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DECEMBER 2013



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## **Inclusive business in practice – Summaries of seven case studies from the Business Innovation Facility portfolio**

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# About this series of case studies

The definition of inclusive business is fairly well known by now – profitable, core business activity that also expands opportunities for people at the base of the economical pyramid (BoP). But what does it look like in practice? That is a harder question to answer. Experience is diverse, much of it early stage, and published reports often err on the side of ‘cuddly’, not forensic.

The series explores contrasting inclusive businesses, all of which have been supported by the Business Innovation Facility (BIF). Support from BIF is not cash, but technical input to help overcome challenges, seize momentum, and build a business model that will take the inclusive business to scale and sustainability. The partnership with BIF is, thus, very focused on the practicalities of business models and identifying key milestones in an inclusive business journey.

Over the past three and a half years, BIF has worked with almost 100 companies in five countries. BIF-supported businesses offer rich lessons about the evolution and impact of inclusive business, ranging from working with smallholder mango farmers in Malawi to rural energy solutions in India. Some of this is captured in the monitoring and evaluation (M&E) system. However, the system was designed to be applicable to all projects, not necessarily to capture the richness of the most interesting.

In order to add a deeper understanding of BIF supported inclusive business, BIF, in partnership with the Institute of Development Studies (IDS) of Sussex University and Saïd Business School (SBS) of Oxford University, has generated a set of case studies of inclusive business.

Following a joint framework developed by BIF and IDS, these reports explore what counts as success and what factors have created it. They assess the internal and external context of a company’s business model, the ‘nuts and bolts’ of how the model works, actual or likely commercial returns, emerging impacts on bottom of the pyramid beneficiaries, value added from BIF support, key success factors for scale and lessons relevant for other companies.

We hope that the reports will provide inclusive business practitioners with knowledge and insights on how companies are progressing on their inclusive business journeys – each one distinctive, yet each discovering challenges and solutions that resonate with others.

**Caroline Ashley and Carolin Schramm, BIF, Elise Wach, IDS and Pamela Hartigan, SBS**





This document is a collection of the executive summaries from the case studies. They provide an introduction to each inclusive business model and highlight the commercial and development results that are emerging.

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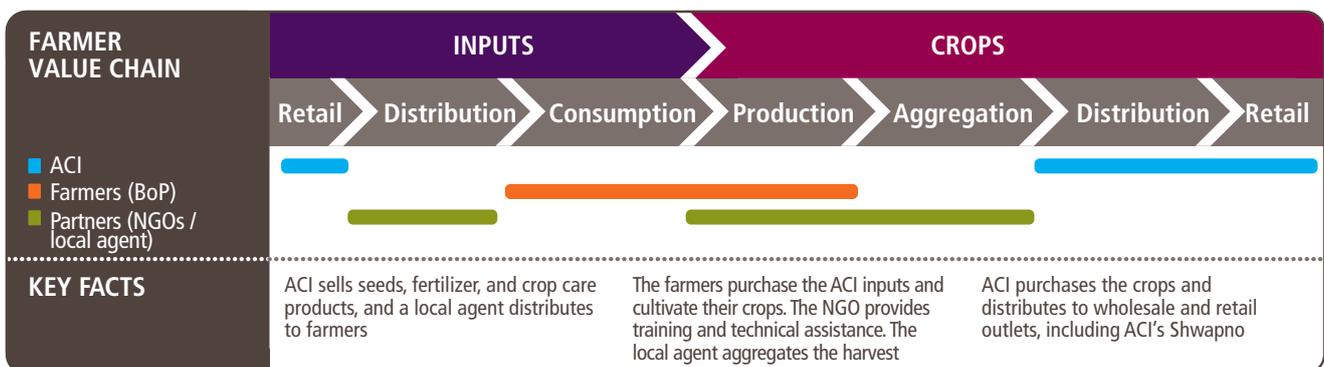
# ACI Agribusiness: Designing and testing an integrated contract farming model in Bangladesh

## Summary

Dhaka-based Advanced Chemical Industries (ACI) Limited is a leading corporate in Bangladesh with a vision to improve the quality of the life of people through responsible application of knowledge, skill and technology. The company's Agribusiness division launched a contract farming initiative in 2012 that seeks to expand its customer base, increase brand recognition, facilitate intra-company collaboration, and improve supply chain stability for its retail outlet, Shwapno.

ACI has a number of business units engaging in different aspects of agriculture and with their own field force or sales agents who, for example, sell seeds, provide crop care services, or source produce for retail. The contract farming initiative emerged from an agreement across the business units to trial an approach that was innovative in two respects: it would be an integrated approach across business units in their engagement with farmers; and it would be a contract farming approach that offered marginalised farmers the opportunity to access quality inputs and higher returns. The next step was a detailed analysis of different contract farming options available, for which the Business Innovation Facility provided support. An intermediary model was chosen in which an NGO acts as an intermediary between ACI and the farmers.

### Overview of ACI Agribusiness Integrated Contract Farming Project



The ACI operating model is noteworthy among the many other contract farming models, in that ACI is both supplying the inputs and also purchasing the crop yield. It does so through an intermediary that distributes the inputs to the farmer at the beginning of the growing season, and then aggregates the produce and sells it to ACI Cropex, once the crops are harvested. Farmers receive financing for the inputs, under the assumption that the loans will be paid once farmers sell their harvest. ACI's contracts with the farmers guarantee a market for their produce at a fair price, reducing the risk of loan default. The company's other intermediary partner, an NGO, provides the farmers with technical assistance on how to grow the crop and maximise their yields.

