World&amp;source=bl&amp;ots=zbQmTmUYgl&amp;sig=stRHTnpsXulsD3HE8NYeQhF_uiw&amp;hl=en&amp;ei=EqVRTPv8K9_nnQe5zNDVAw&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=2&amp;ved=0CBoQ6AEwAQ#v=onepage&amp;q&amp;f=false">http://books.google.com/books?id=PlEyAs95X2oC&amp;printsec=frontcover&amp;dq=Which+World&amp;source=bl&amp;ots=zbQmTmUYgl&amp;sig=stRHTnpsXulsD3HE8NYeQhF_uiw&amp;hl=en&amp;ei=EqVRTPv8K9_nnQe5zNDVAw&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=2&amp;ved=0CBoQ6AEwAQ#v=onepage&amp;q&amp;f=false</a>
<b>The Mystery of Capitalism: Why Capitalism Triumphs in the West and Fails Everywhere Else</b>	De Soto, H.	2000	In strong opposition to the popular view that success is determined by cultural differences, de Soto finds that what creates capital in the West is a process buried deep in the legal structure of its property systems. Every developed nation in the world at one time went through the transformation from predominantly extralegal property arrangements, such as squatting on large estates, to a formal, unified legal property system. In the West we never realized that capital is a dormant value hidden in the assets and talents we own and which legal property brings to life. This persuasive book has already revolutionized our understanding of capital; now it points the way to a major transformation of the world economy.	NA	Limited view on Google Books: <a href="http://books.google.com/books?id=XZUAiEV239AC&amp;dq=The+mystery+of+capitalism:+Why+Capitalism+Triumphs+in+the+West+and+Fails+Everywhere+Else.&amp;printsec=frontcover&amp;source=bn&amp;hl=en&amp;ei=LaVRTILPMIGGnQfuuMDFAw&amp;sa=X&amp;oi=book_result&amp;ct=result">http://books.google.com/books?id=XZUAiEV239AC&amp;dq=The+mystery+of+capitalism:+Why+Capitalism+Triumphs+in+the+West+and+Fails+Everywhere+Else.&amp;printsec=frontcover&amp;source=bn&amp;hl=en&amp;ei=LaVRTILPMIGGnQfuuMDFAw&amp;sa=X&amp;oi=book_result&amp;ct=result</a>

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<b>The Great Leap: Driving Innovation from the Base of the Pyramid</b>	Hart, S. and Christensen, C.	2002	Billions of people aspire to join the world's economy. In this article, Hart and Christensen outline how disruptive innovation can pave the way, to help companies combine sustainable corporate growth with social responsibility.	<a href="http://sloanreview.mit.edu/the-magazine/articles/2002/fall/4415/the-great-leap-driving-innovation-from-the-base-of-the-pyramid/">http://sloanreview.mit.edu/the-magazine/articles/2002/fall/4415/the-great-leap-driving-innovation-from-the-base-of-the-pyramid/</a>	<a href="http://sloanreview.mit.edu/the-magazine/files/saleable-pdfs/4415.pdf">http://sloanreview.mit.edu/the-magazine/files/saleable-pdfs/4415.pdf</a>
<b>The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid</b>	Hammond, A., Kramer, W., et al.	2002	According to the authors, large companies can help the lives of billions of people living at the bottom of the pyramid by selling goods to them. BoP people can be considered as an untapped potential market for MNCs and therefore a new source of growth. The document recommends strategies to be put in place by MNCs for serving BoP markets and simultaneously helping reduce poverty.	<a href="http://www.wri.org/publication/the-next-4-billion">http://www.wri.org/publication/the-next-4-billion</a>	<a href="http://pdf.wri.org/n4b_full_text_lowrez.pdf">http://pdf.wri.org/n4b_full_text_lowrez.pdf</a>
<b>Rethinking Marketing Programs</b>	Dawar, N. and Chattopadhyay, A.	2002	Presentation of the impact of emerging market characteristics on marketing programs. Recommendations on how to rethink the segmentation in the emerging markets.	NA	<a href="http://deepblue.lib.umich.edu/bitstream/2027.42/39704/3/wp320.pdf">http://deepblue.lib.umich.edu/bitstream/2027.42/39704/3/wp320.pdf</a>
<b>What Works: Serving the Poor Profitably</b>	Prahalad, CK. and Hammond, A.	2002	Excerpt taken from article conclusion: "...we've shown that the potential for expanding the bottom of the market is just too great to ignore. Big companies need to focus on big market opportunities if they want to generate real growth. It is simply good business strategy to be involved in large, untapped markets that offer new customers, cost-saving opportunities, and access to radical innovation. The business opportunities at the bottom of the pyramid are real, and they are open to any MNC willing to engage and learn."	<a href="http://hbr.org/2002/09/serving-the-worlds-poor-profitably/ar/1">http://hbr.org/2002/09/serving-the-worlds-poor-profitably/ar/1</a>	<a href="http://www.grafitto.com/private/Harvard%20Business%20Review/Miscellaneous/Harvard%20Business%20Review%20-%20Serving%20the%20world%27s%20poor,%20profitability.pdf">http://www.grafitto.com/private/Harvard%20Business%20Review/Miscellaneous/Harvard%20Business%20Review%20-%20Serving%20the%20world%27s%20poor,%20profitability.pdf</a>
<b>The Fortune at the Bottom of the Pyramid</b>	Prahalad, CK. and Hart, S.	2002	Presentation of new business models that MNCs must develop to benefit from the low-income markets while bringing prosperity to the poor. MNCs must focus on 1-creating buying power, 2- shaping aspirations, 3-improving access, and 4- tailoring local solutions. Combination of local and global knowledge.	NA	<a href="http://www.cs.berkeley.edu/~brewer/ict4b/Fortune-BoP.pdf">http://www.cs.berkeley.edu/~brewer/ict4b/Fortune-BoP.pdf</a>
<b>Partnerships for Learning: Managing Tensions in</b>	London, T. and Rondinelli, D.	2003	How to manage the tensions in nonprofit organizations' alliances with corporations. Description of the ideal nonprofit partner and corporate partner to reach a better effectiveness.	NA	<a href="http://www.ssireview.org/pdf/2003WI_features_london.pdf">http://www.ssireview.org/pdf/2003WI_features_london.pdf</a>

