

# Being the Change:

INSPIRING THE NEXT GENERATION OF  
INCLUSIVE BUSINESS ENTREPRENEURS  
IMPACTING THE BASE OF THE PYRAMID



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IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. We help developing countries achieve sustainable growth by financing investment, mobilizing capital in international financial markets, and providing advisory services to businesses and governments. In fiscal year 2012, our investments reached an all-time high of more than \$20 billion, leveraging the power of the private sector to create jobs, spark innovation, and tackle the world's most pressing development challenges. For more information, visit [www.ifc.org](http://www.ifc.org).

## About IFC's Inclusive Business Models Group

Launched in 2010, IFC's Inclusive Business Models Group mobilizes people, ideas, information and resources to help companies start and scale inclusive business models more effectively. Over the past eight years, inclusive business models have accounted for about 7 percent to 10 percent of IFC's annual commitments, or over \$7 billion. Our work with over 300 inclusive business clients in more than 80 countries has helped us reach more than 250 million people. For more information, visit [www.ifc.org/inclusivebusiness](http://www.ifc.org/inclusivebusiness).

## Acknowledgments

This report would not have been possible without the pioneering efforts of IFC's clients. We would like to give a special thanks to the leaders who took their time to be interviewed for this report: Afnan Ahsan, Deji Akinyanju, Sanjay Bhatnagar, Carlos Cavelier, Gonzalo Correa, Mitchell Elegbe, Teddy Esteve, Mike Fitzgerald, Sergio Leal, Juscelino Martins, Francisco Mere, Luis Orvañanos, Gyanesh Pandey, and Paresh Rajde.

The writing team included Eriko Ishikawa and Christine Ribeiro with input from Christian Gomez, Sabine Hertveldt, Sabine Prinz, Marcus Watson, and Toshi Masuoka. Richard Sine was the main editor with support from Beth Jenkins. Corporate Visions provided the design.

This IFC publication is made in partnership with the following donor partners:



## Cover Photos

Left: *Thailand (Sabine Prinz)*, Right: *Ghana (Arne Hoel/The World Bank)*

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## *Written by:*

Eriko Ishikawa and  
Christine Ribeiro  
with *Christian Gomez,*  
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and *Toshi Masuoka*



# Leadership Perspective

Inclusive economic growth is an essential component in the fight against poverty. By creating jobs and improving access to goods and services, it gives all people—not just those at the top of the economic pyramid—a chance to improve their lives.

IFC, a member of the World Bank Group, is a leader in developing and expanding inclusive business models. Its investment and advice support private sector firms that are finding financially sustainable and scalable ways to serve the poor. These inclusive business models integrate poor people as full economic partners, bringing new opportunities to the base of the pyramid and showing how innovative businesses can tap new markets.

Over the past eight years, inclusive business models have accounted for about 7 to 10 percent of IFC's annual commitments, amounting to more than \$7 billion in all. IFC's work—with more than 300 inclusive-business clients in more than 80 countries—has helped it reach more than 250 million people.

In a world where 4 billion people go without basic goods and services and have little hope for employment, this work is critical. Companies that bring low-income producers and consumers into their supply chains are true pioneers, opening paths for future prosperity.

Further developing these models is a priority for the World Bank Group, for our private sector clients, and for me. Together, we can achieve inclusive growth and fulfill our mission of poverty eradication.

A handwritten signature in black ink, appearing to read "Jin-Yong Cai". The signature is fluid and cursive.

**Jin-Yong Cai**  
Executive Vice President and CEO  
IFC



# Leadership Perspective

Effective leaders translate their vision of how the world should look into reality. A growing number of IFC clients are doing just that, developing and expanding innovative and successful business models that integrate people at the base of the economic pyramid into their value chains.

This publication highlights the individuals who are leading some of these companies. Based on interviews, we are able to share their journeys as business pioneers, their challenges and achievements, and their advice and sources of inspiration.

In recent years, IFC has analyzed the inclusive business models of more than 300 clients. Last year, we published a report highlighting the most frequent models in IFC's portfolio, the challenges they have in common, and the results they achieved. We have also published close to 40 case studies. By sharing knowledge in this way, IFC hopes to provide a resource for inclusive business leaders working in developing economies.

I would like to thank the individuals this report highlights for sharing their stories. They are an inspiration for the next generation of inclusive business entrepreneurs, and there is much more to be done to create opportunity for poor people across the world.

A handwritten signature in black ink that reads "N. Stoilkovic".

**Nena Stoilkovic**  
Vice President for Business Advisory Services  
IFC



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# Lessons from IFC's First Entrepreneur

Robert L. Garner had been a leading financier and was chief financial officer of the General Foods Corporation when World Bank President John McCloy recruited him as his top deputy. After two years inside the Bank, Garner saw clearly that lending to governments was not enough. By 1949, he was calling for a new body to finance private investment in developing countries—the future IFC.



**Robert L. Garner**  
Founder  
IFC

“It was my firm conviction that the most promising future for the less developed countries was the establishing of good private industry,” Garner said in 1950. It was a path-breaking concept for its time. The World Bank was still fully occupied in nation-building and reconstructing the devastated countries in Europe and Japan in the aftermath of World War II. The World Bank’s shareholders were governments; all World Bank lending was directed at governments; and the responsibility for development was almost universally assigned to the public sector.

Few investors were putting money into the developing world in the early 1950s. Entrepreneurs in this region had few sources of capital to draw upon, domestically or abroad. Garner and his supporters at the World Bank realized that IFC could attract investors by finding viable projects, providing a stamp of approval, then coming on board as a minority investor taking full commercial risk. This was Garner’s vision: helping create “growth economies” where increased private enterprise activity would benefit everyone in the poorest countries—not just a wealthy few.

Untested as it was at the time, Garner had an unshaken belief in this idea. He traveled the world to share it, building momentum that has continued ever since. While our current vision statement was not in place at the time, he and his team were carrying it out from the beginning: creating opportunity for people to escape poverty and improve their lives.

Addressing the Inaugural Meeting of IFC’s Board of Governors on November 15, 1956, Garner described his ardent belief in the power of private enterprise:



*I believe deeply that the most dynamic force in producing a better life for people, and a more worthy life, comes from the initiative of the individual—the opportunity to create, to produce, to achieve for himself and his family—each to the best of his individual talents. And this is the essence of the system of competitive private enterprise—20th century model—as it has been developed by the most enlightened and successful business concerns. It holds the promise of rewards according to what the individual accomplishes. It is based on the concept that it will benefit most its owners and managers if it best satisfies its customers; if it promotes the legitimate interests of its employees; if in all regards it acts as a good citizen of the community. It is moved by the desire to earn a profit—a most respectable and important motive, so long as profit comes from providing useful and desirable goods and services. It is my belief that the best services and the best profits result from a competitive system wherein skill and efficiency get their just reward.*



# Introduction: How to Be the Change

“You must be the change you wish to see in the world.”

*Mahatma Gandhi*

IFC imagines a world in which the four billion people now living at the base of the economic pyramid (BOP) have access to the products, services, and economic opportunities they need in order to build the kinds of lives they aspire to lead—for themselves and for their children. We all need clean water, quality food, affordable housing, reliable energy, decent roads, efficient communications, and comprehensive financial services, and those living at the BOP are no exception. While the poorest of the poor need and deserve humanitarian assistance, the working poor have combined purchasing power that is significant. They are not often prized as a market segment, but their voices are beginning to be heard.

Creative business leaders are “being the change” by embracing this market segment. They see people living at the BOP as value-conscious consumers, interesting new supply sources, and strategic distribution and retail partners. They are helping the BOP meet their own needs by finding ways to offer the goods, services, and economic opportunities through commercially viable, scalable business models—what we call “inclusive business models.”

Developing an inclusive business model is a journey. It requires innovation, investment, an ability to learn, and an appetite for doing things differently. It’s about change—and that change often starts within the change agent himself.

## Seizing the Opportunity

In 1956, IFC’s first president, Robert L. Garner, described entrepreneurship as “that elusive combination of imagination to see an opportunity and to mobilize the necessary resources to seize it.” Each of the individuals highlighted in this publication possessed this entrepreneurial spirit and seized the opportunity to do business with people living at the BOP.

Most companies implementing inclusive business models share a key ingredient: strong leadership. Without a clear vision

and drive from the top, it is difficult to break new ground. This publication describes the personal journeys of 14 inclusive business leaders, and talks about their personal inspiration, challenges and successes.

Each one of them followed his own path to inclusive business, but all share the passion and perseverance necessary to see it through.

The entrepreneurs who founded their companies recognized market needs and set out to create businesses to fill them, incorporating inclusive business models from the outset. The seven founders profiled in this report are Deji Akinyanju, Mitchell Elegbe, Mike Fitzgerald, Sergio Leal, Luis Orvañanos, Gyanesh Pandey, and Paresch Rajde.