In 2013, a pilot project growing summer tomatoes took place in Rajbari, a district in central Bangladesh. A local microfinance organisation (MFI), provided financing to the farmers to purchase inputs, and expectations were high for improved yields, revenues and profits. However, inclement weather and disease decimated the crops and the pilot harvest was not a success.

This set back did not prevent ACI from wanting to continue developing the contract farming model, which is strategically important to the company. Beyond the potential for increased revenues in the future, the model improves internal collaboration within ACI, increases brand recognition for its products, expands the market for agricultural inputs and helps to secure its supply chains. ACI plans to continue with the development of the model in future seasons once the company feels that the operating model has been appropriately adjusted to address the shortcomings discovered during the pilot.

Although the initial pilot failed, it yielded valuable lessons that ACI will build on going forward. These include the need for improved communication, both within the company to build stronger buy-in internally, and between the company and its intermediary partners and farmers, so that roles and expectations are more clearly defined and good agricultural management practice is ensured. The pilot also revealed the need to better manage risk for the low-income farmers who were initially left financially vulnerable when the crops failed. Increased training and the use of more proven crop varieties will help, but additional steps may need to be taken.

*Summary of ACI Agribusiness Integrated Contract Farming Project impacts*

## ACI Agribusiness Integrated Contract Farming Project

**Country:** Bangladesh

**Sector:** Agriculture

**Product:** Summer tomatoes

**BoP:** Smallholder farmers



### Inclusive business model:

Providing financing, inputs, training and guaranteed crop purchases to farmers aimed at reducing overall costs and increasing yields. BIF support to determine the appropriate contract farming operating model and monitoring and evaluation support.

### Market opportunity:

- Increased brand recognition for ACI farm inputs
- Secure supply chain of produce for Shwapno retail outlets
- Improve collaboration between ACI divisions

### Commercial results:

- The pilot did not demonstrate the commercial viability of the contract farming model due to crop loss
- The model will be further refined based upon lessons learned in the pilot

### Development impacts:

- Benefits of guaranteed harvest purchase and overall reduced cost were not realised
- Crop loss left farmers initially exposed to risk of loan default; post-harvest arrangements made to protect farmers from financial loss

### Future plans:

- Generate \$500,000 revenue and ROI equal to 14% within 3 years
- Expand into new varieties and implement changes to farming methodologies (e.g. organics)
- Integrate online market exchange platform to increase transparency

**Website:** [www.aci-bd.com/agrobusiness.php](http://www.aci-bd.com/agrobusiness.php)

➔ **To see the full case study, go to:**  
[www.inclusivebusinesshub.org/inclusive-business-hub-publications/](http://www.inclusivebusinesshub.org/inclusive-business-hub-publications/)

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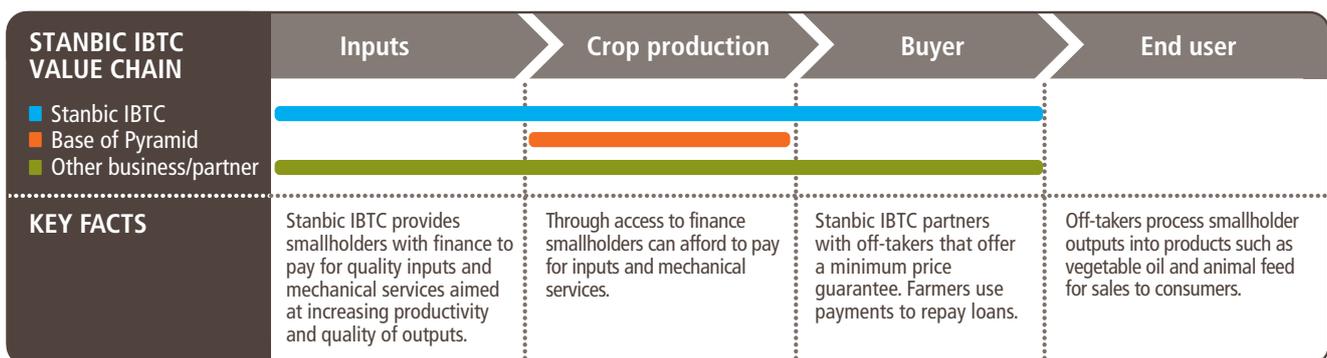
**Caroline Ashley**, Business Innovation Facility  
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# Collaborating for smallholder finance: How is Stanbic closing the loop?

## Summary

Nigeria's rural farmers are likely to be poor, uneducated and lack the access to financial services and resources that could transform them from subsistence to commercial farmers. Through its 'smallholder farmer financing scheme', the Agricultural Banking division of Stanbic IBTC is attempting to unlock this potential. The bank is intervening in the agricultural value chain to boost productivity and returns, and in the process, is catalysing a new approach to smallholder farming and banking.

### Stanbic IBTC value chain



Stanbic is not just making a one-off loan to farmers but has built relationships all along the agricultural value chain. The bank provides smallholder farmers with seasonal finance (credit), a guaranteed market for what the farmers produce and modern farming methods to give the farmers the best chance of realising significant increases in yield and incomes. Mechanised farming and credit from the bank enable farmers to also make profitable use of additional land which they might already have, or can access through cooperatives which partner with Stanbic.

The model is highly ambitious. The bank is not supporting just one part of the agri chain, but making them all work together. In doing so, it is developing its own customer base while simultaneously providing the agricultural system with access to the finance and value chain relationships that are needed for significantly increased productivity. The potential is nothing short of a step change in the way that farming is undertaken, from farming as a way of life to farming as a business.