<b>Nonprofit Organizations' Alliances with Corporations</b>					
<b>Base of the Pyramid Protocol</b>	Simanis, E., Hart, S., et al.	2008	Taken from article introduction: "The Base of the Pyramid Protocol™ working group was guided by the vision of an inclusive capitalism, one in which the corporate sector prospers by engaging local communities in the co-creation of business models that simultaneously generate economic, social and environmental value."	NA	<a href="http://www.bop-protocol.org/docs/BoPProtocol2ndEdition2008.pdf">http://www.bop-protocol.org/docs/BoPProtocol2ndEdition2008.pdf</a>
<b>Creating Sustainable Local Enterprise Networks</b>	Wheeler, J., et al.	2005	Taken from article introductory page: "In developing countries, examples of successful sustainable enterprise often involve informal networks that include businesses, not-for-profit organizations and communities. ... The governance and regulatory domains have shifted in many developing countries; such shifts have redefined the role of states, development agencies and nongovernmental organizations and have established a greater role for business in sustainable development."	NA	<a href="http://www.undp.org/LegalEmpowerment/docs/Wheeler%20et%20al%20Creating%20Sustainable%20Local%20Enterprise%20Networks%20(2).PDF">http://www.undp.org/LegalEmpowerment/docs/Wheeler et al Creating Sustainable Local Enterprise Networks (2).PDF</a>
<b>Involving National Corporations in BoP Business Models</b>	Ghosh, N.	2005	The author (Director SNV-USA (SNV is a Netherlands Development Organization)) develops why national corporations can be good partners (the focus should not always be put on MNCs) and provides many successful cases in which national corporations are excellent partners in promoting and implementing BoP initiatives. SNV launched "Inclusive Business" initiatives in collaboration with the World Business Council for Sustainable Development (WBCSD), which aims at involving leading national companies in bringing small producers and providers within their production and marketing value chain.	NA	Soft copy sent to USAID.
<b>Developing Native Capability: What multinational corporations can learn from the base of the pyramid</b>	Hart, S. and London, T.	2005	This article focuses on two major ideas: 1- the need to understand and value the informal economy and 2- the need for MNCs to create partnerships with local actors.	NA	<a href="http://www.stuartlhart.com/Content/News%20Recent%20Articles%20and%20Papers/2005SU_feature_hart.pdf">http://www.stuartlhart.com/Content/News%20Recent%20Articles%20and%20Papers/2005SU_feature_hart.pdf</a>
<b>Reinventing strategies for emerging markets: beyond the transnational model</b>	London, T. and Hart, S.	2005	Portions from the article abstract: "With established markets becoming saturated, multinational corporations (MNCs) have turned increasingly to emerging markets (Ems) in the developing world. ... Business strategies that rely on leveraging the strengths of the existing market environment outperform those that focus on overcoming weaknesses. These strategies include developing relationships with non-traditional partners, co-inventing custom solutions, and building local capacity."	NA	<a href="http://e4sw.org/papers/JIBS.pdf">http://e4sw.org/papers/JIBS.pdf</a>

<b>The Fortune at the Bottom of the Pyramid</b>	Prahalad, CK.	2005	This book consists of three main parts, “the rationale for and the approach to private-sector involvement, the in-depth case studies, and the voices of the BOP consumers.” Prahalad argues that “new and creative approaches are needed to convert poverty into an opportunity for all concerned” and that might be done through cocreation and ownership of solutions between consumers and markets.	NA	Limited View on Google Books: <a href="http://books.google.com/books?id=R5ePu1awfloC&amp;dq=The+Fortune+at+the+Bottom+of+the+Pyramid&amp;printsec=frontcover&amp;source=bn&amp;hl=en&amp;ei=YqIRtJilH8SGnQedzqWgBA&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=4&amp;ved=0CCYQ6AEwAw#v=onepage&amp;q&amp;f=false">http://books.google.com/books?id=R5ePu1awfloC&amp;dq=The+Fortune+at+the+Bottom+of+the+Pyramid&amp;printsec=frontcover&amp;source=bn&amp;hl=en&amp;ei=YqIRtJilH8SGnQedzqWgBA&amp;sa=X&amp;oi=book_result&amp;ct=result&amp;resnum=4&amp;ved=0CCYQ6AEwAw#v=onepage&amp;q&amp;f=false</a>
<b>Capitalism at the Crossroads: The Unlimited Opportunities in Solving the World’s Most Difficult Problems</b>	Hart, S.	2005	Portions taken from book foreword: “Today’s global companies are at a crossroads, searching desperately for new sources of profitable growth. ... It’s about igniting new growth by creating sustainable products that solve urgent societal problems. It’s about using new technology to deliver profitable solutions that reduce poverty and protect the environment. It’s about becoming truly indigenous to all your markets, and avoiding the pitfalls of first-generation ‘greening’ and ‘sustainability’ strategies.”	<a href="http://www.whartonsp.com/store/product.aspx?isbn=0131439871">http://www.whartonsp.com/store/product.aspx?isbn=0131439871</a>	NA
<b>Aid is Not an Answer</b>	Prahalad, CK.	2005	Central argument: “Innovations in technology, capital intensity, delivery, governance (e.g., in collaboration with civil society organizations) and price-performance levels are all needed to create a market at the lowest-income level. To ‘make poverty history,’ leaders in private, public and civil-society organizations need to embrace entrepreneurship and innovation as antidotes to poverty. Wealth-substitution through aid must give way to wealth-creation through entrepreneurship.”	NA	<a href="http://web.missouri.edu/~podgurskym/Econ_1051GH/Readings/Aid_Is_Not_The_Answer_WSJ.pdf">http://web.missouri.edu/~podgurskym/Econ_1051GH/Readings/Aid_Is_Not_The_Answer_WSJ.pdf</a>
<b>Revolutionary Routines: Capturing the Opportunity for Creating a More Inclusive Capitalism</b>	Milstein, C., London, T. and Hart, S.	2007	Suggestions to help leaders ensure that revolutionary routines can flourish within their organizations.	NA	Limited View on Google Books: <a href="http://books.google.com/books?id=hAYik85DJP0C&amp;pg=PA84&amp;lpg=PA84&amp;dq=Revolutionary+routines:+Capturing+the+opportunity+for+creating+a+more+inclusive+capitalism&amp;source=bl&amp;ots=o3azXmMqhV&amp;sig=h9uGcHOVN2uTJ74dYnNvqbqor_Y&amp;hl=en&amp;ei=">http://books.google.com/books?id=hAYik85DJP0C&amp;pg=PA84&amp;lpg=PA84&amp;dq=Revolutionary+routines:+Capturing+the+opportunity+for+creating+a+more+inclusive+capitalism&amp;source=bl&amp;ots=o3azXmMqhV&amp;sig=h9uGcHOVN2uTJ74dYnNvqbqor_Y&amp;hl=en&amp;ei=</a>

