



**Sub- Regional Launch  
UN Report on  
'Unleashing Entrepreneurship –  
Making Business Work for the Poor' in the  
Pacific Islands**

**WORKSHOP REPORT**



*8-9 November 2005  
Tradewinds Convention Centre  
Suva, Fiji*

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## 1. Executive Summary, Workshop Proceedings and Outcomes

### 1.1. Executive Summary

As a direct response to the Millennium Development Goals (MDGs), especially the goal to halve poverty by 2015, the UN Commission on the Private Sector and Development created by UN Secretary General Kofi Annan in 2003, offered a set of recommendations embodied in a report entitled, “**Unleashing Entrepreneurship: Making Business Work for the Poor.**” The Pacific Island Sub-Regional launch of the Report was held in Fiji on 2005 November 8-9 gathering country delegates from Cook Islands, Federal States of Micronesia, Fiji, Kiribati, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

The Pacific Island Sub-Regional launch and workshop on “Unleashing Entrepreneurship: Making Business Work for the Poor”, was a forum to tackle the recommendations of the Commission on Private Sector Development stemming from the two key issues: (1) how can the potential of the private sector and entrepreneurship be unleashed in developing countries?; and (2) how can the existing private sector be engaged in meeting the challenge?

The United Nations Development Programme (UNDP) in Fiji in partnership with the Pacific Island Private Sector Organization (PIPSO) organized the launch and workshop for the Pacific Island Sub-region. The event had the following main objectives:

- Present recommendations of the “Unleashing Entrepreneurship” Report, and raise awareness among development partners, in particular the private sector, of actionable recommendations of the Report
- Discuss and share experiences related to the impact of enabling policy environment and public-private partnerships on strengthening the foundations for the private sector and the three pillars of entrepreneurship: level playing field, access to financing, and access to skills and knowledge
- Learn about successful private sector initiatives at the BOP that have resulted in the concrete improvements in the lives of the poor, and that provide an opportunity for replication across the region
- Discuss the next steps with regard to possible actionable initiatives resulting from the UN Commission’s Report recommendations, with a focus on enhancing interventions at the BOP that maximize the potential of the private sector contributing to poverty reduction and achievement of the MDGs

The event brought together representatives from the private sector, chambers of commerce, and donor agencies. The launch that culminated in a substantive workshop emphasized establishing partnerships between the private and public sectors. Outcomes of the workshop included concrete suggestions how the private and public sectors work together to cater to the needs of the poor.

The turnout during the launch was made possible through the partnership with the UNDP Pacific Sub-regional Centre, the Pacific Island Private Sector Organization (PIPSO) and other relevant national counterparts.

CEO Fiji Ministry of Foreign Affairs and External Trade, Isikeli Maitoga welcomed the delegates on behalf of the Fijian Government. He said in the context of the Pacific region, the Report provides new potential for economic growth - the concept of the “Missing Market” that in this region represents 80% of the population that are sidelined by the formal economic sector largely because they are rural dwellers with low income levels.

The first day focused on the launch of the Report and the corresponding country statements from all Pacific Island Country Delegations on their respective positioning and experience in light of the Report's recommendations. Key principles often reiterated in the different country statements called for a business model to be adjusted to Pacific Island Countries with small populations and in remote locations. The first series of panel discussions on an enabling environment for private sector development provided a regional overview of private sector development challenges, the ease of doing business and the role of the private sector in meeting the objectives of the Pacific Plan.

The second day placed particular importance on private sector project experiences across the Pacific, discussed and exchanged by various private sector representatives. This session on sharing innovative project experiences across the Pacific, headed by Dr. Jeya Wilson, Director, Division for Business Partnerships, Bureau for Resources and Strategic Partnerships, UNDP, was held in the morning. Some interesting examples included women in business development: weaving and coconut oil production, and organic certification programme (Samoa), and Women Entrepreneurs (WE Fiji) assisting young school drop-outs to run small business in villages.

The workshop achieved its objectives in presenting recommendations of the Report and raising awareness among development partners, in particular, the private sector, regarding actionable recommendations. In this regard, RBAP may support concrete initiatives that use the BOP approach, such as an electronic network/marketplace for private sector in the Pacific.

Discussions in the workshop resulted in the following conclusions and recommendations:

- There is a need to educate governments on unleashing entrepreneurship and making business work for the poor. There needs to be a framework for a dialogue among the public-private sectors to cover the existing gap.
- The groups proposed to use PIPSO as an instrument for such a dialogue, with a linkage to the Heads of State Forum so that recommendations from the private sector can be taken on board by the government leaders. There was a sense that regionally endorsed actions are more likely to receive acceptance/support from the politicians.
- There are also expectations that PIPSO could provide development support and facilitate trade and investment, use of ICT for greater communication and sharing of information, and donor collaboration on the private sector development.
- Participants felt that PIPSO could also serve as a conduit and facilitator for developing proposals and disbursing funding for BOP projects.
- Some suggestions were made for strengthening national private sector organizations, providing training interventions, in particular on agriculture and aquaculture, and research and development on natural resource opportunities for new and improved niche market products.
- UNDP needs to have a better coordinated and more clearly articulated strategy for private sector development that brings together the perspectives of the different units such as BRSP, BDP, South-South, Regional Centres etc. RBAP private sector strategy was circulated. BDP presented a new toolkit for private sector. Other donors presented their strategies (ADB, IFC, PIFS) giving participants an overall sense of a lack of donor coherence. This strongly emphasizes the need for at least a UNDP corporate strategy on the private sector.

Development of BOP related projects/activities will require further work in consultation among UNDP Pacific Sub-regional Center, PIPSO, and the national private sector organisations. One

concrete idea could be that of an electronic network/marketplace for private sector in the Pacific to address the issues of geographical remoteness, lack of means of communication, and difficulty to reach markets.

## 1.2. Workshop Proceedings

### Introduction

The Millennium Development Goals (MDGs) put socially-relevant issues and concerns into the forefront of global society's consciousness. The first goal espouses the eradication of extreme poverty and hunger, reduction by half the proportion of people living on less than \$1 a day, and reduction by half the proportion of people who suffer from hunger.

To address the goal of halving extreme poverty by 2015, the Commission on the Private Sector and Development was convened by UN Secretary-General Kofi Annan to answer two questions:

- How can the potential of the private sector and entrepreneurship be unleashed in developing countries?
- How can the existing private sector be engaged in meeting that challenge?