But while risks seem high due to the level of ambition, a number of strategies are in place to minimise and mitigate risk at every turn. The inclusive business model places a lot of emphasis on 'closing the loop' and tackling the weakness in smallholder models. It reduces the risks of failure by financing high quality inputs, technical assistance and crop insurance, and by guaranteeing a market to farmers for their increase in produce. Its end-to-end assistance to farmers reduces the risk of side selling and develops the trusted relationships needed for long-term sustainability and growth. Support from the Business Innovation Facility included a review of the business model in order to make it more robust and assistance in applying for donor funding for the scheme.

Although the model is strongly influenced by the Nigerian context – including weak value chains, government ambitions for agricultural exports and insecurity and low investment in the north – it also has implications throughout Africa. The larger success of this project could catalyse significant change in the market for smallholder finance and interrelated agribusiness markets throughout the continent.

On its journey developing the inclusive business model, Stanbic is learning lessons on how to make agricultural value chains work effectively for all stakeholders. The 'engines' of smallholder finance are the significant yield increases that can be achieved by small farmers with the right support. Working with a range of partners in a highly coordinated way appears to be a promising way forward; without the range of partners, the gains in productivity would not be possible. And although risks in agriculture cannot be avoided, through thorough understanding of farming systems, a number of detailed design issues can combine an ambitious intervention with risk mitigation.

At the time of writing this report the pilot scheme was coming close to the end of its first season, so the full benefits of the scheme, both for the bank and smallholders involved, have not yet been realised. However, there was a high degree of optimism and enough data to conclude that the scheme shows strong potential for success.

*Summary of smallholder farmer finance scheme impacts*

## Stanbic smallholder farmer finance scheme

**Country:** Nigeria

**Product:** Banking and financial services

**BoP:** Smallholder farmers and cooperative groups



### Inclusive business model:

Making finance accessible to smallholders to improve productivity and commercialise farming activities. BIF support provided to review the business model and support applications for donor funding for the scheme.

### Market opportunity:

- Over 75% of adult rural population are 'unbanked'
- Opportunities to increase customer base at smallholder level as well as companies connected with the agricultural sector

### Commercial results:

- Expected turnover of +/- \$130,000 by the end of 2013
- +/- \$762,000 investment to date

### Development impacts:

- 1,860 smallholder farmers reached to date (including previous pilot)
- Access to finance, agricultural inputs, extension services and market linkages

### Future plans:

- To reach a turnover of \$425,000 by the end of 2016
- To reach five million customers in the future

**Website:** [www.stanbicibctbank.com/standing/Nigeria/newSite/HTML/homePage.html](http://www.stanbicibctbank.com/standing/Nigeria/newSite/HTML/homePage.html)

➔ **To see the full case study, go to:**  
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# Commercialising cassava: New opportunities for Universal Industries and Malawian smallholders

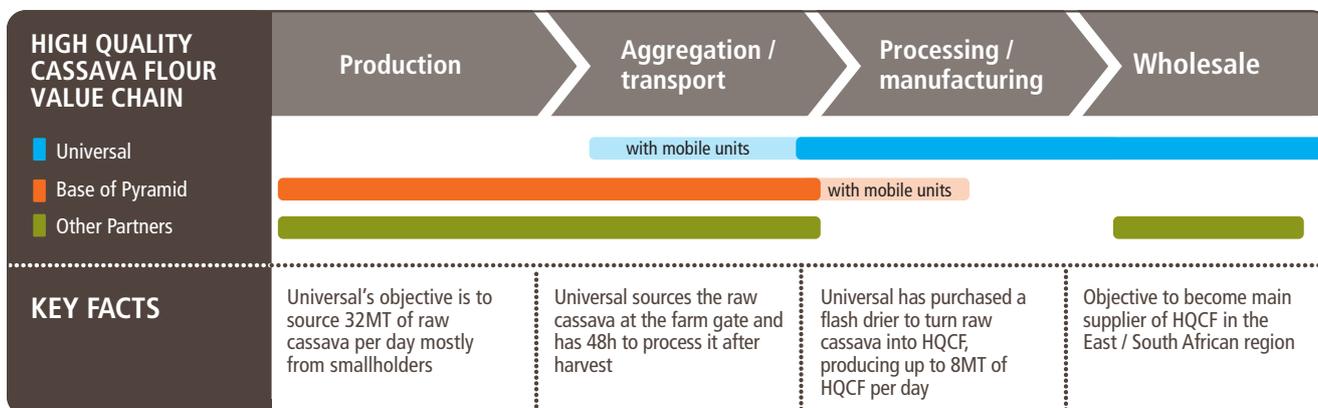
## Summary

With fertile soils, mild climates and an estimated 78 per cent of the population engaged in agriculture, Malawi offers significant opportunities for growth in agribusiness. Yet at present, the sector only accounts for a small portion of the country's GDP and the farming community is mostly made up of marginalised smallholder farmers with low levels of education, inefficient farming techniques and limited connections to formal markets.

Malawian biscuit manufacturer, Universal Industries, has launched an innovative inclusive business that diversifies its product range while tapping into this agricultural potential by engaging smallholder cassava farmers into its supply chain. As the figure below shows, Universal's business venture aims to source raw cassava directly from smallholder farmers for large-scale production of High Quality Cassava Flour (HQCF), which can be used as a substitute for wheat flour in its manufacturing of snacks and biscuits. Not only will this reduce reliance on wheat imports and increase exports for much needed foreign exchange, it also aims to provide smallholders with market linkages, access to business training and a secure source of income, as well as turning a traditionally low-value food crop into a commercial cash crop.

The success of this venture, in terms of both commercial and development goals, depends on a substantial increase in volumes of local production of cassava, and in turn on an effective intermediary working with farmers to share market information and provide extension. While this intermediary role has traditionally been played by NGOs, Universal has had to explore a number of options and is now adapting the model to create more direct engagement between the company and the smallholders. Innovation in forms of farmer engagement is one of the most striking parts of this model, with potential value for other supply chains in the region. It is also the aspect of the model which has been actively supported by advisory support from the Business Innovation Facility.