Others brought growth to a business from the inside as family members, or were chosen as professional managers because of their vision and skill set. The seven individuals we call “builders” for the purpose of this report are Afnan Ahsan, Sanjay Bhatnagar, Carlos Cavalier, Gonzalo Correa, Teddy Esteve, Juscelino Martins and Francisco Mere. Some builders, such as Juscelino Martins and Teddy Esteve, created a separate company in order to better meet challenges such as the lack of financing for BOP throughout the value chain.

## TO WHOM MUCH IS GIVEN, MUCH IS EXPECTED

Many of the leaders profiled here took the “road less traveled” to success. Some were born in developing countries but left to gain educational and professional experience at leading schools and corporations in the developed world. They could have easily stayed there, and led successful careers in comfortable surroundings. Instead, they returned to their countries to apply what they had learned.

Others inherited the family businesses. In some cases, their families’ success would have permitted them a more relaxed lifestyle. But, instead, they work tirelessly to advance their company, improving their nation and its people from the BOP along the way.

The same challenges that scared others away—unskilled workforces, red tape, the lack of basic services—are what inspired these leaders. They recognized the challenges their countries faced as opportunities that they could address through creative and sustainable business models. As Deji Akinyanju says, “I just cannot see myself making an impact of this magnitude anywhere else.”

To these leaders, much was given—and they’ve given even more in return.

Whether founders or “builders,” all of the leaders in this publication showed an ability to think creatively about society’s toughest problems. They saw business opportunities where others only saw pressing needs. They dared to imagine new models that merged business and societal agendas. Together, they show us that:

- **Short-term returns must be balanced with long-term goals.**

All of the leaders profiled in this report recognize that financial sustainability is crucially important. In fact, they expect that doing business with the BOP will make them even more profitable in the long term. Profitable inclusive business models take time to develop and often involve up-front investment. But, as Francisco Mere of Agrofinanzas says, “If you are not able to be financially sustainable, in the long term you are doing more harm than good.”

- **A local focus helps inclusive business models develop.**

These leaders know how important it is to understand the local realities of the low-income people whom they count as customers or business partners. Most of their companies are based in the same countries where these customers and business partners live, which gives them intimate knowledge of their conditions, needs and capabilities. The rest keep a strong local presence in these countries. Gonzalo Correa of Moderna says, “In Ecuador... more than 50 percent live under the poverty line. All companies have a role to generate change and bettering conditions, because in the medium term, this also gets reinvested in better consumers.”

- **The team is as important as the leader.**

Being a leader is not about being in charge; it is about empowering others to achieve their fullest potential. Many of the leaders profiled in this report stressed the importance of remaining humble and recognized their teams as core to their companies’ success. One example is Mitchell Elegbe of Interswitch, who feels that “A lot of businesses fail because of the ‘one man business’ syndrome.” By creating an “environment where people are free

to do what they believe is right,” Interswitch and other companies have fostered the innovation that has led to their success.

- **Good relationships are key to success.**

Inclusive business models rely heavily on good relationships with various partners, many of them non-traditional, based in remote areas, or in the informal sector. These business relationships are based on trust built over the years. As Juscelino Martins of Tribanco says, “You should invest in knowledge and information, and in having good relationships with people.”

- **Staying optimistic is crucial to growth.**

All the leaders expressed their unshakable optimism for the future, despite the considerable obstacles that they have faced. “You have to be aware of the criticism, but there has to be an overriding optimism. If you don’t, there is no drive,” says Gyanesh Pandey of Husk Power.

Companies that work with the BOP often need to overcome special challenges. They must understand new markets and market behavior, appraise new risks, and develop new business processes and systems. They must also deal with the perception of some investors that inclusive business models involve more risk. Many of the leaders profiled in this publication said their early supporters were crucial to their success.

IFC is proud to be one of these early supporters, investing and helping to mobilize the resources needed to grow both the companies and their impacts on people living at the BOP. IFC will constantly strive to identify ways to accelerate development through private sector engagement, leading the way and being the change the world wants to see.



**Deji Akinyanju**  
CEO, Food Concepts Plc



What brought me back home is the passion to make a difference. I just cannot see myself making an impact of this magnitude anywhere else.



## Making the most impact at home in Nigeria

Here's a troubling fact: About 90 percent of the food Nigerians consume is imported, even though 70 percent of Nigerians work in agriculture. That's a real problem. But for an entrepreneur like Deji Akinyanju, it's also a tremendous opportunity.

Born and raised in Nigeria, Deji went to the UK for college and to work at Accenture, the global management consulting firm. After several years waiting for the right opportunity to return to Africa, Deji moved to South Africa and began a trading business which included supplying food for UN survival kits in Burundi and Rwanda. Deji found himself drawn to the food industry because of the impact it could have in improving food supply and enhancing livelihoods. He was impressed by domestic food companies in South Africa and Zimbabwe that were creating brands that could challenge international players. One example was Zimbabwe's Innescor, a diversified food supplier that started out as a single shop and grew to employ over 3,000 people. For Deji, this was the prototype for home-grown food and restaurant brands in Africa.

Deji was part of a wave of Nigerians who returned home in 2000 with a change in government. When he learned of Nigeria's inability to feed itself, Deji saw a chance to create a national player that could harness the tremendous potential of local labor and small businesses. Like so many entrepreneurs, he stumbled at first. In 2001 he opened a chicken and pizza outlet funded by \$2 million in seed capital raised from friends and family. But the chicken and pizza brands he had franchised from South African companies didn't fit local West African tastes. A bread franchise also failed to take off.

With the failure of a more traditional retail concept, it soon became clear that small-scale suppliers and distributors would be vital to bringing products to market and achieving scale. In the bread market, for example, Deji discovered a broad network of people already selling products at the base of the pyramid. "We, the organized bakers, only constitute about 20 percent of the bread consumed in the country per day," Deji says. "To get our product to the other 80 percent, we have to engage with the network of small-scale bakeries and table-toppers around the country."

Food Concepts' Butterfield Bakery brand is now operating a concept which they call "container baking." Butterfield sells entire baking units to (primarily female) small-scale bakers, supplying them with all the high-quality inputs they need and providing them with training and marketing support. "We're developing entrepreneurs in that segment, and getting our brand out there, so it actually works positively for us in this market," Deji says.

## FOOD CONCEPTS PLC

Headquartered in Nigeria, Food Concepts is a leading West African quick service restaurant and bakery operator. Its main line of poultry restaurants, “Chicken Republic,” launched in 2004 and now has 65 outlets in Nigeria and Ghana. To facilitate backward and forward integration strategies, the group also comprises Butterfield Bakery Nigeria (includes 9 plant bakeries) and Free Range Farms (a state-of-the-art poultry farm and poultry processing plant). Food Concepts works closely with its network of small-scale suppliers and distributors, providing them with inputs and training and working to improve their livelihoods. It has also added Pizza Republic and Reeds, a fine-dining Thai fusion restaurant to its portfolio.



Opened in 2003, Butterfield Bakery is now Nigeria’s largest formal bread maker. In 2004, Food Concepts launched a quick-service restaurant chain, Chicken Republic, which now operates over 65 stores in Nigeria and Ghana and plans to expand to 300 stores. Chicken Republic also works closely with small-scale partners—its farmers. The chain supplies farms with feed and high-quality day-old chicks, which the farmers grow into chickens destined for Chicken Republic restaurants.

To succeed in working with so many small partners, Deji believes, processes must be as simple and practical as possible. Highly complex or technical processes are difficult to replicate successfully across a wide network of partners. Scaled-down manufacturing and production techniques are better candidates to achieve scale and sustainability at the base of the pyramid.

Food Concepts now employs over 1,400 people across its bakery and quick service businesses and has trained over 7,500 people since its 2001 launch, many of whom come from the base of the pyramid. IFC’s investment will fund further expansion of the Chicken Republic chain and the bakery operation. It is also supporting construction of a 250-hectare poultry farm south of Lagos. Free Range Farms is expected to process 10.5 million

free-range chickens per year and employ 250 people by 2014. Deji sees a growing demand for chicken among Nigerians as they climb the economic ladder. Current demand is outstripping supply because of underdevelopment in the agricultural sector and strict import controls on chicken.

Entrepreneurs in West Africa have an opportunity to be first movers in rapidly developing markets, Deji says. “What brought me back home is the passion to make a difference,” he says. “I just cannot see myself making an impact of this magnitude anywhere else.”

Deji recognizes the challenges to working in Nigeria—including administrative challenges and poor infrastructure—but he focuses on the positives instead. “This is a country with a huge population, great resources, vast arable land, and high unemployment so you can get people back to work.” To returnees or other entrepreneurs seeking to start businesses in Africa, Deji has a simple piece of advice: “Come and get started as early as you can, because you need time to make mistakes, and the opportunities are huge.”



**IFC’s Investment:**  
\$13 million in equity and \$7 million in debt financing.



**Mitchell Elegbe**  
Managing Director/CEO, Interswitch Ltd.

“  
You just need to create that environment where people are free to do what they believe is right. ”

## Bringing payment innovations to the BOP

As a young engineer working at the telecom firm Telnet, Mitchell Elegbe was charged with devising new ideas for the company. His job was to nurture them for a year and then hand them over to someone else to run as a business.