The response of the Commission offers recommendations on how the major actors -governments, public development institutions, the private sector and civil society organizations - can be systematically integrated into country development initiatives. This is embodied in the UN Commission Report called "**Unleashing Entrepreneurship: Making Business Work for the Poor,**" which seeks to address poverty alleviation by developing businesses that create domestic employment and wealth – by unleashing the capacity of local entrepreneurs.

A member of the Commission and a Professor of the University of Michigan Business School, C.K. Prahalad emphasized the focus on the market at the Bottom of the Pyramid (BOP) in his recently released book, "**The Fortune at the Bottom of the Pyramid – Eradicating Poverty through Profits.**" With more than 4 billion people living on less than \$2 a day, tapping the BoP introduces a tremendous market opportunity for the private sector. These opportunities can be unlocked if large and small firms, governments, civil society organizations, development agencies and the poor themselves work together with a shared agenda.

The two publications present us with a platform for continued dialogue among key stakeholders on the role that the private sector (large companies, SMEs, micro-enterprises and the informal sector) can play in poverty reduction through profitable engagement in the BoP markets.

The first sub regional launch and workshop on Unleashing Entrepreneurship was held in India from December 16-17 2004 and the second in East Asia was held in the Philippines on April 21-22 2005. The Pacific Island Sub-Regional Launch was held on November 8-9, 2005, with Fiji as the host country. A total of **31** country delegates from Cook Islands, Federal States of Micronesia, Fiji, Kiribati, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, participated in the 2-day event. The successful turnout during the launch was made possible through the partnership of UNDP with the Pacific Island Private Sector Organization (PIPSO) and the support of the Pacific Islands Forum Secretariat (PIFS).

## **Launch of the Report: Unleashing Entrepreneurship - Making Business Work for the Poor**

### **Opening Programme**

For the launching of the Report in the morning of 8 November, the speakers and guests from the private sector of the Pacific Islands were present including:

Mr. Richard Dictus, UN Resident Coordinator/Resident Representative, UNDP Fiji, remarked that economic growth under the stewardship of government and a public/private partnership is necessary to eliminate poverty.

PIPSO Steering Committee Chairperson, Mr. James Movick, explained that PIPSO stands ready to participate fully in the launch of UE and in the journey towards the fruition of the recommendations of the Report.

Mr. Luke Paeniu, Tuvalu National Chamber of Commerce, emphasized that the challenge to Pacific Island Countries is how to put the three pillars of entrepreneurship in place.

Rini Reza, Deputy Chief, SEAPD/UNDP, noted that a Private-Public partnership using the BOP approach can play a key role in reducing poverty through entrepreneurship.

Dr. Jeya Wilson, Director, Division for Business Partnerships/BRSP, UNDP, emphasized that private initiative, driven by market based incentives, can foster new business models that provide goods and services to the poor.

Mr. Miko Rwayitare, member of the Commission on the Private Sector and Development and President of Telecel International remarked that the Pacific countries face challenges similar to African countries in terms of access to market, high costs of infrastructure and cost of doing business, but despite these constraints, there are opportunities for businesses to provide goods and services to the poor.

Isikeli Mataitoga, Chief Executive Officer, Ministry of Foreign Affairs and External Trade, Government of Fiji, delivered the inaugural address.

### **Proceedings of Day One: 8 November 2005**

Afternoon of the first day started with statements by individual Country Delegations on their respective positioning and experience in light of the Commission's Report on "Unleashing Entrepreneurship: Making Business Work for the Poor." Group sessions were held in the afternoon in which discussions and exchanges by various private sector representatives centered on private sector project experiences across the Pacific.

Country Delegation statements and other presentations are contained in Annex 7.

**Jeff Liew, UNDP-PSRC:**

### **Major Objectives of Workshop**

- Share UN Report of Unleashing Entrepreneurship
- Outline the Pacific Perspective on the Report, especially in light of the Pacific not being a homogenous region.
- UNDP's main objective is the halving of the world's poverty, as has been outlined by MDGs.
- Identify "missing markets" in the Pacific
- How can the BOP be up scaled from an entrepreneurial side, instead of just having donor & the public sector taking up BOP concerns
- What areas of support remain in the hands of the public sector/ donor agencies?

### **Country Delegation Statements**

#### **Summary by Chairperson Teresa Manarangi-Trott**

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Key issues discussed include:

- Many impediments to doing business in the Pacific.
- Dependency issues where the majority of the population is between the ages of 16 – 35. For FSM the median age of the population is 18 and there is a high unemployment rate.
- Expanding and developing appropriate business models and working with educational institutes in the region.
- Training focus for Fiji will be on literacy and in particular numeracy.
- Access to credit for rural communities.
- Small island states have particular problems.
  - Small local markets
  - Costly to live
  - Everything is imported
  - Need for training in business
- Public Sector needs to unleash the private sector.
- Development of a Single Regional Strategy that deals with Private Sector in the Region – strategy developed in close consultation with relevant regional organizations.
- Primary responsibility of poverty alleviation rest with Government.
- Incentives needed for rural communities to participate and become genuine partners in development.
- Government officials need to change their thinking from being managers, regulators of everything – public sector needs to be educated.
- Development partners need to deal directly with the private sector agencies.
- Attention must be paid when developing projects to ensure that the outcomes demonstrate how they will alleviate poverty and improve private sector development.
- High cost of doing business in the region.
- Solomon Islands indicated that we should not reinvent the wheel – the Chair noted the challenge for this meeting is to ensure that we move forward from this meeting
  - Solomons posed the question "some grassroots people do not earn \$1 a day so how do we motivate them and if they have sufficient to eat and are happy why change them? Is it necessary to change them?"
  - Programs and projects must be home grown
- How do we decrease the gap between private and public sector.

- Need to raise awareness of the government in order to understand the role of the private sector.
- Tonga noted the need to ensure there is a level playing field to minimize corruption especially at the border.
- Need to push for public sector reforms.
- Essential to encourage compliance.
- Support is required to move businesses from the informal sector to the formal sector. Encouragement to lift their business game to become more competitive.
- Entrepreneurs have to motivate themselves.
- Assistance is required to support public and private sector partnerships – need to talk together to deliver common goals.
- Youth Entrepreneurship workshops are excellent – engage people and educate them of the benefits of being in business. Provide hands on advice from private sector experts.
- Positive remarks from Vanuatu – provides the framework for all private sector businesses. Undertakes training and support mechanisms for all sectors such as fisheries and agriculture. Have developed a working public private sector partnership where business forum Chair noted that countries can perhaps look at the positive experiences of Vanuatu and share the lessons learnt.