### Universal's High Quality Cassava Flour (HQCF) value chain



Universal has faced a number of challenges and set-backs since launching in early 2011, including delayed equipment and the Malawian currency crisis of 2012, but the company successfully started producing HQCF in April 2013, with the aim of breaking even in 2014 and generating a turnover of up to \$190,000 after two years. As the box overleaf shows, the project is still in its early stages and gains for the farmers are yet to be fully realised. Nevertheless, the company expects to source raw cassava from around 4,000 farmers by its third year of operation. Given the large number of smallholders across Malawi, potential is high and Universal aims to scale up its HQCF venture even further, doubling production capacity and expanding its network of smallholder producers.

The case study presented in this report is based on existing data and field work conducted for the Business Innovation Facility (BIF) in July 2013, and looks at how the inclusive business model has evolved over time, and how it has adapted to the challenges met during its journey. Some of the most interesting issues that Universal has come across, and that are covered in more detail in the full report include:

- **Sourcing the right volumes at the right price:** With no current formal commercial market for cassava, which is perceived as a food crop and has never been farmed intensively before, Universal faces the challenge of finding a correct pricing model that works for both seller and buyer, and intensifying smallholder production enough to make aggregation of large amounts of cassava root at the farm gate feasible.
- **Engaging with smallholder farmers successfully:** Smallholder farmers have low levels of education and are not used to formal commercial relationships, making contract farming in this current state unfeasible. Universal's model has sought to find innovative approaches to sourcing from farmers.
- **Smallholder buyer-seller relationships are based on trust:** Because a contract farming model does not work in the Malawian context, there are no formal business relationships between smallholders and buyers. These relationships are, therefore, heavily based on trust and require significant time to develop, especially in a new market like the one Universal is creating.

### Summary of Universal's HQCF impacts

## Universal Farming and Milling Ltd

**Country:** Malawi

**Sector:** Agriculture

**Product:** High Quality Cassava Flour (HQCF)

**BoP:** Smallholder farmers



**Website:** [www.universal.co.mw](http://www.universal.co.mw)

### Inclusive business model:

Sourcing raw cassava from smallholder farmers for the production of High Quality Cassava Flour. BIF support for drafting the business plan and to develop a smallholder engagement strategy.

### Market opportunity:

- New revenue stream from a new versatile product
- Decreasing reliance on wheat imports
- Export of HQCF will provide foreign exchange

### Commercial results:

- Project still at its early stages, no revenue generated yet
- Revenue projections are of \$190k in Year 4, to be doubled in Years 5 and 6
- Forex gains not quantified yet

### Development impacts:

- Aims to reach up to 4,000 smallholder farmers by the end of Year 4
- Benefits to farmers are increased and secure income from the sale of cassava

### Future plans:

- Purchase of a second flash dryer to double production capacity
- Scaling up and replicating the model with other farming associations

➔ To see the full case study, go to:  
[www.inclusivebusinesshub.org/inclusive-business-hub-publications/](http://www.inclusivebusinesshub.org/inclusive-business-hub-publications/)

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# Evolution of mKRISHI®: A technology platform for Indian farmers

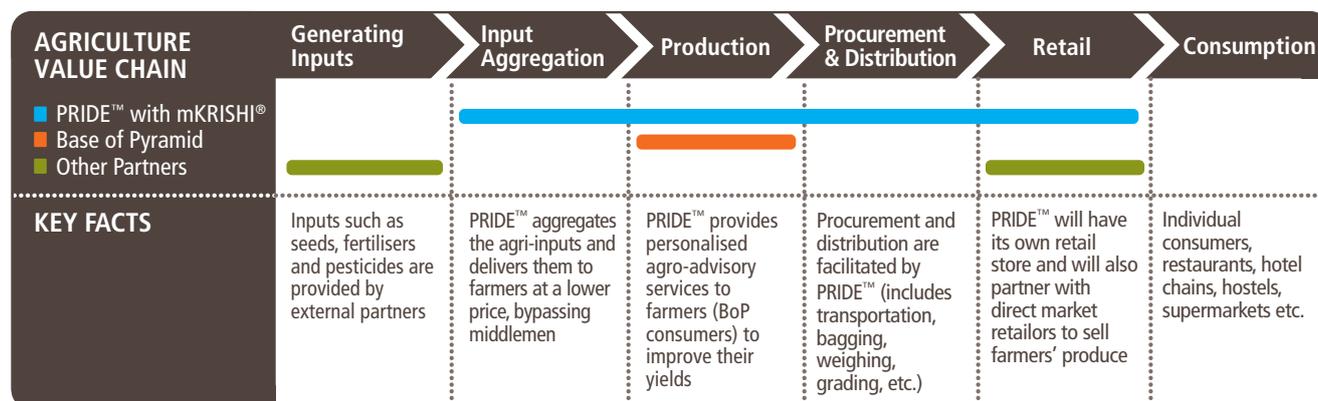
## Summary

mKRISHI® is a technology platform designed for farmers in India. The platform uses information and communications technology (ICT) to deliver a range of services to smallholder farmers. Through their mobile phones, farmers can access advice and a growing range of personalised services. The initiative's value proposition is to increase agricultural productivity, create fair and transparent markets, and collectivise farmers to increase their bargaining power. The mKRISHI® initiative is run by Tata Consulting Services (TCS), part of the Tata Group.