He once confided in his boss that he worried about running out of ideas. She reassured him: “She told me that a man never runs out of ideas. Getting ideas is a process, an attitude, a culture.”

One of Mitchell’s ideas at the time—modernizing Nigeria’s payment system—grew into Interswitch, which makes life easier for Nigerians of all economic backgrounds even as it fosters the “process, attitude and culture” that support indigenous innovation and talent development.

When Mitchell envisioned Interswitch at the turn of the century, the cash that dominated Nigeria’s economy had become a source of crime, fraud and corruption. Just one example: With banks closing on Friday afternoons, Nigerians withdrew cash to last the entire weekend. “Criminals knew that on a Friday night or Saturday, there’s a high likelihood that there will be a lot of cash to steal,” Mitchell says. “Therefore, there is a direct correlation between armed robbery and the way that Nigerians used cash.”

Developing electronic payment in Nigeria required overcoming a strong cultural bias toward cash. “You have to look at the cultural beliefs of a country to know how to innovate,” Mitchell says. “Nigerians give cash as gifts at weddings, at burials to show sympathy, at childbirth, and other occasions. You and I know that culture change cannot be achieved in a short period of time. So the approach is not to eliminate cash but to preach a message that there is a more efficient way to use it.”

Launching Interswitch also required overcoming skepticism even among the new company’s shareholders. “I was asked, ‘How do you run a 24/7 business in a country where power is not constant? In a country where telecom is still very unreliable? When the people you target are predominantly in love with their cash? How do you get the human resources needed for an entirely new area like electronic payment?’ These are the kind of issues we faced.”

Today, Interswitch is demonstrating how electronic payment can work in Nigeria. Nigerians once had to travel to a branch or office and wait in long lines to obtain their salary, deposit money, or pay a bill. Now they can do these things instantly by cell phone, at an ATM, or through a wide network of merchants. They reap the benefits not only in security, but also productivity: The Nigerian government, which is now promoting a cashless economy, estimates that the direct cost of handling, processing, and managing cash exceeds \$1.2 billion in 2012.

Mitchell knew that electronic payment could be appealing to banks as well as the Nigerian people, because transactions are

## INTERSWITCH LTD.

Interswitch is a payment processing company that improves the lives of Nigerians living at the base of the pyramid by offering a method for people to make transactions using pre-paid cards or mobile money. In 2011, Interswitch had 15,300 direct and indirect BOP customers. Interswitch helps underbanked customers access and transfer money easily by offering the Verve, a pre-funded card that can be funded through mobile phones, via the Internet, or at ATMs, point-of-sale terminals, and bank branches. The money is available instantly to the recipient and can be withdrawn at an ATM. Parents use the Verve to send money to their children in college, conglomerates use it to pay casual workers, and people across Nigeria use it to send money to loved ones in rural areas.



a significant source of banking revenues. He partnered with Accenture to develop a business case and a business plan, and then he took a step that many entrepreneurs are not willing to do: "Though Interswitch was my idea, I gave up ownership to the banks," he says. "It was more important to see the vision come to fruition than owning the organization, so ownership was given to institutions that we believed would be needed from a corporate governance point of view to assist in growing the business. The banks owned about 85 percent of the company, and we had a board of the CEOs of banks in Nigeria, as well as one or two IT companies, all of which combined to ensure that proper corporate governance was followed."

This close partnership with key players in finance and IT has helped Interswitch stay ahead of the competition, Mitchell believes. It has also helped Interswitch avoid some of the pitfalls of sole ownership. "A lot of businesses fail because of the 'one man business' syndrome. The man thinks that all decisions should be weighed from his point of view: 'I am using my life savings to run this business.' That mode can cause you to make bad decisions. For example, you don't pay for quality personnel because you think it's your money going away. You face problems because the governing structure was wrong from the outset."

Interswitch must work with the base of the pyramid to succeed and grow, Mitchell believes, because most of the country's population is located there. More profoundly, Mitchell believes that "getting the BOP involved in the process appears to be the only sustainable way for real development to take place in Nigeria." Currently, Nigeria's economy is dominated by the informal sector, Mitchell explains. Money that does go to the formal banking sector moves out rapidly, as individuals in the cities send money to their families in the countryside. Electronic payment—facilitated by widespread use of cell phones in the countryside—promises to keep more money in the banking system, and banks are a major source of funds used for the country's development. (Interswitch also contributes to the country's development by working with microfinance banks. All of Nigeria's microfinance banks are now part of the Interswitch network.)

Mitchell fosters creativity at Interswitch using the lessons he learned at Telnet and elsewhere. "You just need to create that

environment where people are free to do what they believe is right." He encourages employees to air their views and to pursue ideas and passions not directly tied to their job description. The company also sponsors a "Hackathon" in which its engineers work on a project for 72 hours and showcase it to a panel of judges. These policies have spawned several successful ideas, Mitchell says.

As an entrepreneur, Mitchell himself remains an "idea man." "The favorite part of my job is coming up with an idea and then getting someone to run with it and make it a success before I become bored. This implies that there's a crop of people you've groomed to do this. You work out something with them, then sit back and watch those ideas become very successful."

As a leader in a fast-growing market, Mitchell recognizes that "you may not have the luxury of knowing all the facts you need to take a decision. So you need to cultivate a system that does not make it difficult to make a decision even as you keep searching for more facts. Also, do not be a slave to your position, be brave enough to go to your people and say, 'Based on these new facts, I think we should move this in a new direction.'"

Last year's acquisition by an investor syndicate (including IFC) will speed Interswitch's growth in Nigeria and Sub-Saharan Africa. Interswitch also wants to bring electronic payment into new markets like transportation and health. To Mitchell, the acquisition has validated that he and his company have created a lot of value—and they have only just begun. "We have not tapped into a tenth of what is happening in this market as far as electronic payments is concerned. That gives me huge hope for the future."



IFC's Investment:  
\$10.5 million in equity



**Mike Fitzgerald**  
CEO, Altobridge Systems



The easiest thing in the world is to stay blind and content and passionate about your idea. The hardest thing is to go find out how many other people are doing it.



## Connecting remote communities with mobile services

Mike Fitzgerald studied math and computers in college, but he steers far clear from the stereotype of the awkward loner. “I’m not an introvert,” says the cleft-chinned Irishman.

On graduation he joined mobile phone giant Ericsson because he was entranced by the potential of telephony to help people connect—his interviewer quizzed him on how he might design a mobile technology to assist a relative who couldn’t speak—as well as the potential for travel. “While we all deal with customer demands every day, I wanted to go out and meet with them,” he says.

Six months after joining Ericsson, Mike was on the road, eventually running business units in China and California. He was surprised to learn that mobile service operators in both places faced similar challenges, challenges that came to define the rest of his career: “Once you move outside the cities, large towns and the highways, you are faced with the challenge: How do you get power, how do you get transmission and how do you make sure that the costs of providing voice and data connectivity in these particular communities isn’t astronomical?”

Mike first got the opportunity to respond to this challenge in 1999. He led a management buyout to form a company called Microcellular Systems, which was soon acquired by a public company, InterWAVE Communications. After a stint at InterWAVE, Mike and a partner, Guy Waugh, poured the money they received for selling Microcellular into a six-month feasibility study for the concept that eventually became Altobridge. They traveled around the world talking about their idea to a variety of industry players as well as venture capitalists. They sought to assess whether there was a market for a low operating cost remote communication solution and who else might already be working on similar technology. The trip yielded two potential partners and helped them gain support for—and confidence in—their idea. With their concept more fully developed, they went back to their former business partners and colleagues in 2002 and said, “Here’s the architecture, here’s the proposition—who’s interested?”

Many of them were, and this group formed the core of Altobridge. Mike remains convinced that a feasibility study is essential to forming a new company. “The easiest thing in the world is to stay blind and content and passionate about your idea. The hardest thing is to go find out how many other people are doing it. You owe it to yourself and you also owe it to the shareholders—the people putting up the money,” he says, adding: “I’d prefer to lose tens of thousands of personal wealth than millions of investor wealth.”

About 1.6 billion adults—or 23 percent of the world’s population—are not connected to basic telecommunications services, Altobridge estimates. The biggest hurdles to connecting to remote communities are expensive telecom towers, high power costs and



## ALTOBRIDGE SYSTEMS

Headquartered in Ireland, Altobridge is an R&D-focused, wireless network solutions provider. Its founding vision was to remove the technical and commercial barriers that denied remote and rural communities access to affordable mobile voice and internet connectivity. Since its creation in 2002, Altobridge has designed, patented and commercially deployed technology innovations that have bridged the digital divide; breakthrough solutions that now enable mobile network operators, particularly in emerging markets, to affordably connect unconnected communities.



the expensive satellite bandwidth that carries the data. Altobridge has developed a compact, solar-powered mobile communications system—called lite-site™—which minimizes satellite bandwidth usage and power consumption. The system can serve communities with 100 to 1,500 subscribers profitably; traditional mobile deployments require several thousand subscribers. The lite-site has been commercially deployed in countries including Malaysia, Indonesia, Niger, Ghana, Oman, Tonga, Papua New Guinea, Solomon Islands and Mongolia.