### **Panel Discussion for an enabling environment for private sector development**

Chair's summary:

- The previous country statements highlighted three areas of need:
  - Policy
  - Mechanisms to demonstrate improvements and monitoring mechanisms
  - Need for action
- The three panelists covered these three areas:
- Asian Development Bank highlighted the policy areas that the needs work and where the ADB is able to support
- World Bank provided a tool kit that can measure improvements in doing business – identifies where the private sector is currently and areas that need improvement.
- Forum Secretariat is the actions part of the equation – translating policy into activities.

### **Proceedings of Day Two: 9 November 2005**

Chairperson: Va'atu'itu'I Apete Meredith, Commercial Consul & Trade Commissioner at the Samoan Consulate in Auckland, New Zealand.

The second day started with an introduction to the bottom of the pyramid approach presented by Dr. Jeya Wilson of the UNDP/BRSP. Panel discussions on business practices that benefit the poor at the BOP were also held. The second day concluded with discussions by Country Delegations on sharing concrete project experiences in Pacific Island Countries.

### **Dr. Jeya Wilson, Director, Division for Business Partnerships, Bureau for Resources & Strategic Partnerships, UNDP, New York**

Main points:

- Government should allow space for businesses.
- Training should be conducted by enterprises/companies and not by UN or other donor agencies.

- One cannot force entrepreneurship. Has to be an intrinsic action.

Reason why companies should be encouraged to gear towards the BOP segment:

- BOP pays the highest cost for services. Nobody in the Top of the Pyramid pays similar high interest rates.
- We need to give people the choice/ opportunity to become entrepreneurs.

Q&A

Samoa:

- Is there going to be a follow-up launch in the different countries within the next 3-6 months?
- Are there financial possibilities for a follow-up in order to introduce the concept to the respective countries?

**Arun Kashyap: Introduction of Private Sector Tool Kit is contained in Annex 7.11.**

### **Panel Discussion on business practices that benefit the poor at the BOP**

#### **ANZ Carolyn Badlock: The Banking the Unbanked Business Model**

- Commercializing of microfinance urges large-scale banks to provide mainstream & new financial products to people at the BOP
- Mobilization of regular savings to build capital
- The unbankable are a bankable, viable and vital market
- There is a need for effective distribution channels, partnerships, co-location models and technology advances (i.e. mobile phones) to make banking outreach cost effective and sustainable
- Credit for micro-entrepreneurs increases economic activity and ultimately leads to jobs.

#### **Bank of Samoa, Bruce Philips: Financial Products for the Disadvantaged**

- “5 to life”-Program:
  - Starts at school age (cannot withdraw until the age of 15)
  - Tiered and higher interest rates (not more than 10 Talars per week)
  - Rewards for accounts related to education (i.e. sponsoring of uniforms, graduation, books etc.)
- Increased commitment to Small Business Enterprise lending.
- Increase of small loan savings scheme which grants customers 100-200\$ loans. The pay-back rate is very high as they are very grateful for financial opportunity.

Q&A

#### **Question Ron Duncan, USP**

- Is the ANZ scheme not primarily savings mobilization instead of lending money to the poor?
- What proportion of the long-term lending is ANZ making to the agricultural sector in the Pacific?

#### **Response ANZ:**

- ANZ scheme is not subsidized (funded by back pocket). However does receive tax relief from government.

- However it is not charity.
- The micro-loans at 18 % rather than the higher rates from money lenders
- Encourages investment outside of ANZ (interest rate at 0,5 %)
- Agricultural sector is potentially the best market in the Pacific. At the moment ANZ is only lending to 1 palm oil company.

**Question Dr. Chida, Forum Secretariat:**

- How much money is recycled back into the community? Or is this a flight of capital from the rural to the urban centers?
- Are there special schemes for micro-loans in rural areas?

**Response ANZ:**

- The scheme is specially designed for rural areas. It enables them a loan of up to 2000\$, which can be used for any purposes. Not necessarily for entrepreneurial activity.
- Sums do not add up for flight of capital. Capital is not a problem of ANZ. They have excess funding.

**Question Tonga:**

- Is such a micro-credit scheme sustainable in the Pacific as the domestic consumption exceeds the GDP income?
- How do you monitor the scheme in order to encourage investment instead pure spending/consumption?

**Response ANZ:**

- The recent events in Tonga make the situation special there.
- The scheme isn't monitored. Rather it is driven by a free market. It is about free choice of the customers.
- They still need to learn more about mobilization of savings. They have no desire to lend a lot of money. Rather they want to improve the economy in the long run, to increase the number of enterprises and thus increase customers.
- There must at least be 6 months of regular savings in the account before money lending will proceed. This way they tap own capital.
- ANZ has a close relationship with government and reserve banks

**Question Microfinance Organization, Fiji:**

- How do you encourage enterprises to the poor? How do you utilize the money to improve their lives?
- ANZ should let the money be administered by a NGO or microfinance organization in order to guide/advice on investment as such institutions would retain the money within the community. What is ANZ contribution to the community?

**Response ANZ:**

- 47 out of 100 spend their credits on entrepreneurial activity. ANZ believes in free decision/empowerment of the actors so that they have decision-making possibilities.
- ANZ lets health workers and police officers join the mobile banking programme

### 1.3. Outcomes

#### **Draft Outcomes from Pacific Unleashing Entrepreneurship Workshop 8-9 November 2005, Suva, Fiji**

##### **General Statement**

- The group does not believe that this forum should be talking about specific private sector interventions which are country or product specific.
- Country statements indicated that there is a need to raise awareness of government officials and politicians about the strategies of making business work for the poor.
- Therefore the framework for positive dialogue between governments and the private sector needs to be strengthened.