Since its inception in 2006, mKRISHI® has seen considerable evolution in its product and model. Originally, it was purely an agro-advisory platform focused on providing farmers with access to information and expert recommendations on their mobile phones. Support from the Business Innovation Facility focused on finding an appropriate distribution model for the service. The newly evolved model offers a much wider range of services, targeting not just individual farmers but farmer groups, such as cooperatives and producer companies comprising smallholders. These farmer aggregation groups have access to large numbers of farmers and the required legal structure to enter into contracts with external partners. By using mKRISHI®, the organisation can make contracts for inputs and sales more efficiently, with the aim of transforming into an operationally efficient and economically viable entity. A farmer group that has the required organisational and technology support from the mKRISHI® platform is called a Progressive Rural Integrated Digital Enterprise or PRIDE™.

The combination of mKRISHI® technology and PRIDE™ organisation works across the value chain, as shown in the figure below, and is intended to improve the entire agricultural value chain for farmers.

PRIDE™ with mKRISHI® value chain



The inclusive business model is one of patient and ambitious investment. Returns will be slow, but it is ultimately designed to generate profit and other strategic advantages. While the mKRISHI® product and technology has evolved over some years, the current model is still in early stages and has a long way to go before one can draw any concrete conclusions regarding its impact.

To date, TCS has invested several million dollars into the evolution of mKRISHI®. Several pilots are now running, though not yet on a full commercial basis. The revised model includes a number of revenue streams from organisations that use the mKRISHI® platform, in which modest payments by farmers are just one element. mKRISHI® expects to make losses in the next two years before making a profit in 2016. The business hopes to generate revenue of \$104-153 million (INR 6,500-9,700mn) in 2023 (Year 10 of the PRIDE™ model).

The development impact of the model will depend on the scale that is reached, which could be vast. The target is to reach around 2 million farmers in a decade. A prerequisite of reaching such scale will be a variety of farmer-oriented services successfully developed within the platform. Much like the growing number of apps that are driving smartphone sales, an increasing number of bottom of the pyramid (BoP)-oriented services will drive the adoption of the mKRISHI® platform, increasing both the breadth and depth of impact among low-income farmers.

Results from pilots to date already provide anecdotal evidence of the value of good advice to farmers, with farmers receiving advice via mKRISHI® benefiting by \$150 to \$200 in increased yield and reduced fertiliser costs. Other benefits, particularly from improved access to markets for inputs and sales, will develop as the platform expands. A widely adopted mKRISHI® platform is likely, in turn, to influence how other companies develop offerings targeted at farmers and rural consumers, and result in a considerable increase in the products and services available. These broader influences cannot yet be predicted, but may eventually be the most significant.

*Summary of mKRISHI® impacts*

**mKRISHI®**

**Country:** India

**Sector:** Information and Communication Technology

**Product:** Rural services delivery platform

**BoP:** Smallholder farmers



**Inclusive business model:**

- Provision of personalised and integrated services to farmers on their mobile phones. The service aims to enable farmers to connect to their stakeholders, access good quality agricultural inputs, find advice on farming practices, and get information on market prices, weather and other information that can help in planning and boosting yields.
- During the initial stages of the project, BIF support helped the business model development, consumer and partner research.

**Market opportunity:**

- Increase Tata presence in all areas of agriculture value chain in India
- Become the 'Google' of rural India by collecting and managing farmer and agricultural data

**Commercial results:**

- Project yet to generate substantial revenue and become profitable
- Investment ongoing: roughly \$5mn invested to date

**Development impacts:**

- Farmers are seeing improvement in yield, revenue & profits and a decrease in costs due to the agro-advisory services
- Initial benefits such as increased access to credit and subsidies seen due to cluster formation
- Launch of mHEALTH® (built on the mKRISHI® platform) demonstrates wider potential to reach BoP households

**Future plans:**

- Reach close to 1.8-2.6mn farmers in the next 10 years
- Projected to break even in 2 years, and generate revenue of \$104-153mn in 2023

**Website:** [www.tcs.com/offerings/technology-products/mKRISHI/Pages/default.aspx](http://www.tcs.com/offerings/technology-products/mKRISHI/Pages/default.aspx)

➔ To see the full case study, go to: <http://bit.ly/CaseStudymkrishi>

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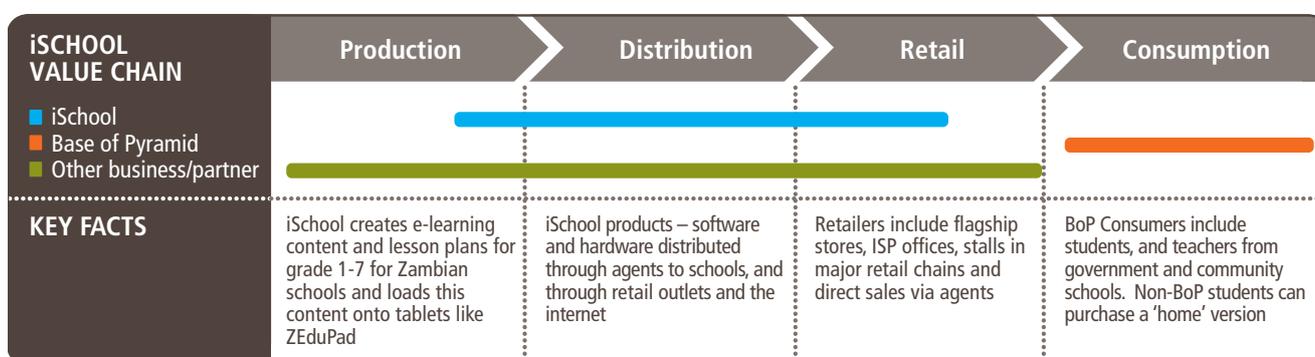
# iSchool: Transformative learning in the Zambian classroom

## Summary

iSchool is a Zambian start-up company offering e-learning systems for Zambian primary schools and individual learning at home. The e-learning products are designed for the Zambian context, cover the entire curriculum from Grades 1 to 7, and are available in English and eight local languages. Through its approach to learning, iSchool aims to develop critical thinking in children and help Zambian teachers move away from the 'chalk and talk' approach to creating a more interactive learning environment.

