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## **Making business for the poor**

Innovative approaches can convert poverty into opportunity, says Ferdaus Ara Begum  
2/12/2005

RECENTLY a sub-regional launch of the UN Report on "Unleashing Entrepreneurship Making Business Work for the Poor" was organised in New Delhi by the UNDP. UNDP in collaboration with UNIDO and Confederation of Indian Industry (CII), India. The first sub-regional launch of an UN report in Asia and the Pacific was organised to reflect on the many successful examples of private sector initiatives in providing high quality, affordable goods and services to the poor. UNDP advocates for the partnerships to generate creative locally-tailored solutions to most pressing development problems. Millennium Development Goals (MDGs) can be achieved only in partnership among key stakeholders. UN Commission on the private sector and developments believes that any approach to private sector development should be grounded in the realisation that savings, investment and innovation that lead to development are undertaken largely by private sector individuals, corporations and communities.

The private sector is central to the lives of the poor and all poor are consumers. The report says that across the globe poor consumers pay more than the rich. In Mumbai, slum-dwellers in Dharavi pay 1.2 times more for rice, 10 times more for medicine and 3.5 times more for water than do middle class people living at the other end of the city. An innovative private sector can find ways to deliver, low-cost goods and services to demanding consumer across all income ranges.

The report said that 4 billion bottom of the pyramid (BOP) people with a per capita income of less than \$1500 a year provides multinationals and large local companies with an alternative market for their goods and services. A good example of a business ecosystem at work is Hindustan Lever Ltd., a major producer of personal care and food products in India. Its ecosystem includes 80 manufacturing factories, 150 small and medium enterprise suppliers employing up to 40,000 people, 7,250 people exclusive stockists, 12,000 wholesalers and small retailers, 0.3 million shop owners and 1.5 million industrial entrepreneurs in remote villages who sell its products, a number to grow to 1 million on current expectation.

The report tried to get the reply of two questions: these are about how the potential of the private sector and entrepreneurship can be unleashed in the developing countries and how can the existing private sector be engaged in meeting that challenge. The report was first launched in NY, USA. It was felt that launching the report in South Asia could help entrepreneurs to gear up their efforts and help development of private sector and the reach goal of MDG.

Eduardo Aninat, former Minister, Ministry of Finance, Chile and member UN Commission on the Private Sector & Development (PSD) said it will help to build capacity of the private sector. It has got a number of examples of private sector activities. Following the examples of the report, entrepreneurs can come forward with new and innovative ideas by mobilising local resources. He said the report has given a number of successful examples on how market for the poor can be expanded who are at the bottom of the pyramid in respect of housing, cultural issues, consumption etc. For creating an enabling environment the report recommended for private-public partnership and gave emphasis on creating enabling environment for the private sector. He said the report could help achieving of the MDG goals, welfare of the poor and alleviation of poverty.

Professor C. N. Prahlad, the University of Michigan Business School, author of the book "The Fortune at the Bottom of the Pyramid-Eradicating Poverty through profits" presented some cases for all innovative approach to convert the poverty into an opportunity for all concerned. He said, 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 BOP with more than 4 billion people living on less than US \$2 per day presents tremendous opportunity for the private sector.

These opportunities can be unleashed if large and small firms, government, civil society organisations, development agencies, and the poor themselves work together with a shared agenda. Large-scale and widespread entrepreneurship is at the heart of the solution to poverty. Prahlad has tried to show that at the top of the pyramid are the wealthy, with numerous opportunities for generating high levels of income. The distribution of wealth and the capacity to generate incomes in the world can be captured in the form of an economic pyramid. The quality, efficacy, potency, and usability of solutions developed for the BOP markets are very attractive for the top of the pyramid.

The traditional MNC approach and the approach suggested by Prahlad here -- top of the pyramid to BOP and from the BOP to the top of the pyramid could work. He presented some successful examples and tried to prove that innovative approaches can "convert the poverty into an opportunity for all concerned", including the poor and the private companies. As per his opinion, we should not be seeing the poor just as the target beneficiaries of development assistance, but as creative entrepreneurs who take initiative, often for the basic survival.

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 areas as well as the poor rural villages or towns. 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 are 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.

With broad recommendations for action developed by the UN Commission on Private Sector and Development (namely: to collaborate and mobilise 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), it said these should be translated into concrete actionable initiatives at the country and regional levels. Some potential ideas like women entrepreneurship development; pro-small entrepreneur reforms; kiosks/one stop shops for registration; single business permit; alternative dispute resolution; automated assignment of cases; specialised debt collection courts; collateralising real estate assets; business plan competition; in-country monitoring; ISO certification support; hands-on educational programmes; and microinsurance schemes etc. are also helpful as recommended by the report.

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 maximise the use of the private sector market-based forces to fight poverty at the BOP. In the light of the above, a potential role of UNDP could be in providing market intelligence to identify profitable initiative that help satisfy the needs of the poor while paying by the rules of the market. UNDP may help Bangladesh by taking specific role which will in turn would help developing SMEs. SME representative organisation can take lessons from the report of the commission on how to integrate large companies with SMEs through well defined ecosystem to make market for the poor and help them sustain the market.