					2apRTP-IMYygnQeklKGUAw&sa=X&oi=book_result&ct=result&resnum=2&ved=0CBYQ6AEwAQ#v=onepage&q=Revolutionary%20routines%3A%20Capturing%20the%20opportunity%20for%20creating%20a%20more%20inclusive%20capitalism&f=false
<b>Doing Well by Doing Good – Case Study: ‘Fair &amp; Lovely’ Whitening Cream</b>	Karnani, A.	2007	Abstract: According to the “doing well by doing good” proposition, firms have a corporate social responsibility to achieve some larger social goals, and can do so without a financial sacrifice. This paper empirically examines this proposition by studying in depth the case of ‘Fair & Lovely,’ a skin whitening cream, marketed by Unilever in many countries in Asia and Africa, and in particular, India. Fair & Lovely is indeed doing well; it is a profitable and fast-growing brand. It is, however, not doing good, and I demonstrate its negative implications for public welfare. I conclude with thoughts on how to reconcile this divergence between private profits and public welfare.	NA	<a href="http://www.un.org/esa/coordination/DWDG.Fair.Lovely.SMJ.pdf">http://www.un.org/esa/coordination/DWDG.Fair.Lovely.SMJ.pdf</a>
<b>Misfortune at the bottom of the pyramid</b>	Karnani, A.	2007	According to Karnani, it is an illusion to think that large companies can help alleviate poverty by selling to the poor in the developing countries. Karnani strongly believes that the private sector should focus on the poor as producers to help alleviate poverty through trying to upgrade their skills and productivity.	Excerpt from Text Available Here: <a href="http://www.highbeam.com/doc/1G1-165912462.html">http://www.highbeam.com/doc/1G1-165912462.html</a>	NA
<b>The conservation coffee alliance</b>	USAID	2007	Presentation of the alliance between the Conservation Alliance and Starbucks Coffee company.	<a href="http://www.america.gov/st/washfile-english/2004/September/200409281132541cnirellep0.7885401.html">http://www.america.gov/st/washfile-english/2004/September/200409281132541cnirellep0.7885401.html</a>	<a href="http://pdf.usaid.gov/pdf_docs/PDACJ861.pdf">http://pdf.usaid.gov/pdf_docs/PDACJ861.pdf</a>
<b>Cocreating Business’s New Social Compact</b>	Brugman, J. and Prahalad, CK.	2007	The liberalization of markets is forcing executives and social activists to work together. They are developing new business models that will transform organizations and the lives of poor people everywhere.	<a href="http://hbr.org/2007/02/cocreating-businesss-new-social-compact/ar/1">http://hbr.org/2007/02/cocreating-businesss-new-social-compact/ar/1</a>	<a href="http://hbr.org/products/R0702D/R0702Dp4.pdf">http://hbr.org/products/R0702D/R0702Dp4.pdf</a>
<b>The base of the pyramid perspective and the social enterprise methodology:</b>	London, T. , Janiga, K. and Valente, M.	2007	Highlights the similarities and differences between the base of the pyramid and social enterprise approaches, while also showcasing how development agencies can leverage both approaches in different situations.	NA	Soft copy sent to USAID.

<b>Understanding the facilitating role of development agencies</b>					
<b>Building Better Ventures with the Base of the Pyramid: A Roadmap</b>	London, T.	2011	Forthcoming chapter from "Next Business Strategies for the Base of the Pyramid: New Approaches for Building Mutual Value." Presents a set of principles grounded in demonstrating and enhancing mutual value that BoP leadership teams can apply at the stages of design, pilot, and scale in order to increase the chances of success in the venture-development process.	NA	NA
<b>Creating Value for All: Strategies for Doing Business with the Poor</b>	UNDP	2008	The document presents the opportunities and constraints to do business with and for poor people and focuses on five strategies at work: 1- adapt products and processes; 2- invest in removing market constraints; 3- leverage the strengths of the poor; 4- combine resources and capabilities with others and 5- engage in policy dialogue with governments	<a href="http://www.undp.org/gimlaunch/">http://www.undp.org/gimlaunch/</a>	<a href="http://www.undp.org/gimlaunch/docs/GIM%20Report%20Final%20August%202008.pdf">http://www.undp.org/gimlaunch/docs/GIM%20Report%20Final%20August%202008.pdf</a>
<b>The BoP as a development strategy</b>	Oxfam International	2008	The document presents five key components of doing business with the poor. 1- Doing business with the poor is a way to combine commercial success with poverty alleviation; 2- To do business with the poor, it is necessary to cocreate with them; 3- The BoP market has a lot of opportunities (detailed figures are provided). 4- Unconventional partnerships are required. 5- To be successful it needs to take roots in off markets.	NA	<a href="http://www.google.com/url?sa=t&amp;source=web&amp;cd=2&amp;ved=0C BYQFjAB&amp;url=http%3A%2F%2Fwww.icco.nl%2Fdocuments%2Fpdf%2FBoP_as_Dvlpmnt_Strategy_2008_ICCO_Oxfam_Novib_GB.pdf&amp;ei=Pq1RTNiBHouCnQe5gtCXAw&amp;usg=AFQjCNFY_jIRVRjA3Ti2R8lb_cz7pNE6eQ">http://www.google.com/url?sa=t&amp;source=web&amp;cd=2&amp;ved=0C BYQFjAB&amp;url=http%3A%2F%2Fwww.icco.nl%2Fdocuments%2Fpdf%2FBoP_as_Dvlpmnt_Strategy_2008_ICCO_Oxfam_Novib_GB.pdf&amp;ei=Pq1RTNiBHouCnQe5gtCXAw&amp;usg=AFQjCNFY_jIRVRjA3Ti2R8lb_cz7pNE6eQ</a>
<b>The Philosopher of Progress and Prosperity</b>	Kleiner, A.	2009	The author describes how the Peruvian economist Hernando de Soto has found a way to enrich the poor.	<a href="http://www.strategy-business.com/article/04211?gko=3b8cb">http://www.strategy-business.com/article/04211?gko=3b8cb</a>	NA