##### **Proposed Actions - Regional**

- Outcome of this forum must be for UNDP to go out to individual countries and raise awareness of the governments and politicians on Unleashing Entrepreneurship in collaboration with national private sector organisations at the highest possible level. e.g.
  - Linked to the Head of State Forum meetings
  - Regional Forum – SG, PIFS to facilitate
- Strengthened PIPSO to support this training activity and how this can be translated at the national level.
- Regionally endorsed actions may receive acceptance and a better understanding by the politicians
- Regional Forum must come away with actions to go forward.
- PIPSO interventions and development support
  - Trade and Investment interventions at regional and national levels
  - Development of ICT capacity regionally and nationally to facilitate sharing of information
  - Donor collaboration and coordination to speak the same language regarding private sector development

##### **Proposed Actions – National**

- Strengthened National Private Sector Organisation
  - Business Forum and National Stakeholder Consultation
  - Ministers and Cabinet Retreat
  - Policy framework and the business environment.
- Training interventions e.g. Agriculture and aquaculture sector – using resources better
  - Private sector experts – retirees

- On the job training
  - Mentoring
  - Monitoring
- Streamlining bureaucracy
  - Using PIPSO as facilitator for dialogue between public and private sectors
- Research and Development Interventions
  - Identifying natural resource opportunities

### **General Recommendations**

- All UNDP Divisions should have a coordinated and clearly articulated strategy for private sector development
- Regional specific interventions
  - Strengthen PIPSO
  - Mechanism for private sector derived priorities to be tabled to Heads of Government Forum
- National specific interventions
  - Supporting and strengthening National Private Sector organisations to support improved private sector environments and government private sector partnerships
- Support to development of niche products to add value to abundant natural resources. Products like noni juice, processed fruits have strong BOP benefits.
- Trade facilitation is a priority for unleashing private sector investment
- BOP
  - Using PIPSO as a conduit and facilitator for developing proposals and disbursing of funding for BOP projects
  - Greater recognition and appreciation of the role of the private sector in alleviating poverty at BOP

## 2. Agenda

### Tuesday 8 November

0800 - 0845 Registration of participants

#### **LAUNCH PROGRAMME**

0900 Call to Order by Master of Ceremonies

Ms Bernadette Ganilau, President, Women Entrepreneurs Fiji

0905 -0910 Opening Prayer

0910 - 0920 Welcoming remarks by Mr. Richard Dictus, UN Resident Coordinator/ Resident Representative, UNDP Multi-Country Office, Fiji

0920 - 0930 Statement by Mr James Movick, Chairperson, Steering Committee, Pacific Islands Private Sector Organization

0930 - 0940 Statement Country Delegate on behalf of Pacific Islands Delegations by Mr Luke Paeniu, Coordinator, Tuvalu National Chamber of Commerce

0940 - 0950 Statement by Ms Rini Reza, Deputy Chief, South East Asia and Pacific Division, Regional Bureau for Asia and the Pacific, UNDP, New York

0950 - 1000 Statement Dr. Jeya Wilson, Director, Division for Business Partnerships, Bureau for Resources and Strategic Partnerships, UNDP, New York

1000 - 1045 Coffee/tea

1045 - 1105 **Launch of the “Unleashing Entrepreneurship – Making Business Work for the Poor” Report** by Mr Miko Rwayitare, President, Telecel International, Member of the Commission on the Private Sector and Development to the Secretary-General of the United Nations

1125– 1145 Inaugural Address by Mr Isikeli Maitaitoga, Chief Executive Officer, Ministry of Foreign Affairs and External Trade, Government of Fiji

1200 - 1330 Lunch

## **WORKSHOP PROGRAMME**

- 1330 - 1345 **Call to Order**  
by Chairperson, Ms Teresa Manarangi-Trott, President, Cook Islands Chamber of Commerce  
Presentation of workshop objectives by PSRC/RBAP
- 1345 - 1530 **Statements by individual Country Delegations**  
on their respective positioning and experience in light of the Commission's Report on "Unleashing Entrepreneurship"
- 1530 - 1600 Coffee/tea
- 1600 – 1730 **Panel Discussion on an enabling environment for private sector development**  
Panelists:
- Asian Development Bank – *Regional Overview of Private Sector Development*  
by Mr Winfried Wicklein, Private Sector Development Specialist  
Pacific Liaison and Coordination Office, Sydney
- FIAS, International Finance Corporation – *The Ease of Doing Business in the Pacific*  
by Mr Sean Duggan, Regional Program Coordinator – *Pacific, The World Bank Group*
- Pacific Islands Forum Secretariat – *The Role of the Private Sector in the Pacific Plan*  
by Dr Asif Chida, Private Sector Adviser, and Mr Henry Sanday, Investment Policy Officer, Trade and Investment Division
- 1730  
Close of the day's session
- 1730 - 1930  
Welcome Cocktail at Raffles Tradewinds Convention Centre

### **Wednesday 9 November**

- 0830 - 0840 **Open the day's session and revisit the programme**  
by Chairperson, Va'atu'itu'i Apete Meredith, Consul Commercial & Trade Commissioner, Consulate General of Samoa, Auckland, New Zealand
- 0840 – 0900 **Revamping the Bottom of the Pyramid (BOP) approach**  
by Dr Jeya Wilson, Director, Division for Business Partnerships, Bureau for

Resources and Strategic Partnerships, UNDP and Mr Jeff Liew, Sustainable Livelihoods Specialist, Pacific Sub-Regional Centre, UNDP

*Some of the key principles of the BOP approach are:*

- *Promoting public-private partnerships that help to convert “missing markets” into functioning markets by helping to offset the high risks that prevent private sector from serving the poor .Following the emergence of public-private partnerships and of functioning markets;*
- *Encouraging private sector engagement in the delivery of products and services (to be of a good quality and affordable) to the poor at the BOP; and*
- *Targeting win-win scenarios that benefit the poor, while the private companies catering to their needs yield profits, which subsequently lead to new and improved products and services with expanded outreach.*

0900 - 0930 **Presentation on the Private Sector Tool Kit**

By Dr Arun Kashyap, Public Private Partnerships Adviser  
Bureau for Development Policy, UNDP, New York

0930 - 1000 Coffee/tea

1000 – 1100 **Panel Discussion on business practices that benefit the poor at the Bottom of the Pyramid – Creating inclusive financial sectors in the Pacific**

Panelists:

ANZ Pacific Rural Banking – *The Banking the Unbanked Business Model*

by Ms Carolyn Blacklock, Regional Executive, ANZ Banking the Unbanked, Nadi

National Bank of Samoa – *Financial Products for the Disadvantaged*

by Mr Bruce Philips, Chief Executive Officer, National Bank of Samoa, Apia

1100 - 1200 **Discussion among Country Delegations and sharing of experiences on concrete private sector related project initiatives in respective countries**