The inclusive business aims to reach state schools and community schools in rural Zambia, but to do this has had to continuously refine the product package and bring down costs all along its value chain. The e-learning package now includes the 'ZEduPad' – a tablet learning device on which the content is loaded and delivered to teachers and students – plus teacher training, power provision and full mentoring and support.

### iSchool's Value Chain



iSchool has launched the product in the Zambian market in September 2013. This follows investment of \$5.2m to date, three years of hard work since inception, successful not-for-profit pilots in 17 schools reaching 3,458 children, solid monitoring and evaluation (M&E) numbers demonstrating its impact on children's learning abilities, and several iterations of the product offering.

The company has had to overcome numerous challenges on its long journey to commercial launch, most significantly finding a business model that will make iSchool a truly commercial proposition with sustainable revenue. This has also been the area of support from the Business Innovation Facility (BIF). Challenges remain but emerging interest from commercial investors is signifying a growing belief in the iSchool model to generate financial returns. And iSchool already has a clear strategy for sustainability in Zambia combined with expansion into other countries in Africa.

iSchool is an interesting inclusive business as it illustrates how a business model has evolved to combine the twin goals of sustainable returns and social impact. The fundamental social value of the product for low-income learners has changed little, but the iSchool business model, and indeed the software and hardware products, has evolved in an attempt to bring down the cost per student, make it affordable across Zambia, and reach scale. Along the way, iSchool has also developed key partnerships with organisations globally to further cut costs.

## iSchool

**Country:** Zambia

**Sector:** Education

**Product:** E-learning content for Grades 1 to 7

**BoP:** Students and teachers in community and government schools



**Website:** [www.ischool.zm](http://www.ischool.zm)

### **Inclusive business model:**

Provision and sales of interactive e-learning content and teacher training material to improve quality of education and encourage cognitive learning. BIF support to develop commercially viable business model and conduct market research.

### **Market opportunity:**

- Low quality education in Zambian schools, in particular government and community schools
- Some consumers willing to invest in learning materials beyond core school offering

### **Commercial results:**

- No revenue yet, launch in September 2013
- Investment of \$5.2mn to date

### **Development impacts:**

- 3,383 children reached to date
- Students in pilots achieve higher scores in reading, numeracy and critical thinking skills

### **Future plans:**

- \$7mn earnings projected for 2015 – by reaching 26,648 ZEduPad sales
- Expect to reach 162,531 beneficiaries by 2017

→ To see the full case study, go to:  
[www.inclusivebusinesshub.org/inclusive-business-hub-publications/](http://www.inclusivebusinesshub.org/inclusive-business-hub-publications/)

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# MEGA: A commercial approach to off-grid power in rural Malawi

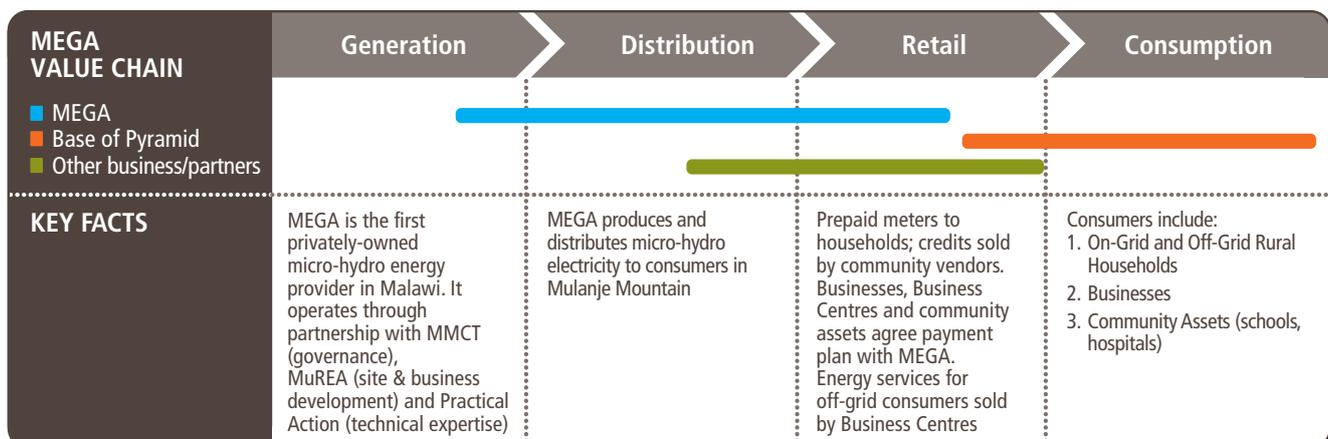
## Summary

Malawi is one of the poorest countries in the world. Its population faces significant social, economic, environmental and developmental challenges including lack of access to modern energy services. The national grid fails to service an estimated 99 per cent of the country's rural population. Bottom of the Pyramid (BoP) households spend a disproportionately high percentage of household income on alternative fuels such as kerosene, wood and charcoal. These fuels contribute to poor lung and eye health due to emissions. The lack of electricity limits the quality of health and education services, and constrain opportunities to grow small businesses. The repercussions of widespread deforestation to supply household energy are immense and cut across health, livelihood and environmental impacts.