Today's mobile operators continue to be challenged by the huge traffic base they have within the world's cities, but these markets are nearing their saturation point, Mike believes. Working closely with leading analysts, Altobridge has commercial evidence that real growth is to be found in the periphery. But convincing mobile operators that these communities can be profitably served is Altobridge's biggest challenge. The company reached a milestone about five years ago in Malaysia, when Altobridge decided to take full risk and deploy the solution to 20 remote communities. "We finally said, we've got to do it ourselves. We can't keep trying to convert each person to believe. And now, once you have the traction, once you have the references, once you have demonstrated that you can scale to hundreds of sites, it is easier for more to believe. We are now going out and gauging the economic and social benefit, the underlying growth and benefits that come with connectivity."

Altobridge is a company with a "split personality," Mike admits—one that reflects Mike's own personality. Though Mike doesn't use the term, the two sides of that personality might be called *dispassionate* and *compassionate*. On the dispassionate side: "We are capitalists," Mike declares. "We are seriously focused on ensuring that the solution makes money for the operator that deploys it, irrespective of the community they serve."

Along those lines, Mike follows what he calls "evidence-based management and evidence-based leadership." He was introduced to the idea by a business school professor at Stanford, where he completed a leadership program. A management team that stays focused on market evidence, Mike says, will not be swayed by egos or opinions. It will be more productive and will make more accurate decisions. Altobridge's success, he says, lies in the deep research that preceded its founding, and that continues today.

The compassionate side of that "split personality" acknowledges that a large portion of the countless remote

communities Altobridge seeks to connect are among the poorest and most isolated in the world. Altobridge engineers routinely visit these communities and analyze the actual communication activity: the moment when a mother, long separated from her son, speaks with him on a phone for the first time; a villager discovers a better price for their produce; or a local entrepreneur's eyes light up at the wonders of the Internet. "Our guys are out in the field taking pictures, and they send them back to us," Mike says. "These pictures become part of the culture of the company." One such image is on Mike's laptop as a screensaver; another appears every time he reaches for his phone. "We definitely get up in the morning motivated by the fact that our success will connect millions of unconnected people, and we're already connected to a huge number of them."

While Mike admits to not being fascinated by day-to-day management of a company, he loves the challenge of finding customers. Giving employees a taste of that challenge is also crucial to motivating them, he believes. "One of the advantages of being a small company is that you can take people close to the customer and give them the experience of meeting customer demands. Finding new commercial opportunities is similar to the hunger of the explorer, heading out across that thin ice for the first time. And when we close that deal, everyone feels a part of that success."

You never know where your next customer is coming from, Mike says, so it's important to be constantly on the alert. Like their boss, Altobridge employees are constantly searching the world for customers, for technical innovations, or for market evidence that will help them connect the unconnected at the lowest possible cost. "I'm quite happy going to a meeting on the other side of the world that was a complete waste of time," he says. "I try to make sure that the meeting will be as productive as possible. But I'd rather take the chance and have a meeting that ended up meaning nothing than to skip that meeting and miss an opportunity. The worst thing you're going to do is learn something new."



IFC's Investment:  
\$5 million in equity



**Sergio Leal**  
CEO, VINTE Viviendas Integrales,  
S.A. de C.V.



About 1,100 developers in Mexico are dedicated exclusively to build housing. That is what leads you to a one-time transaction. I sell you a home, and I leave. What VINTE does is different. What VINTE does is: I stay with you.



## Transforming an affordable house into a source of inspiration for all

Sergio Leal witnessed firsthand the problems with building a company around one “great man.” His grandfather was one of the wealthiest men in town and a celebrity in the furniture business. The entire family benefited from the wealth, but when his grandfather passed away, the company quickly unraveled.

Sergio decided from a young age to become an entrepreneur like his grandfather. He built the skills needed to start a company, becoming a certified architect, obtaining a master’s degree in finance and gaining experience in construction, design, and marketing. But when he was finally ready to take the plunge, he realized “you have to be with people who are better than you.” VINTE was built out of a partnership of five men sharing a common vision but each with their own specialty: sales, construction, administration, design and technological innovation, and government relations. This structure supports a holistic view of the business that builds value for its customers (and the company) in a diversity of ways.

Sergio was just 27—and the youngest of the partners—when he convinced them to leave the homebuilder where they had all worked for a decade. They had tired of their employer’s singular focus on selling homes. Instead, they recognized a serious shortage of affordable housing for lower-income families and shared a dream of improving the quality of life for the next generation of Mexicans. “We say that a house should be a source of inspiration for Mexicans, so we can transform ourselves into a different nation,” Sergio says.

VINTE has established its niche by offering innovative technology and modern infrastructure services. Its homes are designed to reduce gas bills by 75 percent, and VINTE offers electricity-saving features such as rooftop solar cells and wall meters to measure utility service consumption. Homes are equipped with computers and Internet, facilitating access to security cameras and a housing development website.

The company also enables homeowners to form a community cooperative to manage their own housing developments. Following the sale of a development, VINTE has a year-long transition period during which it teaches residents property management skills and community values. And VINTE developments include features such as gated courtyards, schools, water treatment plants, playgrounds and recreational areas supported by affordable resident community fees.

## VINTE VIVIENDAS INTEGRALES

Founded in 2001, VINTE is a homebuilder specializing in affordable, sustainable housing for low- and middle-income families in Mexico. As a vertically integrated company, VINTE's operations span land acquisition, housing design, housing development planning, construction, marketing, and sales. VINTE's shareholders have a collective vision to raise housing standards in Mexico while providing innovative, value-added affordable housing. As of 2012, VINTE had sold more than 14,000 houses. VINTE also has operations in green and social businesses, including recharging wells and lagoons, telemetry systems to digitally measure consumption, solar energy water heaters, photovoltaic systems, and Internet service.



These features help residents gain pride in their communities, but they also support VINTE's bottom line. VINTE offers custom-made furniture for its new residents so homes can be furnished from the moment they move in. It provides Internet service connection in the homes for a fee. And it often purchases its customers' homes back and re-sells them, offering liquidity to the homeowners. VINTE is not developing homes, Sergio says—it is developing customers over the long haul, selling them a range of products and services. And both VINTE and its customers benefit from the success.

"About 1,100 developers in Mexico are dedicated exclusively to build housing," Sergio says. "That is what leads you to a one-time transaction. I sell you a home, and I leave. What VINTE does is different. What VINTE does is: I stay with you. I sell you a home. I organize you socially. I sell you the furniture for your home. I sell you the technology for your home. I take care of the maintenance. And then I buy back your home to sell you a bigger one [as your family grows]. Thus our business model is a long-term chain. VINTE innovated on this theme, and surely the sector will move in that direction now."

Founded in 2002, VINTE has become the 19<sup>th</sup> largest builder in Mexico, building over 14,000 homes during the last decade with a specialty in affordable housing for low- and middle-income families. They have studied details such as the optimal number of homes that should be represented in a neighborhood committee (no more than 500); how far stores should be located from homes (less than a kilometer); and the ergonomics of the furniture it offers.

As VINTE grew, the partners took pains to avoid hiring staff who didn't share their vision—those employees rarely lasted anyway, Sergio says. Sergio used the same mentality when deciding on investors. He turned down investments from several wealthy Mexican families. He preferred an investor who would add more than monetary value and shared the team's vision. That led VINTE to take on IFC as a lender and equity partner in 2008.

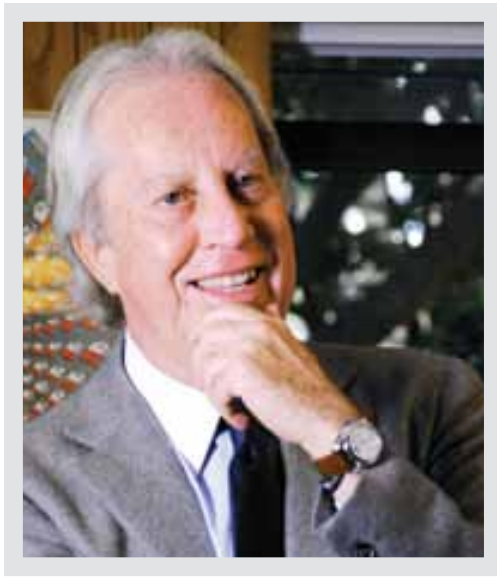
VINTE has benefited from government programs that allow working class people to access housing finance. For example, through a program known as INFONAVIT, private employers allocate five percent of monthly payroll to individual savings accounts which can later be applied to a mortgage down payment or loan payment. VINTE does its part by adding value to communities, which increases the tax base and reduces the maintenance burden on governments. More importantly, people who live in a well-maintained community tend to have better self-esteem, which leads to better productivity and a benefit to the country as a whole.