1200 - 1300 Lunch

1300 - 1500 **Group Discussions on next steps and potential initiatives to follow up on recommendations of the “Unleashing Entrepreneurship” Report**

All participants break into theme groups to develop possible BOP ideas

1500 - 1515 Coffee/tea

1515 - 1615 **Plenary Session**

Feedback from theme groups focusing on next steps and proposed initiatives to follow up on the “Unleashing Entrepreneurship” Report

Wrap-up by PSRC/RBAP/BRSP

1615 - 1630 **Closing Remarks**

by Pacific Islands Private Sector Organisation or Country Delegate

1630 - 1645 **Closing Remarks by UNDP**

by Dr. Jeya Wilson, Director, Division for Business Partnerships, Bureau for Resources and Strategic Partnerships, UNDP

### 3. Concept Note

#### Sub-Regional Launch

#### UN Report on “Unleashing Entrepreneurship – Making Business Work for the Poor” Pacific Islands

##### I. Background:

The UNDP mission embodies the concept of partnerships for generating creative locally-tailored solutions to most pressing development problems. The MDGs can be achieved only in partnerships among key stakeholders. The Monterrey Consensus has reiterated the role of the private sector as a vital engine of economic growth, job creation and poverty reduction. Enabling the private sector to help poor people prosper should become systematically integrated into development assistance efforts. In its recent Report on “Unleashing Entrepreneurship – Making Business Work for the Poor”, the UN Commission on the Private Sector and Development believes that any approach to private sector development should be grounded in the realization that savings, investment and innovation that lead to development are undertaken largely by private individuals, corporations and communities.

In his recently released book “The Fortune at the Bottom of the Pyramid – Eradicating Poverty through Profits”, a member of the Commission, Professor of the University of Michigan Business School, C.K. Prahalad makes the case for innovative approaches to “convert the poverty into an opportunity for all concerned”, including the poor and the private companies. C.K. Prahalad argues that what is needed, is an approach that involves partnering with the poor to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable. Markets that can be created at the Bottom of the Pyramid (BOP) with more than 4 billion people living on less than \$2 per day present tremendous opportunities for the private sector. These opportunities can be unlocked if large and small firms, governments, civil society organizations, development agencies, and the poor themselves work together with a shared agenda. This can be achieved through strong public-private and community partnerships, with each sector making relevant contributions.

The two publications, thus, present us with a platform for continued dialogue among key stakeholders on the role that the private sector (large companies, SMEs, micro-enterprises, and the informal sector) can play in poverty reduction through profitable engagement in the BOP markets.

The UNDP Administrator, Mark Malloch Brown has issued a strategy for dissemination of the UN Commission’s Report at the global, regional and country levels, and in building up a set of initiatives and follow-up actions that would enable the recommendations of the Commission to be implemented in individual countries. The first sub-regional launch in Asia and the Pacific, coupled with a workshop on SME development, took place from 16-17 December 2004 in New Delhi with the participation of seven South Asian countries, including Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. The event was organized in partnership between UNDP, UNIDO, and the Confederation of Indian Industry (CII), and has resulted in a concrete set of project initiatives developed by the participating countries to advance implementation of the UN Commission’s Report recommendations. More launches are in the making at both sub-regional and national levels, with the next sub-regional event to target East Asian countries.

**II. Dates:**

8-9 November 2005

**III. Venue:**

Suva, Fiji

**IV. Participating countries:**

Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, Vanuatu

**V. Main themes:**

1. “Unleashing Entrepreneurship – Making Business Work for the Poor”: launch of the Report of the UN Commission on the Private Sector and Development
2. Policy framework for private sector development: the overall provision of an enabling institutional and legal environment for PSD
3. Experience in SME, micro enterprise, and inclusive financial services in the Pacific
4. Markets at the Bottom of the Pyramid (BOP) and the role played by private sector companies in providing services to the poor at the BOP

**VI. Objectives:**

- Present recommendations of the “Unleashing Entrepreneurship” Report, and raise awareness among development partners, in particular the private sector, of actionable recommendations of the Report
- Discuss and share experiences related to the impact of enabling policy environment and public-private partnerships on strengthening the foundations for the private sector and the three pillars of entrepreneurship: level playing field, access to financing, and access to skills and knowledge
- Learn about successful private sector initiatives at the BOP that have resulted in the concrete improvements in the lives of the poor, and that provide an opportunity for replication across the region
- Discuss the next steps with regard to possible actionable initiatives resulting from the UN Commission’s Report recommendations, with a focus on enhancing interventions at the BOP that maximize the potential of the private sector contributing to poverty reduction and achievement of the MDGs

## **VII. Organizers and Participants:**

UNDP Pacific Sub-Regional Centre in Suva in partnership with the relevant national counterparts (Regional Private Sector Organization and other private sector representative bodies) will play the key coordinating role in organizing the event with substantive support from the Regional Bureau for Asia and the Pacific (RBAP) private sector focal point, and the Bureau for Resources and Strategic Partnerships (BRSP)/Division for Business Partnerships in cooperation with relevant HQ Bureaux (Bureau for Development Policy (BDP)/Public-Private Partnerships and Special Unit for South-South Cooperation).

The following constituencies will participate in the launch and workshop:

- National Chambers of Commerce
- Private companies with the experience/interest in the BOP (see examples from “The Fortune at the Bottom of the Pyramid” and Guidelines for developing innovative initiatives to promote for-the-profit private sector engagement in the delivery of products and services at the BOP)
- Domestic private sector and successful entrepreneurs from the Pacific countries
- SME representative bodies
- NGOs/CSOs
- Management and business academia
- Donor agencies active in the area of private sector development
- UNDP and relevant UN agencies (UNIDO, ILO etc.)
- TECHNUNET Asia (TBD)

#### 4. Guidelines

##### **Guidelines for Developing Innovative Initiatives to Promote For-the-Profit Private Sector Engagement in the Delivery of Products and Services at the Bottom of the Pyramid**

###### **Rationale**

Recently, Secretary-General Kofi Annan convened a Commission on the Private Sector and Development to seek the answers to two questions. *How can the potential of the private sector and entrepreneurship be unleashed in developing countries? And how can the existing private sector be engaged in meeting that challenge?* The Commission addressed these and other related questions in their report “*Unleashing Entrepreneurship*”. These guidelines are primarily a product of the Report. However, at some instances other sources have been used to draw examples and reinforce certain issues.