Mulanje Electricity Generation Agency (MEGA) is an innovative inclusive business aiming to transform this situation for households living in mountainous areas with fast flowing water, where there is potential for micro-hydro power generation. MEGA is a start-up company providing energy to off-grid low-income households. It targets a potential market of 520,000 people in the Mount Mulanje area who will be able to access energy services, of which 9,600 households (42,420 men, women and children) are expected to be directly connected.

MEGA is a social enterprise and the first operational private energy company in Malawi. Its business model focuses on making energy available and affordable to its target market – promoting price minimisation, rather than 'traditional' profit maximisation, within the parameters of building a financially sustainable business. Support from the Business Innovation Facility has been focused on helping MEGA to develop its business model and company infrastructure. A simplified value chain and key facts of MEGA's operational model are outlined in the figure below.

### Simplified MEGA Value Chain



Consumers of the electricity generated are individual households and community services, both government and private, such as the clinic and maize mill.

In July 2013, MEGA's first micro-hydro scheme at Lower Bondo on the Lichenya River became partially operational and the community are starting to see results – and opportunities. Power is now being distributed to households, shops and one government health clinic. Businesses are achieving greater turnover due to extended trading hours enabled by lighting. New enterprises are being set up. Bondo's school has nearly doubled the number of teachers on its books. However, these successes are not without their challenges: revenue collection is yet to be fully operationalised and the Department of Education is not able to provide funds to wire the school.

Lower Bondo is the first site to be established in MEGA's 10-year business plan to establish 10 micro-hydro mini-grid systems – one per year. Lower Bondo alone aims to provide direct benefits to 427 households (approximately 1,880 people). A total of 3,000 people will benefit indirectly through access to secondary energy services and improved community assets. Phase 2 will see two additional sites being commissioned (surveying and development currently underway), benefitting 3,000 households (13,200 people) directly and up to 27,000 people indirectly.

The critical challenge facing MEGA is to reach scale and operational financial sustainability whilst adhering to its founding principles of providing affordable, available, sustainable electricity to BoP consumers. MEGA's financial projections predict operational break-even in Year 6, after the fifth micro-hydro turbine is commissioned. Donor grant

funding is needed to build and commission each site, totalling approximately \$2mn in the first five years and \$1.4mn for the second five years. Over \$1mn has already been spent on the first site and surveys for sites two and three.

MEGA has a clear action plan for revenue collection and, at July 2013, is waiting for delivery of imported pre-payment smart-meters to enable commencement of this. Once revenue is being collected, a gross margin of around \$37,000 is anticipated from site operations in the first 12 months. The site operation gross margin is forecast to grow year-on-year, reaching almost \$200,000 in Year 10.

MEGA, as it grows to operate at scale, will rely on significant public funding and/or ethical commercial capital to develop and commission sites. MEGA faces particular challenges as upfront infrastructure investment is high and largely charged in US dollars while the potential tariffs are limited by consumers' ability to pay and are largely in Malawian Kwacha. The availability of appropriate human and technical capacity locally is also a challenge.

If MEGA is able to achieve and maintain momentum, there is potential to influence the wider energy landscape in Malawi, paving the way for further investment in private energy provision. MEGA's development has challenged the Malawian administration to review their current licencing frameworks for privately owned energy companies. The new energy bill is likely to make it easier for other privately owned transmission and distribution entities to operate.

### Summary of MEGA impacts

## MEGA – Mulanje Electricity Generation Agency

**Country:** Malawi

**Sector:** Energy

**Product:** Provision of energy services to low-income residents of rural Malawi

**BoP:** Consumers of electricity (businesses, households) and users of local community services



### Inclusive business model:

Small and growing social enterprise. Provides affordable access to electricity for BoP consumers in Mulanje Mountain area. Aims to build ten micro-hydro sites over ten years. BIF technical support developing the business plan, analysing financials, developing legal and governance structures and assisting organisational/operations development.

### Market opportunity:

- No direct competitors in the area, no national grid at present
- Substitute energy sources considerably more expensive
- Large potential consumer base of 520,000 people in the area
- Region of rich natural resource facilitates micro-hydro energy

### Commercial results:

- No revenue collected at July 2013 due to delayed smart-meters
- Over \$1mn invested in sites 1, 2 & 3

### Development impacts:

- Two households, one hospital and several businesses connected
- New enterprises stimulated
- Greater turnover in shops due to longer productive hours
- School has nearly doubled teaching staff, attracted by electricity

### Future plans:

- Forecast \$37,348 gross margin from Site 1 operations in first 12 months
- Operational break-even forecast after installation of fifth turbine (Yr 6)
- Further \$1mn donor/grant funding needed to complete Sites 2-5
- In next 12 months, 427 households will be connected at Lower Bondo

→ To see the full case study, go to: [www.inclusivebusinesshub.org/inclusive-business-hub-publications/](http://www.inclusivebusinesshub.org/inclusive-business-hub-publications/)