<b>Creating mutual value: Lessons learned from ventures serving base of the pyramid producers</b>	London, T., Anupindi, R. and Sheth, S.	2009	Lessons learned from ventures serving the base of the pyramid. Presentation of productivity and transactional constraints faced by the BoP ventures and the strategies to address these constraints. Assessment of sixty-four ventures serving BoP producers.	NA	<a href="http://www.sciencedirect.com/science?_ob=MIimg&amp;_imagekey=B6V7S-4WT39SD-1-5&amp;_cdi=5850&amp;_user=99318&amp;_pii=S0148296309001568&amp;_orig=search&amp;_coverDate=06%2F30%2F2010&amp;_sk=999369993&amp;view=c&amp;wchp=dGLzVtz-zSkzV&amp;md5=ed1f34b45df9ef8d0b7eaa76bd27c16b&amp;ie=/sdarticle.pdf">http://www.sciencedirect.com/science?_ob=MIimg&amp;_imagekey=B6V7S-4WT39SD-1-5&amp;_cdi=5850&amp;_user=99318&amp;_pii=S0148296309001568&amp;_orig=search&amp;_coverDate=06%2F30%2F2010&amp;_sk=999369993&amp;view=c&amp;wchp=dGLzVtz-zSkzV&amp;md5=ed1f34b45df9ef8d0b7eaa76bd27c16b&amp;ie=/sdarticle.pdf</a>
<b>The Role of Subsidies in a Market Economy</b>	Lee, M. and London, T.	2009	This note 1) describes what subsidies are and why they are used, 2) examines subsidy types, 3) addresses the difference between recipients and beneficiaries, and 4) notes some of the effects of subsidies on markets, the environment, and society.	<a href="http://www.globaleconomics.com/casedetail.aspx?cid=1428648">http://www.globaleconomics.com/casedetail.aspx?cid=1428648</a>	Text Preview: <a href="http://www.globalen.com/DocFiles/PDF/cases/Preview/GL1428648P.pdf">http://www.globalen.com/DocFiles/PDF/cases/Preview/GL1428648P.pdf</a>
<b>Making Better Investments at the Base of the Pyramid</b>	London, T.	2009	Presents a new framework for measuring impact across three areas of well-being (economic, capability, and relationship) and stakeholders (sellers, buyers, and communities).	<a href="http://hbr.org/2009/05/making-better-investments-at-the-base-of-the-pyramid/ar/1">http://hbr.org/2009/05/making-better-investments-at-the-base-of-the-pyramid/ar/1</a>	NA
<b>ITC's e-Choupal: A platform strategy for rural transformation</b>	Anupindi, R. and Sivakumar S.	2007	This paper explains how the e-Choupal infrastructure has been architected as a business platform; using this infrastructure, a host of products and services can be provided linking the local farmer to global markets.	NA	Soft copy sent to USAID.
<b>Global Sustainability and the Creative Destructions of Industries</b>	Hart, S. and Milstein, C.	1999	"In this article, we (Hart & Milstein) argue that the emerging challenge of global sustainability is a catalyst for a new round of creative destruction that offers unprecedented opportunities. Today's corporations can seize the opportunity for sustainable development, but they must look beyond continuous, incremental improvements."	NA	<a href="http://www.ce.cmu.edu/~gdr/ readings/2006/09/26/Hart_GlobalSustainabilityAndTheCreativeDestructionOfIndustries.pdf">http://www.ce.cmu.edu/~gdr/ readings/2006/09/26/Hart_GlobalSustainabilityAndTheCreativeDestructionOfIndustries.pdf</a>
<b><i>BoP case studies</i></b>					
<b>Name of the case study</b>	<b>Author or organization</b>		<b>Brief description</b>	<b>Link to Web site</b>	<b>Link to PDF</b>