The MDGs set forth by the world’s leaders can only be achieved in partnerships among the national governments, donors, civil society and the private sector. In their Report on “*Unleashing Entrepreneurship*”, the UN Commission on Private Sector and Development concluded that using the managerial, organizational and technological innovation that resides in the private sector is largely about unleashing the power of local entrepreneurs to reduce poverty in their communities. The private sector contributes to poverty reduction through income and employment generation, and empowerment of the poor consumers by enlarging their choices of affordable products and services.

Acknowledging these contributions, *UNDP MYFF service line 1.5* calls for private sector development. This is achieved through series of measures to create an enabling policy environment for mobilizing domestic savings and investment, as well as for attracting foreign investments; to promote a legal and regulatory framework that will encourage a socially and environmentally responsible private sector; and to support SMEs with special emphasis on women and youth. UNDP also sees its role in facilitating dialogues between business and key development stakeholders, in particular governments and CSOs, to generate innovative solutions to development challenges.

In his recently released book, C.K. Prahalad, member of the UN Commission, for example, makes the case for innovative approaches to “convert the poverty into an opportunity for all concerned”, including the poor and the private companies. What is needed is an approach that involves partnering with the poor to innovate and achieve sustainable win-win scenarios where the poor are actively engaged and, at the same time, the companies providing products and services to them are profitable. The market at the Bottom of the Pyramid (BOP) with more than 4 billion people living on less than \$2 per day can potentially present opportunities for the private sector. These opportunities can be unlocked if large and small firms, governments, civil society organizations, development agencies, and the poor themselves work together with a shared agenda.

As far as the UNDP’s role is concerned, action to unleash the private sector must focus at the BOP where the poorest and the most disadvantaged groups are concentrated. Importantly, we should not be seeing the poor just as the “target beneficiaries” of development assistance, but as creative entrepreneurs who take initiative and innovate, often for the sake of basic survival.

Finally, the private sector should view this not only as a potential profit making enterprise, but also an window through which they can help in initially raising the purchasing power of the poor through enabling partnerships with various development driven actors. The idea is to build and sustain the poor through initial subsidies, if required, so that they provide a platform where markets can be built and further expanded through successful entrepreneurship.

### **The Private Sector at the BOP**

The private sector is already meeting the needs of the poor in places governments do not reach. In parts of Haiti, for example, the government has little impact on the poor. In the slums, there are no health services, no public education and no infrastructure. This story repeats itself across the developing world—in many cases, where services exist, they are provided by private sources. Anywhere from 15% (in Senegal) to 90% (in Zimbabwe) of primary education is provided in private schools. Some 63% of health care expenditures in the poorest countries are private, almost twice the 33% in high-income countries that belong to the Organisation for Economic Co-operation and Development.

With the right attention and regulatory requirements, privately provided services can help meet the needs of the poor. Recent data on the distribution of new water connections by income quintile from three countries in Latin America show that 25–30% of the network expansion was targeted at the lowest fifth of the income profile.

Put simply, an innovative private sector can find ways to deliver low cost (even sophisticated) goods and services to demanding consumers across all income ranges. It can sell to the urban distressed area as well as the poor rural village or town. Innovation might arise from the focus on the lower quintile market which creates cost advantages from economies of scale, or the firm may have developed distribution links to the end consumer in the village and so able to better harness knowledge of the actual needs of this segment of the market. Firms might keep costs low through outsourcing, for greater flexibility.

The private sector can thus alleviate poverty by:

- Contributing to economic growth.
- Empowering the poor by providing them with services and consumer products increasing choices and reducing the prices.

The first creates employment and income growth. The second improves the quality of life for the poor. The greater interaction between those at the bottom of the pyramid and the private sector creates opportunities for direct involvement in the market economy.

### **Private Sector Partnerships at the BOP**

Partnerships of the private sector at the BOP are formed by different players, each with its distinctive role and motivation, of different sizes and areas of influence, who nevertheless act together for wealth creation in a symbiotic relationship. These actors include:

- Extralegal NGO enterprises
- Micro enterprises
- SMEs

- Cooperatives
- Large domestic companies
- MNCs
- NGOs

An important lesson for the governments and aid agencies is that the system of relationship among these actors works in equilibrium; paying special attention to just one player may not be effective as the entire system needs to be mobilized for poverty reduction.

Ultimately, the goal in development is to bring as many people as possible to enjoy benefits of an inclusive market. For this, transaction governance capacity (TGC) is an important prerequisite. TGC is the capacity of a society to guarantee transparency in the process of economic transactions and the ability to enforce commercial contracts. The lack of clear and predictable laws, just like the lack of their enforcement, creates the ground for corruption. Corruption becomes the cost of doing business; its effects are especially negative on doing business at the BOP.

### **The Role of Women Entrepreneurs**

The experience shows that the role of women is central to the success of innovations at the BOP. For example, Grameen Bank's success is based on lending only to women. The Grameen "phone ladies" are entrepreneurs. The Self-Help Groups at ICICI Bank are also led by women, as are the Shakti Ammas at Hindustan Lever Limited. These women are responsible for saving and accessing credit. Cemex in Mexico also works primarily with women. Access to economic independence can change the long tradition of suppression of women and denial of opportunities. Empowered, organized, and networked women are changing the social fabric of society. Although the evidence is overwhelming, very little explicit attention has been paid to actively engaging women in the efforts to build markets and lead the development process.

### **The Role of UNDP in Helping to Transform BOP into Inclusive Markets**

Although the BOP is associated with tremendous opportunities and assets, these remain largely untapped due to weakness of the inclusive market and of the transaction governance capacity referred to above. In order to unlock opportunities that exist for the poor to lift themselves from poverty, development interventions should be increasingly taking the form of supporting the policy and legal environment to encourage local businesses. UNDP and other development partners are eager to explore new ways of working to support small domestic entrepreneurs and to build new business models that offer goods and services to the poor. Focus should be not just on MNCs, but also on SMEs that can potentially contribute to political and social stability based on market-based economic development.

At the Sea Island Summit 2004, the G8 countries have agreed to a set of actions to promote private sector development, such as facilitating remittances, improving the business climate for entrepreneurs and investors, supporting the development of local financial markets, and expanding access to microfinance. The challenge is to have policy prescriptions translated into concrete action in partnership with developing countries. While the macroeconomic management practices have improved in recent years, the regulatory reform, competition policy, and financial reform that facilitate SME access to financing still stand in the way to entrepreneurship in many countries.