For Sergio, VINTE would not have been possible without each of his partners. He compares his team of partners to a marriage: "We're all convinced that we are worth much more together than separated, and each day we make a big effort to work together well, because the great complementarity of our differences is what makes us strong."



### IFC's Investment:

\$12.5 million in debt financing, \$10 million in equity, and \$14.3 million as a guarantee



**Luis Orvañanos**  
Chairman and CEO, Corporación GEO

“

I am the third generation of businessmen, so I was born into this group. Within you, you have a need to create, to promote, to take risks, to overcome challenges, to generate jobs—ultimately creating activities that benefit the people around you.

”

## Creating activities that benefit the people around you

Entrepreneurship is in Luis Orvañanos’s blood. His father, Jorge Orvañanos Zúñiga, was “a nationalistic businessman with a lot of idealism” who founded businesses in appliances and industrial materials. His grandfather and uncles were also successful businessmen.

“I am the third generation of businessmen, so I was born into this group. Within you, you have a need to create, to promote, to take risks, to overcome challenges, to generate jobs—ultimately creating activities that benefit the people around you,” Luis says.

As a teenager, Luis loved to tinker in his carpenter’s workshop, and soon he was selling construction materials that he had designed. “From 19 years old on, I felt a business was building, without anyone guiding me. I was somehow internally developing that capacity. I could never be an employee. I always had to be the leader of my destiny.”

In 1972, the Mexican government launched INFONAVIT and FOVISSSTE, two savings programs that have enabled millions of working class Mexicans to finance affordable homes. Luis started Corporación GEO a year later with another architect in the service closet of his apartment. They were two young men with visions of grandeur, starting the business without secretaries or draftsmen. “It is a romantic and passionate business, because of the great reach you can have, the desire to apply architecture for the purpose of development.”

With no formal business training, Luis relied greatly on books to teach him the basics. He read many business books as he made the transition from architect to full-time manager. But he is especially fascinated by biographies of leaders ranging from the Egyptian pharaohs to John F. Kennedy. He studies the lives of heroes like Winston Churchill as well as villains like Joseph Stalin. Asked about the influences that have shaped his career, he responds, “I can’t say if it was a person, or books, or an event—or as [Spanish philosopher José] Ortega y Gasset says, ‘I am I and my circumstance,’ no?”

Corporación GEO has grown into a leading housing developer in Mexico and one of the largest in Latin America. Luis credits the company’s success to its decision to specialize. GEO’s niche is affordable housing, and “within that specialization, we have worked a lot in research and development,” Luis says. “That has made us more efficient in processes from buying our land in bulk, to the [property] handover, and securing training and education of the families that live there.”

## CORPORACIÓN GEO

Corporación GEO is the largest low-income housing developer of sustainable communities in Mexico. Through its subsidiaries located in the most dynamic cities of the country, GEO is engaged in all aspects of design, development, construction, marketing, sales and delivery of mainly low-income housing segment with additional activities in the middle income segments. GEO is one of the most geographically diversified homebuilders in Mexico with operations in 22 states. In its over 39 years of experience, GEO has sold more than 600,000 homes which currently provide housing to 2.2 million-plus people. GEO's solid business model is focused mainly in the affordable, entry level and economic segments, which are supported by government policies and by the Mexican housing institutions INFONAVIT and FOVISSSTE.



Another outgrowth of that R&D has been the Alpha prefabricated construction technology that is unique in Latin America today. The home's components are built at a factory, then transported to a building site for assembly. The faster delivery time allows GEO to build a larger house at the same low entry price. It also reduces waste generation and energy use during construction, and allows for construction of a more energy- and water-efficient home. By 2015, Alpha homes will comprise half of all homes that GEO builds.

GEO's ability to serve the base of the pyramid is enhanced by the company's size, Luis says. The company has invested heavily in advanced IT to increase management efficiency. It can take advantage of economies of scale by purchasing in volume: "We are, for example, the main client of practically all the cement companies in the country." The company also enjoys favorable terms with financial entities. A reputation of reliability with banks, suppliers, and government all help the business deliver affordable housing at a rapid rate.

Luis has helped to build a strong corporate culture at GEO. GEO's growth has been organic; internal promotions have built managers from people who started 10 or 15 years ago at the lowest levels of the company. Those promotions help motivate the

company's 9,000 employees. "This is a company of opportunities and, as you have this opportunity for growth, the company benefits," Luis says.

Who is qualified to be an entrepreneur, in Luis' view? "Anyone who has a spirit for risk, who has a spirit for working with effort, who has also a capacity to suffer, and to many times feel isolated ... The person needs to have perseverance and follow-through on his goals and objectives, because all is resolved through work, work, work. Work constantly and with confidence and you will come out ahead, and transmit it to all those around."

Luis clearly believes he is on a mission to provide good homes to working Mexicans. "I don't know which other products can benefit the people like a house can. A house is for all of your life, a house is our roots, a house is prosperity, a house is an investment, a house is the family union. Our most satisfying moments are when we visit a development that was a wasteland and now all the homes are built, along with the parks, gardens, schools, shops and courtyards. These are very gratifying moments—when each family receives their new house, and the hope that it provides. These are the elements that push us, and keep pushing us."



IFC's Investment:  
\$25 million in equity



**Gyanesh Pandey**  
Co-Founder, CEO/CTO, Husk Power Systems

“  
Entrepreneurship can be hard and spirit-sapping labor, but it can also elevate your spirit.”

## Feeling the problems and bringing solutions home to Bihar

Born in a poor village in Bihar, India's poorest state, Gyanesh Pandey couldn't stand going home. He left early, moving in with his grandparents in a nearby town and enrolling in boarding school at the age of 6. Eventually, he found himself halfway around the world, working on power management technologies as an electrical engineer at a California semiconductor company.

He could have never looked back, but that village haunted him. He hated it, but he still felt he had to do something about it.

For the next five years, Gyanesh and a New Delhi-based friend from boarding school, Ratnesh Yadav, mulled over alternative energy technologies and conducted experiments during their off hours. They toyed with biofuel from jatropha—a shrub that can be grown on marginal lands—but that didn't pan out. Gyanesh's plan was to find the right technology, then hand it off to someone to implement on the ground. That way he could help his old village without ever really having to return.

Then he attended a retreat that changed everything: Ten days of Vipassana, also known as “insight meditation.” No talking, no exercise, no TV, no newspaper, nothing. Just Gyanesh and his thoughts. That's where it hit him: “Vipassana helped me understand that if you really want to do something, you have to get down and dirty. You can't just be trying to do something from the outside.” About a month later, he moved to Bihar. He was back home in the village he'd avoided all his life.

In Bihar, where practically nothing is wasted, Gyanesh found rice husks were going unused. Returning to basic gasification technology, he began experimenting with these husks as feedstock. The villagers and even Gyanesh's own family thought he was crazy. Rumors flew: Gyanesh had stolen money in America and was hiding out; He was escaping from a disgruntled ex-wife. There was no logical reason for him to be there playing around with rice. But he pressed on: “You have to be aware of the criticism, but there has to be an overriding optimism. If you don't, there is no drive.”

Gyanesh and Yadav poured their personal and retirement savings into two prototype power plants, and newly-formed Husk Power had a string of successes: They won several business plan competitions with help from a friend in business school, Manoj Sinha. The Shell

## HUSK POWER SYSTEMS

Founded in 2007, Husk Power Systems (HPS) is a decentralized power generation and distribution company serving rural India. It has developed an innovative biomass gasification technology capable of generating power as efficiently as conventional biomass gasifiers, but on a micro scale—enabling the company to serve rural villages at prices they can afford. The gasifiers run on the village’s leftover rice husks. HPS covers 250 villages and employs 350 people. It has provided electricity to over 2,500 villages and 150,000 people in the state of Bihar, India. Besides IFC, Draper Fisher Jurvetson, Cisco, Oasis Fund, Acumen Fund, and LGT Philanthropy Foundation also have equity stakes in the company.



Foundation provided a grant and technical assistance. And the team raised a round of venture capital financing from reputed firms like Acumen Fund and Oasis Fund. It has allowed Husk Power to scale-up rapidly, and also provided Gyanesh with a new surge of confidence: “When we won all these business plan competitions, it was a very interesting realization—people are buying it so easily,” he says. “When investors got interested it was an ‘aha’ moment as well. I didn’t know much about the social investment field—I was concentrating on philanthropy, or some kind of debt fundraising. But people were willing to invest equity in the villages. That was interesting.”

Husk Power is making a dent in Bihar, where less than one-third of residents have access to electricity. In just three years, it has installed 72 small-scale power plants that serve more than 30,000 households. For just \$2.20 a month, users get electricity for 6-8 hours each evening. It’s more environmentally sound than existing sources such as kerosene, wood, dung and diesel. It’s also cheaper: Husk estimates it has saved its customers \$1.25 million.