<b>CEMEX's Patrimonio Hoy: At the Tipping Point?</b>	London, T. and Koteck, M.	2008	Patrimonio Hoy is the sales, distribution, and savings program of CEMEX intended to serve Mexico's large self-construction housing market. CEMEX is currently the world's third-largest cement producer. Over the years, Patrimonio Hoy has gone from a small, centrally funded project to a US\$25 million revenue generator for CEMEX. This case explores the program's opportunities for growth and expansion into new markets. (GlobaLens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428606">http://www.globale ns.com/casedetail.aspx?cid=1428606</a>	Text Preview: <a href="http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428606P.pdf">http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428606P.pdf</a>
<b>Targeting Malaria: Comparing Charity- and Social Marketing-based Approaches</b>	London, T., Augustine, G. and Lee, M.	2008	In Africa, the usage of insecticide-treated bed-nets (ITNs) has shown to be one of the best ways to prevent malaria. USAID, the principal U.S. agency for providing assistance to countries, has just announced that by mid-2008, it will provide an additional \$5 billion for malaria prevention and treatment in Africa. Specifically, the agency would like to see Tanzania improve not only ITN coverage (currently at only 14%) but more important ITN usage by the country's 35 million citizens. As of 2004, only 10% of children under the age of 5 were sleeping under bed-nets. USAID's goal for 2010 is to increase this to 80%. (GlobaLens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428642">http://www.globale ns.com/casedetail.aspx?cid=1428642</a>	Text Preview: <a href="http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428642P.pdf">http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428642P.pdf</a>
<b>Expanding the Playing Field: Nike's World Shoe Project (A)</b>	McDonald, H., London, T. and Hart S.	2006	Nike's challenge was to "expand the playing field" with a range of affordable, durable, and easy-to-produce sport shoes. So with this command, Hartge, the director of Emerging Market Footwear, teamed up with longtime shoe designer Alex Gajowskyj, and in early 1998 began the development of the World Show Project, a footwear line exclusively intended for emerging markets in Asia, Africa, and Latin America. (GlobaLens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428673">http://www.globale ns.com/casedetail.aspx?cid=1428673</a>	Text Preview: <a href="http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428673P.pdf">http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428673P.pdf</a>
<b>Hindustan Lever at the Base of the Pyramid: Growth for the 21st Century</b>	Vakil, M and London, T.	2006	Hindustan Lever Limited, principally owned by Unilever, operates Shakti, a program that aims to extend the reach of HLL's products to the 742 million rural consumers in 637,000 villages in India. Critical questions the program faces: Will Shakti and the BoP markets it targets deliver to HLL much-needed long-term growth and become a key source of a future sustainable competitive advantage? Is the program really making a social impact? (GlobaLens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428604">http://www.globale ns.com/casedetail.aspx?cid=1428604</a>	Text Preview: <a href="http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428604P.pdf">http://www.globale ns.com/DocFiles/PDF/cases/Preview/GL1428604P.pdf</a>
<b>W.R. Grace Co. and the Neemix Patent (A)</b>	Severance, K, Spiro, L and Ruffin, P.	1999	Abstract: Neemix is a natural biopesticide developed by W. R. Grace from the neem tree, which is indigenous to rural India. Because of its medicinal and religious use by rural Indians for more than 1,000 years, the Foundation on Economic Trends is protesting Grace's patenting of Neemix. The A case raises questions concerning international intellectual-property rights and how American companies such as Grace should deal with these issues.	<a href="http://www.casepla ce.org/d.asp?d=1102">http://www.casepla ce.org/d.asp?d=1102</a>	NA

<p><b>Acumen Fund: How to Make the Greatest Impact</b></p>	<p>Lee, M. and London, T.</p>	<p>2008</p>	<p>Acumen Fund is global philanthropic venture capital fund that seeks to prove that small amounts of philanthropic capital, combined with large doses of business acumen, can build thriving enterprises that serve vast numbers of the poor at the base of the pyramid. In recent years, the organization has expanded its work into talent building and knowledge creation. This case explores management's tension of how to best use a \$10 million contribution by a family foundation to make the greatest impact for the poor. (GloboLens)</p>	<p><a href="http://www.globale ns.com/casedetail.aspx?cid=1428592">http://www.globale ns.com/casedetail.aspx?cid=1428592</a></p>	<p>Text Preview: <a href="http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428592P.pdf">http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428592P.pdf</a></p>
<p><b>Building a Sustainable Venture from the Ground Up: The Mountain Institute's Earth Brick Machine</b></p>	<p>Buffington, J. and London, T.</p>	<p>2008</p>	<p>The Mountain Institute works to improve environmental conditions and the quality of life for local communities in mountainous regions throughout the world. TMI is exploring options for its patented technology for compressed earth blocks. Relative to other technologies serving this market, TMI believes that its compressed earth block (CEB) machine is price competitive, allows for low-cost construction, and is environmentally friendly. Winner of the prestigious 2005 Oikos Case Competition., this case explores using this technology as the centerpiece for a new for-profit venture in the developing world. (GloboLens)</p>	<p><a href="http://www.globale ns.com/casedetail.aspx?cid=1428611">http://www.globale ns.com/casedetail.aspx?cid=1428611</a></p>	<p>Text Preview: <a href="http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428611P.pdf">http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428611P.pdf</a></p>
<p><b>CARE: Making Markets Work For the Poor</b></p>	<p>London, T. and Lee, M.</p>	<p>2008</p>	<p>CARE is an international, humanitarian, nongovernmental organization (NGO) composed of twelve member countries that manage field operations in over seventy countries offices around the world, reaching more than fifty million poor people. In 2005, CARE started a pilot initiative in Central America to assess whether its support of revenue-generating ventures provides sustainable and scalable poverty-alleviation outcomes as well as an opportunity to generate excess revenues for the organization. This case focuses on CARE's challenges to explicitly incorporate a market-based approach within its portfolio of poverty-alleviation solutions. (GloboLens)</p>	<p><a href="http://www.globale ns.com/casedetail.aspx?cid=1428645">http://www.globale ns.com/casedetail.aspx?cid=1428645</a></p>	<p>Text Preview: <a href="http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428645P.pdf">http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428645P.pdf</a></p>
<p><b>Connecting the Rural Poor to the World: Grameen's Village Phone in Bangladesh</b></p>	<p>London, T. and Garg, A.</p>	<p>2008</p>	<p>Grameen Telecom's Village Phone is a program that is focused on bringing cellular service to people in rural villages in Bangladesh. In 2006, Grameen's Village Phone initiative had an installed base of more than 233,000 village phones across 50,000 villages in the country, and annual revenues of approximately US\$93 million. This case explores opportunities both within Bangladesh and beyond the country's borders to expand the Village Phone program. (GloboLens)</p>	<p><a href="http://www.globale ns.com/casedetail.aspx?cid=1428608">http://www.globale ns.com/casedetail.aspx?cid=1428608</a></p>	<p>Text Preview: <a href="http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428608P.pdf">http://www.globalen s.com/DocFiles/PDF/cases/Preview/GL1428608P.pdf</a></p>