At the launch of the “Unleashing Entrepreneurship” Report in Washington in September 2004, the UNDP Administrator Mark Malloch Brown, together with Assaad Jabre, Vice President of the International Finance Corporation; John Sullivan, President, Center for International Private Enterprise; Larry Greenwood, US Deputy Assistant Secretary of State; and Lael Brainard from Brookings Institution have outlined three main challenges. *The role of UNDP and development partners* in unleashing entrepreneurship and promoting the private sector, in particular SME, development should focus on:

- Enabling environment
- Outreach and communication, sharing best practices – seminars
- Providing skills and finance

With broad recommendations for action developed by the UN Commission on Private Sector and Development (namely: to collaborate and mobilize capabilities of the private sector; to drive innovation and use of IT; to engage in public-private partnerships for sustainable development; and to form ecosystems and build networks of companies) these should be translated into *concrete actionable initiatives* at the country and regional levels. Some potential ideas to consider include but are not limited to: women entrepreneurship development; pro-small entrepreneur reforms; kiosks/one stop shops for registration; single business permits; alternative dispute resolution; automated assignment of cases; specialized debt collection courts; collateralizing real estate assets; business plan competition; in-country mentoring; ISO certification support; hands-on educational programmes; and microinsurance schemes etc.

Efforts to design innovative project initiatives should, however, go further and beyond what has worked successfully to-date in terms of SME development and promotion of micro-enterprises. There is an immense opportunity to maximize the use of the private sector market-based forces to fight poverty at the BOP. But to be able to do so, the BOP has to be transformed into an inclusive market. Prof. C.K. Prahalad believes that “conversion of the BOP into an active market is essentially a development activity”. In light of the above, a potential role of UNDP could be in *providing market intelligence to identify profitable initiatives* that help to satisfy the needs of the poor while playing by the rules of the market.

The first objective of such an initiative focusing on BOP markets is to compile and highlight best practice and good experiences of BOP investments and provide targeted research aimed at developing BOP business models that can be adopted by companies in developing countries. It is expected to develop workable financing models that complement innovative service delivery models – early findings indicate that the lack of workable financial models is a key barrier to successful engagement in this area. This could possibly take a sectoral approach and that leading companies could second experienced technical staff (e.g. finance, strategists, engineers) to help develop these models and ensure they are realistic and market-tested.

The second objective would be to provide a direct matchmaking role where BOP opportunities would be identified and where operational alliances among a range of groups, including companies, local and national governments, NGOs, financial institutions, and development agencies would be built in order to facilitate the development of such markets. Such alliances are needed to bring together the skills, capacity, and networks required to create and develop BOP markets.

The Regional Bureau for Asia and the Pacific (RBAP) would like to further explore the experience and ideas of the Country and Regional Offices in the region for developing concrete initiatives that would support the engagement of private sector of all scales in delivering products and services to the poor.

## **Examples of Innovative Business Practices at the BOP**

Examples of successful innovations at the BOP concern a wide range of industries (energy, manufacturing, telecommunications, and, ICT) and represent a variety of countries (Brazil, India, South Africa, and Bangladesh). Cases demonstrate that the opportunities for innovation at the BOP are not limited to a particular locale, industry, or business entity.

Unlocking the potential of the BOP markets requires vision, leadership and a new approach. Each case achieves a “win-win” outcome for the BOP consumer and for the firm itself. Below four examples are discussed, in which the private sector earned profit while catering to the demands of the poor.

### **1. Company: GrameenPhone Location: Bangladesh**

#### **Background**

GrameenPhone is a joint-venture company set up by the Grameen Bank. Its “Village Phone Programme” caters to the poor by providing them with access to telecommunication services. A Norwegian company, Telenor provided the capital for this venture.

#### **BOP Strategy**

GrameenPhone is a unique joint venture; it emerged from the coming together of four companies. Grameen telecom (a non-profit organization which is a subsidiary arm of Grameen Bank) contributed through its solid grasp of the economic landscape of the rural populous. Telenor brought the necessary technological expertise to this venture. Murubeni, one of Japan’s leading trading companies, invested in the infrastructural building aspect of the project. Finally, Gonofone Development Corporation, a New York-based investment firm, has a holding of 4.5% in the company.

In 1999, GrameenPhone signed a financing package agreement with ADB, IFC and CDC. The agreement led to a provision of loans. The overall success of GrameenPhone is evident, as the financing requirements of the company for investment in 2002 and 2003 were met by internally generated fee cash flows. Based on the positive results, the IFC approved additional loans to fund the expansion plans of the company.

This is a profit generating enterprise. Although, Village Phone operators account for only 3.5% of the company’s total subscriber base (of over 1.3 million), they account for 15% of its total gross revenue. This strongly suggests that the Village Phone Programme produces fair returns on GrameenPhone’s investment.

In the field, the strategy employed by GrameenPhone was simple. A woman subscriber borrowed a loan of around \$ 350 from Grameen Bank and repaid the loan by selling phone services to her fellow villagers. The villagers, in turn, benefited from the economic and social benefits of telecommunication services.

## **Impact**

Since 1997 this initiative has provided some 45,000 telephones to 39,000 villages in Bangladesh. It has brought telephone access to some 70 million people. The poor have benefited from greater access to the outside world, something that was only limited to the privileged until recently.

There are number of myths surrounding the impact of such an initiative. First, it is a common concern that phones cost too much and therefore should be subsidized if they are to serve the poor. In response to this concern, it is important to note that telecommunications costs have been declining rapidly, as part of a larger trend in IT. Furthermore, the poor often pay high prices and travel long distances to make a phone call. In effect, costing more time and money.

Secondly, it is assumed that phones are luxury items, which are of secondary importance. Instead the focus should be the primary needs of the poor. In adopting such a viewpoint what is overlooked is that poor people are empowered through phones, they become valued customers and are treated with greater respect. This helps them to assert their own requirements and better meet their primary needs through greater self-reliance and improved self-esteem. In this manner, phones facilitate the process of meeting other primary and secondary needs.

## **2. Company: DaimlerChrysler - POEMAtec Location: Brazil**

### **Background**

DaimlerChrysler and POEMAtec formed an alliance, whereby the latter assumed the role of supplier of interior car parts. POEMAtec, a Brazilian company, employed local labor to build supply parts using natural fibers. DaimlerChrysler funded the research and provided the technological support. This led to poverty reduction through the employment of the rural poor.