Husk Power has also created over 350 jobs, a particular source of pride to Gyanesh: “When I talk to some people who had absolutely nothing, who were out there at the mercy of things, I feel very proud that we were able to give them a livelihood.”

Gyanesh credits his close friends and extensive social network for much of his ability to make things happen as an entrepreneur. “I’m sitting in a random village trying to do R&D, trying to build electronic devices, and I have the luxury of thinking of a name, calling them and asking for a favor that takes two hours of their time. I have a comfortable relationship with a lot of people I met from school.” But as his employee base expands, he says it’s important to implement performance management systems in the face of the shifting loyalties and desperation he sometimes encounters on the ground.

There’s no formula to becoming a successful entrepreneur, says Gyanesh: “It’s a culmination of your life. It takes every bit of your time, and it’s fairly risky in that if it works out, you have something, and if it doesn’t, you have nothing ... Entrepreneurship can be hard and spirit-sapping labor, but it can also elevate your spirit. That happens when you can feel the problem you are trying to solve. If you can feel the problem, solutions are born.”

It was not until Gyanesh went back to the source of the problem and truly understood it that he was able to find a solution. This seemingly simple solution is helping to transform villages into places that people want to live in. Gyanesh is now home—and happy to be there.



IFC's Investment:  
\$350,000 in equity



**Paresh Rajde**  
CEO, Suvvidhaa Infoserve Pvt., Ltd.

“

I don't care so much about [a hiree's] knowledge, because that can be gained. Attitude is all important.

”

## Enabling the BOP to get their ticket to technology

Paresh Rajde's vision for his company crystallized in a single moment in 2006 as he watched TV news footage of a crowded Indian train station. "I saw that the railways was having huge problems with payments for tickets. Customers were travelling from far and wide and queuing for hours to have their tickets processed."

Because of the bottleneck in payments, customers were often not buying tickets at all, resulting in lost revenues for the railway. A very humble and novel thought came to me: I can help this railway with my knowledge of technology and reduce the hardships of customers."

That moment of insight has grown into an online electronic payments platform that reaches over 10 million people across 2,800 towns in India. Through Suvvidhaa, Indians can transact with over 300 businesses in utilities, telecom, entertainment, education, transport and financial services, as well as government agencies. The platform can be used for payments, purchases, transfers, remittances, ticketing, and more.

Suvvidhaa's highly inclusive business model brings the convenience of electronic payments to a population that still transacts largely in cash and has relatively little access to payment cards or the Internet. The consumer accesses the platform through a network of about 55,000 merchants and retailers, who handle the cash and make the transactions on consumers' behalf.

Trained as a chartered accountant, Paresh ran his own accounting practice for a decade early in his career. But he yearned to do "something unconventional." An offer to support a friend in a technology venture led Paresh to explore the technology industry, which in turn led to the founding of an online lottery business that Paresh later sold. The business involved a network of gaming terminals, and when Paresh saw the chaotic scene at the train station, he thought this might be the opportunity to bring a similar kind of network to solve a new problem. Paresh scored an early victory when he met with a senior official at the Ministry for Railways. "Within minutes they understood the model, liked it and said, 'We would like to do business with you.'"

But developing Suvvidhaa's network took time, due to a classic chicken-and-egg problem: "Unless we have a good distribution network, the service providers will not want to join. But unless we have good service providers as partners, we will not be able to grow our distribution network to arrive at critical mass." Today, Suvvidhaa



## SUVIDHAA INFOSERVE PVT. LTD.

Suvidhaa Infoserve Private Ltd. (Suvidhaa) is headquartered in Mumbai, India. It offers individuals the means to make electronic payments—online and over their mobile phones—for a variety of virtual products and services, making payments more convenient and less costly and expanding consumer choice in the marketplace. The company was founded in 2007 and currently employs over 250 staff with experience in retail payments, e-commerce, and technology. Suvidhaa's shareholders include the company's founder Paresh Rajde; angel investor Shapoorji Pallonji Mistry, chairman of the leading Indian conglomerate Shapoorji Pallonji Group; Northwest Venture Partners in California; Reliance Venture Asset Management Ltd. of the Reliance ADA Group in India; IFC and Mitsui & Co., Ltd., one of Japan's largest trading conglomerates.



has succeeded in attracting a wide variety of top service providers to become the number-one digital distribution company in India. But profitability is still a challenge because electronic payments are “a low-margin, high volume game.” So Suvidhaa is racing to grow even faster. It aims to reach deep into rural areas, where even more customers are from the base of the pyramid.

“I am a first generation large-scale business owner,” Paresh says. “I have no formal business training. I did not go to management school. I’ve grown companies from the bottom up. My management style comes purely from my own logic, always thinking out-of-the-box at every step of the business model and operating process. I think that has helped me to bring the company together and motivate our people.” He believes his collaborative approach explains why most of his founding staff is still with the company.

Paresh attributes his business success to his ability to remain calm under pressure; to encourage innovation; and to hire well.

“I don’t care so much about [a hiree’s] knowledge,” he says, “because that can be gained. Attitude is all important.”

The most important factor, however, has been his upbringing. One of four siblings born in a small village near the India-Pakistan border, Paresh learned about sacrifice and hard work from an early age. His parents poured all they had in their children’s education. “We had a tough time in my school days, when my parents would often not have enough money to buy our school uniforms,” Paresh says. The school in his village only went up to the elementary level, so Paresh and his siblings had to move to larger towns to continue their education, all the way to Mumbai. All four siblings ultimately acquired post-graduate degrees.

It has been a long journey from the small village where Paresh grew up, yet it is his parents’ values that motivate him. “Ethical practices, morals, commitment, integrity, hard work ... these are the basic ingredients I inherited from my parents that have helped me get to where I am today.”



IFC's Investment:  
\$6.5 million in equity



**Afnan Ahsan**  
CEO, Engro Foods



Sincerity of effort, sincerity of purpose and sincerity with people. That leads to trust, and if people trust you, then it is easier for them to follow you as well.



## Coming home to Pakistan, as a global citizen

Afnan Ahsan left his native Pakistan for the United States to attend college in 1989. After graduation, he pursued a career in the food industry, moving to Canada, France, South Africa and the Philippines. When Engro Foods tried to woo him back to his native country with an offer of a CEO position, this “global citizen” admits to a bit of trepidation.

“Like everyone else, I saw how Pakistan was portrayed on CNN, with the lack of security. I have two children, both teenagers, so I wasn’t sure I was quite ready.”

Over the course of two years of discussion with the Engro board, what ultimately convinced Afnan was the company’s twofold mission: To help small farmers maximize their production and hence raise the company’s overall productivity, and to create wealth by building on company and country strengths. Here was an opportunity to learn something new and to have a positive impact on his native land. It sounded almost too good to be true: Afnan questioned almost every board member individually to gauge their sincerity before accepting the job.

While Afnan knew what it took to grow a large food company, he encountered new territory with the company’s inclusive business model and unique supply chain. He quickly learned that all of these things are interrelated, as empowering small-scale producers is vital to propelling Engro Foods’ growth.

Engro’s core dairy business is powered by an extensive milk collection network that cuts out the middleman and guarantees smallholder farmers fair and prompt compensation for their milk. The network currently serves about 125,000 farmers, but Pakistan has over 2 million dairy farmers in total. Afnan says he needs to keep that network growing if he is to keep Engro growing at its current rapid pace: “Nothing works if we don’t have our supply chain in order.”

Engro’s supply chain still only meets 70 percent of the company’s demand for milk; the rest must be imported as milk powder. So increasing the supply of raw milk is a big priority for Afnan. Afnan is working with the Asian Development Bank and IFC on an initiative to support small- and medium-sized farms. For the medium-sized farms, one goal will be to mechanize production, which improves both productivity and quality.

In the quest to make Engro “the first iconic Pakistani multinational,” Afnan has shepherded the company’s acquisition of a Canadian firm that produces halal and vegetarian food for

## ENGRO FOODS LTD.

Engro Foods Ltd. was launched in 2004 as a fully-owned subsidiary of Engro Corporation Limited, one of Pakistan's largest conglomerates. Engro Foods manufactures, processes, and sells dairy products, juices, ice cream, and frozen desserts. Since the company's core business is dairy, procuring milk is one of its most important activities. Through Engro's milk collection network being present right at their doorstep, coupled with on-farm training and technical guidance on farming and milk production, Engro is helping improve the livelihoods of hundreds of thousands of people. More recently, the company has also entered into the international market. Its first venture has been to acquire a halal foods business, Al Safa Halal, Inc. (Al- Safa) in North America.



Muslims and South Asian communities in Canada and the US. In the future, Afnan hopes more Pakistani farmers will be selling to North American consumers by this route.

Afnan is also hoping to improve trade ties between India and Pakistan, as it could help Engro as well as the economy on both sides of the border. He is a member of the Pakistan Business Council, which advises the Ministry of Foreign Affairs and Economic Affairs, and chairs a Committee on India-Pakistan trade relations. National policy was not an area Afnan would have been able to work on while at his former employer, Afnan says. "If I was able to make a positive impact on policy decisions, and make this valuable contribution to the country," he says, "that to me would probably be the biggest achievement in my career."