<b>Global Seeds to Village Farmers: Hearing the Voices at the BoP</b>	London , T. and Rao, R.	2008	Pioneer Hi-Bred International Inc., the hybrid corn company division of Dupont, has engaged with PEACE (People’s Action for Creative Education) to serve the base of the pyramid markets in India. The partnership between Pioneer and PEACE allows Pioneer to distribute its quality seeds to village farmers through PEACE. This is an example of a for-profit/nonprofit partnership serving BoP markets. The case provides an inside look at the impact of the Pioneer/PEACE partnership through interviews with Indian farmers using Pioneer’s engineered seeds. It also sheds light on the advantages and limitations of the venture’s efforts to reduce production and transactional constraints of the Indian farmers. (GloBalens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428612">http://www.globale ns.com/casedetail.aspx?cid=1428612</a>	Text Preview: <a href="http://www.globalens.com/DocFiles/PDF/cases/Preview/GL1428612P.pdf">http://www.globalens.com/DocFiles/PDF/cases/Preview/GL1428612P.pdf</a>
<b>VisionSpring: A Lens for Growth at the BoP</b>	Christiansen, M. and London, T.	2008	(Note: In 2008, The Scojo Foundation changed its name to VisionSpring.) VisionSpring sells affordable reading glasses to the poor at the base of the pyramid through vision entrepreneurs and, more recently, through franchise partners. Winner of the prestigious 2008 Oikos Case Competition., this case explores how best to scale VisionSpring’s approach to serving the poor. (GloBalens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428610">http://www.globale ns.com/casedetail.aspx?cid=1428610</a>	<a href="http://www.vision spring.org/downloads/docs/WDI-vision-for-growth.pdf">http://www.vision spring.org/downloads/docs/WDI-vision-for-growth.pdf</a>
<b>ITC Choupal fresh case study</b>	Coady International Institute	2009	Case study presenting the venture and describing the links with the USAID-funded project GMED. ITC has initiated an e-Choupal effort that places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information and an e-commerce hub.	<a href="http://www.itcportal.com/ruraldevp_philosophy/echoupal.htm">http://www.itcportal.com/ruraldevp_philosophy/echoupal.htm</a>	<a href="http://www.coady.stfx.ca/tinroom/assets/file/resources/publications/8_ITC_Choupal_Fresh.pdf">http://www.coady.stfx.ca/tinroom/assets/file/resources/publications/8_ITC_Choupal_Fresh.pdf</a>
<b>Supply chain reengineering in agri-business – A case study of ITC’s e-Choupal</b>	Anupindi, R. and Sivakumar S.	2006	The main premise of the chapter is that emerging economies are characterized by “broken value chains” that attempt to connect the poor, as sellers and buyers, to markets for products and services. They describe a large-scale agri-business supply chain reengineering effort, called e-Choupal, being implemented across various commodities by the ITC Group of India. They argue that this large-scale effort enhances shareholder value, alleviates poverty, lays the foundation for global competitiveness of agriculture, and at the same time sows the seeds of social transformation.	NA	Soft copy sent to USAID.
<b>Jaipur Rugs: Connecting Rural India to Global Markets</b>	Prahalad, CK.	2009	The <a href="#">Jaipur Rugs</a> case explores how a company can benefit the poor by connecting them with global markets. Jaipur Rugs makes this connection by building and orchestrating a global supply chain on a massive scale –one focused on developing human capability and skills at the grassroots level, providing steady incomes for rural men and women in the most depressed parts of India, and connecting them with markets of the rich, such as the United States. Thousands of independent workers are organized to consistently produce a very high-quality product, on a complex, decentralized basis, through a unique system of organization. (GloBalens)	<a href="http://www.globale ns.com/casedetail.aspx?cid=1428849">http://www.globale ns.com/casedetail.aspx?cid=1428849</a>	Text Preview: <a href="http://www.globalens.com/DocFiles/PDF/cases/Preview/GL1428849P.pdf">http://www.globalens.com/DocFiles/PDF/cases/Preview/GL1428849P.pdf</a>

*Products and services*

Name of the venture	Country	Sector	Brief description	Link to Web site	Link to PDF
<b>ACOGIRPRI</b>	El Salvador	Arts/ Crafts	Venture in El Salvador creating ceramic goods. Organization formed in order to alleviate the economic difficulties of people with low incomes and physical disabilities who cannot otherwise obtain stable work. The workshop offers artistic training and employment.	<a href="http://www.abilities.ca/agc/article/article.php?pid=&amp;cid=&amp;subid=124&amp;aid=272&amp;setLang=1">http://www.abilities.ca/agc/article/article.php?pid=&amp;cid=&amp;subid=124&amp;aid=272&amp;setLang=1</a> AND <a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=52">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=52</a>	NA
<b>Alternative Trade Network of Nigeria (ATNN)</b>	Nigeria	Arts/ Crafts	Existing venture in Nigeria (handicrafts). ATNN coordinates a range of fair-trade business development services and provides direct trade and export market access for small-scale producers and artisans throughout Nigeria. ATNN has approximately 82 artisan groups involving more than 2,000 artisans.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=4">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=4</a>	NA
<b>Ankur Kala</b>	India	Arts/ Crafts	Venture in India (handicrafts). Ankur Kala provides self-employment to women by helping them produce and sell tailored articles, batik handicrafts, and food products. The batik unit, which employs 60 women, sells products in the local market as well as abroad.	<a href="http://www.ankurkala.org/">http://www.ankurkala.org/</a>	NA
<b>APIKRI</b>	Indonesia	Arts/ Crafts	Venture in Indonesia (handicrafts). APIKRI helps organize craft workers and provides export marketing services, technical assistance, training, and other supports.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=84">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=84</a>	NA
<b>Candelas La Luciernaga</b>	Honduras	Arts/ Crafts	Venture in Honduras (handicrafts). Candelas La Luciernaga is a candle-making group that is a project of the nonprofit women's organization Actions for Popular Development (ADP). The work of ADP includes a shelter for abused women and their children, a home for pregnant women, and a microlending program.	<a href="http://www.aidtoartisans.org/site/DocServer/2096_AID_SummerMag.pdf">http://www.aidtoartisans.org/site/DocServer/2096_AID_SummerMag.pdf</a>  <a href="http://www.marrder.com/htw/nov99/business.htm">http://www.marrder.com/htw/nov99/business.htm</a>	NA