### **BOP Strategy**

After about 18 months of research, POEMA with support from DaimlerChrysler launched a pilot project to produce headrests in the community of Praja Grande. A pilot project began in 1993 with a small, basic production facility, eight salaried employees, a workforce of 20 families and monthly production capacity of 6500 head rests made from coconut fibers and latex. While production began with rudimentary techniques and production levels around 400 per month, by 2003 production was up to 4,000 units per month with more mechanized local processing.

DaimlerChrysler donated equipment for the processing of fibers, supplied people, tools and guaranteed the sales of the product. Amazonian Bank BASA then financed additional investments in the project. Meanwhile, POEMA developed and improved new systems of cultivation in various Amazon communities and trained community members in technology, administration and marketing. Additionally, POEMA trained these local agro-industrialists in innovative agro-forestry practices that resulted in increased coconut production from 9 to 40 coconuts per tree.

As mentioned in the case study, the success of DaimlerChrysler's venture into natural fiber products is due to its willingness and ability to effectively partner with a wide range of stakeholders, including for-profit, non-profit and government organizations. No one organization could have achieved these results alone.

## **Impact**

Before POEMA, coconut fibers, were considered waste. Now, they are a source of income. In the community of Praja Grande, for example, the average family's income has increased from about \$36 per month to about \$300 a month since participation in the program began.

As of 2001, eight districts in Pará supplied coconut fiber to POEMAtec. Approximately 4,000 new jobs had been created in the coconut fiber production including agricultural producers, processing plant workers (there are four local processing plant in operation), and POEMAtec plant workers.

According to DaimlerChrysler's estimates in 2001, the POEMAtec project had improved the quality of life of almost 5200 families. The extraction and processing of the coconut fiber, involves the participation of more than 5000 families organized in producers associations and 7 agro-industries that commercialize their products to POEMAtec Industry. In addition, POEMAtec has expanded its production to include gardening and furniture products, thus creating even greater potential for income generation within the community. By working with local communities to improve cultivation systems and provide a market for their products, traditional families have been given new economic opportunities.

### **3. Company: EID Parry Location: India**

#### **Background**

EID Parry saw information and communication technology (ICT) as a powerful tool for bridging the infrastructure gaps in rural India. EID Parry regarded the Internet as the next logical medium for delivering its farm extension services.

#### **BOP Strategy**

Agricultural know-how and expertise exist within India, but the lack of infrastructure has impeded their dissemination. The farming community is not only fragmented, but also scattered throughout the country. Providing farm extension services is central to EID Parry's business model. The extension services provided in the Cuddalore district focus on paddy, banana, groundnut, tapioca, and cashew. For the cane farmers in the region, EID Parry provides a range of farm advisory services.

EID Parry forged and facilitated partnerships among a wide range of organizations, including Tamil Nadu Agriculture University (TNAU) and its research stations, Tamil Nadu University for Veterinary and Animal Sciences (TANUVAS), National Horticulture Board, AMM Foundation, and Murugappa Chettiar Research Center, to create the agriportal Indiagriline. The agriportal was developed by using in-house expertise (EID Parry's Sugar and Farm Inputs Division and Corporate Research & Development Lab).

So far, EID Parry has set up Internet kiosks in 26 villages around its Nellikuppam factory in the Cuddalore district in Tamil Nadu on a pilot scale. It fashioned a franchise-based business model to meet the demand for information and connectivity. These kiosks are owned and operated by franchisees trained to operate the system.

By adopting a franchise-based business model, EID Parry has been able to keep its fixed costs low. Although EID Parry covers the cost of establishing the infrastructure for voice and data connectivity, each franchisee invests approximately Rs. 50,000 to cover the cost of the computer and all related equipment. The operating costs of running the kiosks, such as electricity and connectivity charges, are covered by the franchisees. For EID Parry, franchising is a cost-effective way to build a chain of many kiosks all operating under their banner. This cooperative relationship builds a win-win situation for both parties involved. It provides the incentives each party needs to contribute to the other's potential success.

Franchisees usually charge customers an access fee for surfing the Web. Information accessed at these kiosks also relates to current affairs, education, health, entertainment, and weather. Furthermore, the telecommunications infrastructure deployed in these villages use a wireless local loop (WLL) technology called corDECT, which provides sufficient bandwidth to allow for simultaneous voice and Internet connectivity. In addition to a data line for Internet access, the kiosks get a telephone line as well.

### **Impact**

Organizing the unorganized farmers through the use of Internet kiosks provides a two-way means of selling and buying that both opens markets and empowers the poor. Such a local franchise-based kiosk, with EID Parry sharing the risk and cost, acts as an Internet café, providing access to information and education as well.

## **4. Company: Eskom Location: South Africa**

### **Background**

Eskom generates approximately 95% of the electricity used in South Africa, and transmits and distributes electricity. Eskom made electricity supply affordable as well as removed the issue of deposit management. The Eskom pre-payment system uses a single rate energy-based tariff, allowing customers to easily relate usage and money as well as supporting the marketing of Eskom's product, electricity.

### **BOP Strategy**

Prior to 1988 Eskom supplied electricity mainly to large customers like mines and municipalities. Although at that stage Eskom was already one of the largest electricity generators in the world, they only had about 120,000 customers and all of them were on billed accounts. Starting in 1989 Eskom developed their "Electrification for all" drive with the intention of bringing electricity to the large masses of domestic customers.

Eskom developed a basic pre-payment system by installing pre-payment meters (also called Electricity Dispensers or EDs). The first contracts for Electricity Dispensers were issued in 1989 and every effort was made to keep the price of the meters as low as possible due to the large volumes required. Contracts were originally only for a total of 10,000 meters but the number was steadily increased to a total of 300,000 meters installed per year from 1994. That amounts to more than a thousand new meters installed every day (excluding Sundays). Eskom now has 2.6 million pre-paid customers.

Vending Machines (known as Credit Dispensing Units or CDUs) were created as a means to purchase electricity credit. To collect the transaction data from the CDUs Data Concentrators (also called System Master Stations or SMSs) were also installed. The specifications of these products are being constantly improved and are today adopted as the standard by which other electricity utilities in South Africa operate. South Africa is now seen as a world leader in pre-payment technology and many other countries have adopted its standards as well.

### **Impact**

Since 2000, the number of meters installed annually has decreased steadily as the majority of domestic customers are electrified. This includes many of the rural poor, which has naturally led to an increase in overall welfare of the poor.