As a first-time CEO, Afnan is putting his leadership skills to the test. Successful leaders know how to translate a vision into relatively simple terms and to communicate it in a way that gets people on board, he says. Sincerity is also important: "Sincerity of effort, sincerity of purpose and sincerity with people. That leads to trust, and if people trust you, then it is easier for them to follow you as well."

As Afnan helps to grow Engro, he's reconnecting his wife and two teenagers to their roots; the family speaks Urdu at home. And Afnan is inspired by Engro's impact on Pakistan's society and economy. The company supplies farmers with technical guidance that improves production and engages in a variety of community development activities. Afnan recently met with women that Engro helped to train on livestock care. They are now working as local veterinarians for the dairy farmers and earning a solid income. But money was not the biggest benefit the women cited from the training, Afnan noticed. It was the recognition they now receive from their families and communities. Village residents refer to them as "doctors," and one of the ladies proudly noted that even her father-in-law comes to ask her for advice.

Witnessing the profound consequence of such a simple intervention has been extremely fulfilling for Afnan. Still growing professionally as well as personally, this self-described "global citizen" is very happy with his decision to return home and help make Engro Foods a global company.



### IFC's Investment:

\$50 million in quasi-debt for Engro Foods. IFC's other commitments to Engro Corporation Ltd. total \$87 million in debt, \$26 million in equity, and \$30 million in quasi-debt.



**Sanjay Bhatnagar**  
CEO, WaterHealth International



As an organization, if we don't provide it, then someone else will. That is how we think about our business. Whether the business is inclusive or not, you have to think of your consumers as customers, and not as aid recipients.



## Bringing water and health to all

Since he was a child, Sanjay Bhatnagar has been familiar with the problems of communities that lacked clean water. Growing up in northern India, he travelled through many rural areas with his father, a rural banker.

Later, Sanjay left India to earn master's degrees in business and engineering, but then returned to Asia to work on major infrastructure projects. He started to notice a disturbing contrast: In remote areas, industry was obtaining water while surrounding communities were suffering.

"We were building large power plants in remote areas and pulling in long pipelines to get water to feed the plant, but the people around the plant had no access to clean drinking water," Sanjay says. "Clearly society has the capability to get the water. But the business model for providing it to the communities—in the absence of government action—did not seem to exist."

WaterHealth International has developed that business model. WHI's "WaterHealth Centers" purify locally sourced water and sell it for about 10 cents per 20 liters—much cheaper than centrally bottled water, which is often shipped in from long distances. WHI has built over 500 centers since 2006, including over 400 in India and the rest in Asia and Africa. The average center serves up to 10,000 individuals each day.

As a market-driven business, WHI is constantly adapting to its customers' needs, Sanjay says. In some communities, it faces an initial challenge: "Most of the people are not used to paying for water at all. So when they start paying for it, the question is how much can they pay, and is it sufficient for profitable operations in the WHI context. The answer to this question determines our site selection, but thankfully, WHI can run operations in a wide range of communities."

But then the challenge evolves: "Customer desires change over time. In markets where we were providing safe water, people were initially just happy that it was available. Now, they want convenience. They now want to see if we can deliver the water inexpensively to their homes because that is how these communities develop. We gradually tend to use more water and more services. As an organization, if we don't provide it, then someone else will. That is how we think about our business. Whether the business is inclusive or not, you have to think of your consumers as customers, and not as aid recipients."

It is a common misperception that WHI benefits from government subsidies or individual or corporate donations, Sanjay says. Instead, the centers are purchased by a variety of sources including corporations, non-profit organizations, governments and foundations. Local governments also provide a small patch of land on

## WATERHEALTH INTERNATIONAL

WaterHealth International, Inc. (WHI) is a company that develops, installs, and operates water purification and disinfection systems that provide affordable, high-quality potable water for underserved populations in rural and peri-urban areas. WHI houses these water treatment systems in small-scale, decentralized facilities called WaterHealth Centers in local communities. At an initial investment of less than \$10 per person, WHI can provide more than a decade of healthy drinking water to communities in need. As of 2012, WHI is headquartered in Delaware and has affiliate offices in India, Bangladesh, Ghana, Nigeria and Liberia. Along with the Coca Cola Africa Foundation, Diageo and IFC, WHI is a key member of the Safe Water for Africa Initiative whose objective is to expand the use of clean water in underserved communities in Africa. WHI's investors include IFC, Dow Venture Capital, Sail Venture Partners, Plebys International, Tata Capital Innovations Fund, and the Acumen Fund. IFC has invested \$5 million in equity and \$10 million in long-term debt financing.



lease and access to the dirty water. WHI builds the centers with the help of local labor and operates them with the help of local staff. The company operates the centers for 10 to 15 years, during which the revenue from the water purchases covers operation and maintenance, cost of energy and debt service. The community takes ownership at the end of the term and shares in the profits in the interim.

Sanjay received his graduate training in the U.S., worked for American companies Schlumberger and Enron, and now resides in New York. But the developing world remains “the focus of my career, even though the platforms that I have been involved in could have been an American or a European company,” Sanjay says. One of Sanjay's goals with WHI, he says, is “to bring First World thinking to communities wherever they are. It doesn't really matter if they are in the remote parts of India, in Africa or Asia.”

One example: “The idea for real-time monitoring of our WaterHealth Centers came from a case study I did in business school on OTIS Elevators. OTIS was having a problem where the elevators would break down and their inability to fix it in time was inconveniencing their customers. They asked themselves, ‘How can we figure out in advance when the elevator might stop working, so that we can fix it before there is a service disruption?’ That's the concept behind the maintenance of our WaterHealth Centers. We try to do predictive and preventive maintenance to avoid downtime, so we can provide reliable service to these communities.”

After leaving Enron, Sanjay founded a private equity firm and joined the board of an Indian infrastructure company. He remains on their boards, while leading WHI, for good reason: “All of these businesses are geared towards infrastructure, creating, developing and financing infrastructure. Having done this in multiple markets prepares you for situations that you might find in a venture like WHI. WHI works in five countries right now, and each is different. It is easy to adapt the learning and experience from large-scale infrastructure projects to the needs of decentralized infrastructure.”

For better or worse, large-scale, centralized infrastructure projects remain the favored way for governments to bring water to their people in virtually every circumstance. Sanjay believes that governments with limited budgets should be supporting decentralized business models that leverage private sector funding. “This enables the public sector to reach a larger number of underserved communities compared to what would be possible if they went it alone,” Sanjay wrote in a recent editorial for *Fast Company* magazine (co-authored with Dennis Merens of Dow Venture Capital).

“I think that the issue is that people have been trying to use one tool to solve every problem,” Sanjay adds. “The decentralized water purification model is one tool in the toolbox that happens to solve many of our problems, especially of communities that are spread out, or have outgrown existing infrastructure.” The challenge, Sanjay says, is “how do we get world leaders to pay attention to this innovation and stop spending money on unsustainable models? In the absence of public sector leadership, how do we get the private sector to take more of a leadership role and create public-private partnerships that can succeed?”

Sanjay can proudly point to WHI's sustainability, as the firm has achieved profitability in some parts of the world and is nearing it in others. He describes his leadership style as “collaborative, responsive and committed.” Collaborative so WHI can coexist with existing approaches; responsive to the needs of its customers and communities; and committed to reaching its goal of 100 million people within 10 years.



### IFC's Investment:

\$5 million in equity and \$10 million in long-term debt financing



**Carlos Enrique Cavalier**  
President, Alquería S.A.



Now I can go out to the communities [and watch the company] purchase the milk and see how the flow of income helps people, as opposed to alternatives with the informal market that do not pay consistently. They have real access to the modern economy.



## Connecting dairy farmers directly to the consumer

The public sector or the private: Which makes a greater impact on everyday people? Carlos Cavalier's family has established legacies in both, and Carlos himself has led a dramatic career in each, which provides him with a unique perspective on the question.

Carlos' grandfather, Jorge, was Colombia's first urologist, but his passions were in public health and public service. He became a senator and served in the Ministry of Health; he also established the Colombian arm of the Red Cross, and later became convinced of the health benefits of pasteurized milk. That conviction spurred him to buy a pasteurization plant in the city of Medellin, which his son Enrique dismantled and rebuilt in their small hometown of Cajica in 1959. Enrique ran the dairy and was also mayor of the town for 20 years. Carlos remembers hearing stories at the dinner table about his father's battles with national authorities to obtain public services for his people. That entranced young Carlos much more than talk of dairy sales numbers or debt financing, so he decided on a government career.

Carlos was attending college in the United States when activist and journalist Luis Carlos Galan Sarmiento invited him back to Colombia to be part of his New Liberalism movement. Carlos was elected to various posts, including city councilman and senator, before his political life took a difficult turn. In 1989 his mentor Galan was assassinated as he ran for President. Carlos was later elected to Colombia's House of Representatives and became general secretary of the Ministry of Justice. Then, in 1992, the notorious drug lord Pablo Escobar escaped from prison and many politicians were menaced, prompting Carlos to leave politics.