<b>Cashew Production Project</b>	Guinea	Agri-culture	Venture in Guinea (cashew). The Cashew Production Project is a partnership between cashew-producing organizations, governments, USAID, and Kraft Foods to increase productivity of cashews, increase marketing efficiency, and improve well-being of farmers.	<a href="http://www.usaid.gov/gn/gn_new/news/2004/041020_cashews/index.htm">http://www.usaid.gov/gn/gn_new/news/2004/041020_cashews/index.htm</a>	NA
<b>Comite Artisanal Haitian (CAH)</b>	Haiti	Arts/ Crafts	Venture in Haiti (handicrafts). CAH markets and exports crafts made by Haitian artisans, cooperatives and craft groups. Each of these groups depends on the efforts of CAH to market its handicrafts for a fair wage. CAH provides marketing and promotional expertise.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=100">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=100</a>  <a href="http://www.agreatergift.org/ArtisansFarmers/LatinAmericaCaribbean/Haiti/ComiteArtisanalHaitien.aspx">http://www.agreatergift.org/ArtisansFarmers/LatinAmericaCaribbean/Haiti/ComiteArtisanalHaitien.aspx</a>	NA
<b>Comparte</b>	Chile	Arts/ Crafts	Venture in Chile (handicrafts). Organized by the Social Union of Christian Businessmen (USEC) to provide social assistance to disadvantaged craftspeople. In addition to conducting regional workshops, Comparte provides ongoing training, organizational assistance, and marketing and design service.	<a href="http://www.comparte.cl/">http://www.comparte.cl/</a>	NA
<b>Craft Link</b>	Vietnam	Arts/ Crafts	Venture in Vietnam (handicrafts). Craft Link works with artisans in an effort to generate income, with a focus on ethnic minorities, street children and artisans with disabilities. The organization's goals include cultural preservation and income generation for Vietnamese artisans.	<a href="http://www.craftlink.com.vn/thongtin2001.htm">http://www.craftlink.com.vn/thongtin2001.htm</a>	NA
<b>Creaciones Chonita</b>	Guatemala	Arts/ Crafts	Venture in Guatemala (handicrafts). A group of widows and young women who make beaded jewelry and crocheted cotton hacky sacks. When the group makes a profit, they save part of the money in a scholarship fund for the education of their children.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=114">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=114</a>	NA
<b>Dominion Traders</b>	Pakistan	Arts/ Crafts	Venture in Pakistan (handicrafts). Works with underprivileged artisans who make stone and shesham wood crafts in the city of Karachi. Venture disperses orders to 20 independently owned and operated onyx workshops that employ between 100 and 150 people.	<a href="http://www.bestfairtrader.com/orgs.html">http://www.bestfairtrader.com/orgs.html</a>	NA
<b>Ethiopian Craft Initiative (Gemini Trust)</b>	Ethiopia	Arts/ Crafts	Venture in Ethiopia (handicrafts). Enterprise that works exclusively with families who are parents of twins and other multiple-birth groupings in regards to jewelry making, baskets, and textiles.	<a href="http://www.geminitrust.org/">http://www.geminitrust.org/</a> <a href="http://www.surefish.co.uk/ca60/gemini_trust.htm">http://www.surefish.co.uk/ca60/gemini_trust.htm</a>	NA

<b>Golden Palm International</b>	Sri Lanka	Arts/ Crafts	Venture in Sri Lanka (handicrafts). Creates employment opportunities for people in the rural areas of Sri Lanka through the organization's woodworking and painting workshops.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=31">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=31</a>	NA
<b>Honey Care Africa</b>	Kenya	Agri- culture	Private enterprise that promotes small-scale beekeeping and high-quality honey production as both a profitable business and as an income-generating opportunity for low-income rural households.	<a href="http://www.ifc.org/ifcext/gbo.nsf/Content/Honey+Care+Africa">http://www.ifc.org/ifcext/gbo.nsf/Content/Honey+Care+Africa</a>	NA
<b>Intercrafts Peru</b>	Peru	Arts/ Crafts	Venture in Peru (handicrafts). Formed in 1992 by 20 handicraft artisan groups from various regions of Peru, who joined together to export their creations. The group's aim is to keep overhead costs low and to share responsibility so more income remains in the hands of the craftspeople.	<a href="http://www.perumarkeplaces.com/ing/ficha_empresa.asp?cod=11525&amp;sector=3">http://www.perumarkeplaces.com/ing/ficha_empresa.asp?cod=11525&amp;sector=3</a>	NA
<b>Nepal Knotcraft Centre</b>	Nepal	Arts/ Crafts	Venture in Nepal (handicrafts). Trains, employs, and empowers socially and economically underprivileged women in Nepal by giving them opportunities to earn an income. Artisans produce Dhaka weave textiles, cornhusk dolls, bamboo baskets, and other natural-fiber products.	<a href="http://www.smetoolkit.org/smetoolkit/en/content/en/151/Success-Story-Optimizing-Pricing-Strategy">http://www.smetoolkit.org/smetoolkit/en/content/en/151/Success-Story-Optimizing-Pricing-Strategy</a>	NA
<b>Nestle Milk Model</b>	India	Agri- culture	Venture in India (dairy). Nestle's milk district model has given small-scale producers and landless laborers the opportunity to participate in the economic system.	<a href="http://www.nextbillion.net/multimedia/2005/12/07/nestle-s-milk-district-model-economic-development-for-a-value-added-food-chain-and-improved-nutrition">http://www.nextbillion.net/multimedia/2005/12/07/nestle-s-milk-district-model-economic-development-for-a-value-added-food-chain-and-improved-nutrition</a>	NA
<b>Presbyterian Handicraft Centre (Prescraft)</b>	Cameroon	Arts/ Crafts	Venture in Cameroon (handicrafts). Prescraft was organized by the Presbyterian Church in Cameroon as a nonprofit organization to benefit disadvantaged craftspeople. Men and women produce traditional West African handicrafts including baskets, pottery, woodcarvings, and brass castings.	<a href="http://www.prescraft.com/">http://www.prescraft.com/</a>	NA
<b>Pyrethrum Sourcing from Kenya</b>	Kenya	Agri- culture	Venture in Kenya (agriculture, Pyrethrum). In July 2004, SC Johnson entered into a partnership with the international NGO ApproTEC to improve the Pyrethrum Board of Kenya's (PBK) pyrethrum supply chain reliability. This collaboration with ApproTEC and the PBK initiated a 12-month project.	<a href="http://www.wbcsd.org/DocRoot/dC4dEpLT2evdiVCO6XnI/sc_johnson_new_pyrethrum_full_case_final_web.pdf">http://www.wbcsd.org/DocRoot/dC4dEpLT2evdiVCO6XnI/sc_johnson_new_pyrethrum_full_case_final_web.pdf</a>	NA