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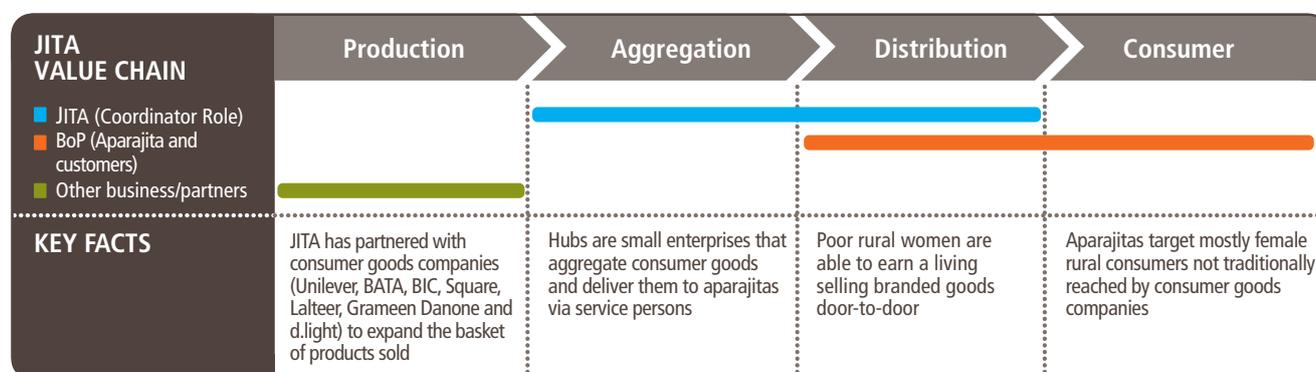
# The JITA sales network: An inclusive business on the rise

## Summary

In rural Bangladesh, a group of destitute women living amongst the poorest people in the country have become the focus of a successful inclusive business selling consumer goods to rural villagers, challenging gender roles and opening up new markets at the base of the pyramid (BoP). These women are known as 'Aparajita', a Bangladeshi word meaning 'one who cannot be defeated,' and they sell consumer goods like shampoo, yoghurt, shoes and seeds door-to-door in their communities, as channel partners of JITA's rural sales network.

Born in 2004 as a non-profit CARE Bangladesh programme, JITA was designed with a strong social mission, to give this vulnerable group of women the means to earn an income and improve their livelihoods. After success as an NGO programme, JITA was spun out as an independent, for-profit business in 2011, to enable the initiative to scale and become sustainable. Since launching as a social business, it has expanded into new areas, added new products to the aparajita basket of goods and developed its service offering to ensure commercial success and on-going benefits to women at the BoP. JITA now connects global consumer goods companies like Unilever, Bata, BIC, Square, Lalteer, Grameen Danone and d.light with hard-to-reach consumers at the BoP through its flourishing sales network.

### JITA's value chain



JITA's value chain engages women at the BoP as both retailers of goods and consumers of these products (see figure above). These women are considered to be living at the BoP, as the majority live on less than \$2 per day, an internationally recognised poverty line.

JITA works as a coordinator for the network, establishing sales partnerships with consumer brands who supply the products that aparajitas sell, as well as creating and supporting a network of distribution hubs throughout Bangladesh, where aparajitas can regularly replenish their basket of goods.

This case study is based on existing data and field research conducted for the Business Innovation Facility (BIF) in July 2013, and tells the story of JITA's inclusive business journey from NGO initiative to fully-fledged social enterprise. As an inclusive business that has rapidly reached both commercial and social success, JITA presents a fascinating case study for analysis. Some of the most interesting elements of the business, outlined in the box overleaf and discussed in more detail in the full report, include:

- Evolving from NGO programme to sustainable business:** While JITA has a long history of successful operations as an NGO project, it has had to develop in new ways as a business, increasing its focus on profit and loss and developing alternative income streams such as research and consulting. Building on long-term expertise as a CARE project, JITA was able to enter communities as a trusted organisation and rally local support for the aparajitas. BIF support focused on facilitating this transition.
- Cracking the 'last-mile' distribution challenge and overcoming cultural barriers:** JITA has developed a distribution model that brings a diversified basket of goods to consumers who are too remote (both geographically and economically) for traditional market channels to reach, and particularly targets women who are unable to buy goods in shops and markets because of logistical or cultural constraints.
- Benefiting destitute women:** Aparajitas are a vulnerable group of rural women who earn less than \$12.50 per month when they join JITA. As members in the network, these women have increased their incomes and gained standing in their communities. Women and girls are also among the primary target consumers of the initiative, benefiting from previously inaccessible goods like shampoo, detergent powder, disposable razors and sanitary products.
- Rapidly reaching a wide range of beneficiaries:** In its first 18 months as JITA, the organisation has grown from 2,500 aparajitas to a network of 4,700. JITA is poised to break even this year, then continue to grow and reach more beneficiaries as the network expands.

## JITA

**Country:** Bangladesh

**Sector:** Retail, manufacturing and consumer goods

**Product:** Consumer goods

**BoP:** Rural saleswomen and consumers



**Website:** [www.jitabangladesh.com](http://www.jitabangladesh.com)

### Inclusive business model:

Training and hiring poor rural women to sell products to mostly other women in villages. BIF consultants supported the transformation from an NGO project to an independent inclusive business

### Marketing opportunity:

- Rural villages are underserved by traditional distribution networks
- Women can't always reach shops or markets due to distance or cultural prohibitions

### Commercial results:

- JITA has built a sustainable business that is reaching breakeven by 2013
- JITA will be a model for other networks for women

### Development impact:

- JITA employs 4,700 women
- Aparajitas grow their income from less than \$12 per month to an average of \$20 per month
- BoP consumers access necessary consumer goods and discretionary items

### Future plans:

- Increase focus on sales network
- Expand and add new hubs and aparajitas to the network
- Reach 7,500 aparajitas by the end of 2013
- Grow to 450 hubs, with 11,000 aparajitas reaching 7 million BoP consumers

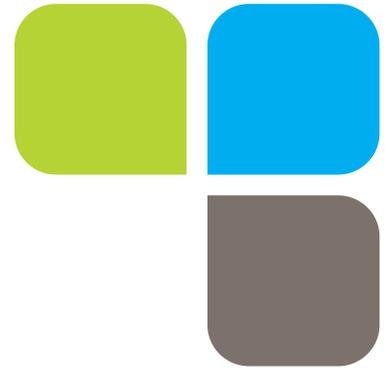
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