<b>Q'antati Association of Artisans</b>	Bolivia	Arts/ Crafts	Venture in Bolivia (handicrafts). The artisans, mostly Aymara men and women, are organized into four rural groups in the highlands and seven urban groups in the areas surrounding La Paz. They create a broad range of traditional handicrafts, household textiles, and musical instruments.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=38">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=38</a>	NA
<b>Qui Dit Mieux</b>	Benin	Arts/ Crafts	Venture in Benin (handicrafts). Organization assists women to crochet postconsumer plastic trash bags into colorful handbags, dolls, placemats, and scarves. The organization has workshops in 16 different counties within Benin.	<a href="http://translate.google.com/translate?hl=en&amp;sl=fr&amp;u=http://courantsdefemmes.free.fr/Assoces/Benin/QDM/Qui_dit_mieux.html&amp;ei=inmOTPaZ08T6lweGqc3mAg&amp;sa=X&amp;oi=translate&amp;ct=result&amp;resnum=1&amp;ved=0CBYQ7gEwAA&amp;prev=/search%3Fq%3DQui%2BDit%2BMieux%2BBenin%26hl%3Den%26client%3Dfirefox-a%26hs%3DaxZ%26rls%3Dorg.mozilla:en-US:official%26prmd%3Ddiv">http://translate.google.com/translate?hl=en&amp;sl=fr&amp;u=http://courantsdefemmes.free.fr/Assoces/Benin/QDM/Qui_dit_mieux.html&amp;ei=inmOTPaZ08T6lweGqc3mAg&amp;sa=X&amp;oi=translate&amp;ct=result&amp;resnum=1&amp;ved=0CBYQ7gEwAA&amp;prev=/search%3Fq%3DQui%2BDit%2BMieux%2BBenin%26hl%3Den%26client%3Dfirefox-a%26hs%3DaxZ%26rls%3Dorg.mozilla:en-US:official%26prmd%3Ddiv</a>	NA
<b>Uganda Crafts Ltd.</b>	Uganda	Arts/ Crafts	Uganda Crafts is a privately held organization that markets crafts for disabled, widowed, and young artisans and provides training in quality control, design, and marketing.	<a href="http://www.ugandacrafts2000ltd.org/aboutus.html">http://www.ugandacrafts2000ltd.org/aboutus.html</a>	NA
<b>Union of Peasants for Self-Development</b>	Niger	Arts/ Crafts	Venture in Niger (handicrafts). Union of Peasants for Self-Development is an organization that works with artisans who make traditional Tuareg jewelry and use the income they make to supplement their subsistence farming and other livelihoods.	<a href="http://www.tenthousandvillages.ca/cgi-bin/category.cgi?item=art_1301&amp;type=store&amp;template=fullpage-en">http://www.tenthousandvillages.ca/cgi-bin/category.cgi?item=art_1301&amp;type=store&amp;template=fullpage-en</a>	NA

<b>UPAVIM Crafts</b>	Guatemala	Arts/ Crafts	Venture in Guatemala (handicrafts). The venture UPAVIM includes a group of women who live in a squatter community on the outskirts of Guatemala City. These women work together as a part of a cooperative.	<a href="http://www.upavimcrafts.org/">http://www.upavimcrafts.org/</a>	NA
<b>Xochipilli</b>	Mexico	Arts/ Crafts	Venture in Mexico (handicrafts). Xochipilli helps artisans to find permanent markets for their products as well as teach training in marketing and product development skills.	<a href="http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=87">http://www.tenthousandvillages.com/catalog/artisan.detail.php?artisan_id=87</a>	NA

*Comparison of the 2 approaches materials*

<b>Name of the material</b>	<b>Author or organization</b>	<b>Year</b>	<b>Brief description</b>	<b>Link to Web site</b>	<b>Link to PDF</b>
<b>Think big, go small</b>	Oxfam International	2010	This briefing paper from Oxfam International aims to demonstrate to private companies from the food and beverage sector how they can benefit from investing in integrating smallholder farmers into their supply chains and how they can meanwhile contribute to reducing poverty. It also highlights the fact that development agencies and government are ready to support these companies in this new orientation.	<a href="http://www.oxfam.org/en/policy/think-big-go-small">http://www.oxfam.org/en/policy/think-big-go-small</a>	<a href="http://www.oxfam.org/sites/www.oxfam.org/files/b4b-think-big-go-small.pdf">http://www.oxfam.org/sites/www.oxfam.org/files/b4b-think-big-go-small.pdf</a>
<b>Agricultural Learning and Impacts Network (ALINE)</b>	Web site	2010	ALINE is linked to the Global Conference on Agricultural Research for Development. The idea of this network is to create the opportunity for different stakeholders (especially smallholder farmers) to commonly design, plan, monitor, and evaluate projects (and not only implementing projects) and therefore improve partnerships on the ground. It provides principles to create partnerships with the smallholder farmers: shared goals, cooperative pooling of talents, mutual responsibility, and shared gains and risks.	<a href="http://www.aline.org.uk/">http://www.aline.org.uk/</a>	NA