Carlos went to work on the family farm without any business education. Under his leadership, however, Alquería grew rapidly and became the country's largest provider of Ultra High Temperature (or UHT) milk. (Carlos later studied public administration at Harvard's Kennedy School of Government.) The base of the pyramid figures strongly in Alquería's business model both on the supply and distribution side. A large proportion of its suppliers are independent farmers producing as little as 10 liters a day. The company develops strong relationships with farmers through its reputation of paying on time and consistently buying milk even when the market is saturated. The company also provides technical assistance in farming, and finances small farmers who are ineligible for commercial bank loans. The assistance helps small farmers move past the subsistence stage. Alquería's distribution network focuses on small-scale corner stores that serve Colombia's working population; the stores prefer UHT milk because it lasts longer and does not require refrigeration.

## ALQUERÍA S.A.

Alquería S.A. is Colombia's third-largest dairy company, with revenues of \$280 million in 2010 and over 3,500 employees. It engages 6,415 farmers and third party suppliers. It was founded in 1959 by Dr. Jorge Cavalier, who saw an opportunity for a more modern approach to milk processing, and was the first company to introduce UHT milk into the Colombian market. Alquería owns production plants in three of Colombia's major cities— Bogotá, Cali, and Medellín— and distribution centers in the cities of Bucaramanga, Villavicencio, Cucuta, Ibague, and Neiva. Each plant serves as headquarters to one of the four business units under which Alquería operates. Alquería also has a 7 percent ownership in DASA, a joint venture with Danone, which produces and markets yogurt products under the Danone brand.



Though he fell into business somewhat by accident, Carlos feels he has a more direct impact on Colombia's low income populations now than when he worked in government. "I worked at the Ministry of Agriculture in the poor areas of the country trying to extend government services and investment into areas that were very backward. But you know government policies in developing countries are sometimes hard to implement, and it's hard to wait for an impact. Now I can go out to the communities [and watch the company] purchase the milk and see how the flow of income helps people, as opposed to alternatives with the informal market that do not pay consistently. They have real access to the modern economy."

Carlos aspires to grow his business and increase the proportion of milk he buys from small farmers, and that means expanding into rural areas still plagued by guerilla activity. It can be hard, he says, "convincing our own people to go out there and talk to the people, because sometimes you have to go alone in a car for an hour and you don't know if a guerilla group is going to come across and stop you and take you for a walk, and maybe a six month walk." But for many farmers in this area, selling milk to Alquería has become a viable alternative to growing coca leaves.

"The small farmers get caught in the middle of the fight [between the army and the guerillas]. So you have to make an

impact in at least trying to connect them to normal society. The farmers know we don't have political views. We just want to establish a country—I believe it was the first president of Serbia who said, 'We want to be a boring country like any other.' Through us they can get a moderate income, so they have the option of saying, 'Well, I used to grow coca leaves, but that was dangerous. Here I am doing something legal.'"

The Cavalier family retains full ownership of Alquería, which better allows them to pursue an inclusive approach, Carlos believes. For example, the company provides flexible schedules to its salespeople to allow them to attend school at night. For its farmers, in addition to credit and technical assistance, Alquería is planning a nutritional program that encourages rural farmers to prepare and consume vegetables in addition to their root-based diet. On the personal side, Carlos is chair of Bogotá's food bank.

As he expands Alquería internationally, Carlos wants to make sure his company is providing dependable jobs and making solid and lasting deals. He also wants to help build a base of values and knowledge so that the company does not depend too much on his own business abilities. "I want to set that example for Colombian society," he says.



### IFC's Investment:

\$5 million in equity and \$15 million in debt financing



**Gonzalo Correa**  
President, Moderna Alimentos S.A.

“

When someone works at a small bakery, and their work is being reduced to sleeping on the floor next to the oven, and working all day, that is not freedom. That is slavery.

”

## Baking bread and building bridges

Chief executives are not known as the most modest of men, but the first impression Gonzalo Correa gives is of humility.

Asked how he would title his memoirs, he responds: “I would not write an autobiography. I think that human beings have thousands of defects, and autobiographies finally fill up with lies, or at least just one side of the story. I think that the best autobiography is what you leave behind, and what people want to tell of you.”

This natural modesty facilitates Grupo Moderna’s decision to put the spotlight on its small bakers. His company, Grupo Moderna, reaches over 70 percent of Ecuador’s nearly 6,000 small bakeries with its flour products. The company builds loyalty by providing extensive training on baking techniques and business management. It has trained 10,000 individuals over the years. “We train the bakers for five to eight months and they receive the title of craftsman baker, which for them is a huge accomplishment. For us, it is just a process done through a team. But they are the star, and we must bear silent witness to their success. I believe that even though you should be a catalyst for change and the beneficiary of change, you did not accomplish the change.”

Gonzalo’s father, Moderna founder Gonzalo Correa Sr., had a progressive vision of the company—using the business as a beacon for change in society. He died during Gonzalo’s second year of university. Among his father’s final words to his son: “If there is a family business, let it be a bridge moving forward and not an anchor to the past.” For several years after college, Gonzalo tried banking and worked for other businesses, but he returned to the family business in 1995. “I saw it as a very interesting opportunity with a company with a lot of potential,” he says.

At the time, Moderna was a \$2.5 million company with a handful of employees. Today it brings in about \$150 million and employs over 100. This growth has occurred against a backdrop of challenges—a national banking crisis, major devaluations, and a period of political instability. “We have had bumps in the road,” says Gonzalo, “but I think that the opportunities in this business have yielded good results.”

For a chief executive who must appeal to a range of shareholders and a cadre of employees, Gonzalo is remarkably candid about the role of luck in his business success. For sure, he credits his company’s strategy, his management team and its sophisticated management tools. But “finally one needs to recognize the roulette of the situation,” he says. Shareholders want to maximize profits and minimize risks, but “you cannot always guarantee the greatest profits,” he says. “There are good years and bad years. And in the bad years sometimes you question everything. You question whether



## MODERNA ALIMENTOS S.A.

Moderna Alimentos S.A. is Ecuador's leading miller and marketer of wheat flour. Moderna currently supports over 4,200 small bakeries with critical ingredients, convenient ordering and delivery methods, technical assistance, and credit. Over 10,000 individuals at more than 5,000 small bakeries have been trained. The company has been in operation since June 2009, when it was formed by the merger of Molino Electro-Moderna S.A., Molinos del Ecuador S.A., and Grupo Moderna. Each of these companies had more than 12 years of experience in Ecuador's wheat and flour market. The merger gave Moderna immediate control of 39 percent of the market. Moderna operates three wheat flour mills located in Manta, Riobamba, and Cajambe. Its trademark brand, Ya, is Ecuador's leading wheat flour brand. Additionally, Moderna produces and markets bakery products, and manages a chain of 13 bakeries under franchise in Quito.



this is the right business to have invested your money in instead of buying American bonds. In good years, people think you are a hero, and they congratulate you. In the bad years, they criticize the time that you go out for lunch."

Gonzalo's humanistic business philosophy is reflected in his choice of reading material. Recently he decided to shun business books in favor of literature, "where one can find models for the business. Human relations are the most important way to accomplish a strategy, and what one needs to learn about human relations—learning to interact—this is more in literature than business books. There is more in *Crime and Punishment* about how to live your life than there are in Drucker's books on business strategy."

Gonzalo believes that the "first obligation" of a company is to generate profit for its shareholders. But all companies also have an obligation to benefit society, he adds, especially in developing countries like Ecuador. "These companies develop in the middle of difficult circumstances where there is generally much need," he says. "In Ecuador, for example, more than 50 percent live under the poverty line. All companies have a role to generate change and bettering conditions, because in the medium term, this also gets reinvested in better consumers."

In Gonzalo's case, his desire to change society is driven by compassion for the low-income bakers he serves. One of his favorite books was Amartya Sen's *Development is Freedom* because of the insight contained in its title. "When someone works at a small bakery, and their work is being reduced to sleeping on the floor next to the oven, and working all day, that is not freedom," he says. "That is slavery."

Grupo Moderna teaches self-esteem along with its business and technical classes for its bakers, because he believes persistent poverty can tear away at a person's dignity. "Poverty is hard," says Gonzalo. "Poverty is complicated, being poor is sad. You live in one room, the bathroom facilities are inadequate, there might not be running water, you work all day—the conditions for self-esteem are very poor. They need to believe in themselves, they need to believe that they won't always be poor. And only when you believe does your mind start working."

Grupo Moderna sponsors an annual event, the Day of the Family, which takes place in various cities throughout the country. "Basically I am not here to sell you anything, just come, bring your family, play a game of soccer or volleyball. Eat something. For one day in your life, you aren't stuck at your business from three in the morning until five in the afternoon. People appreciate it. People value it."



IFC's Investment:  
\$8 million in debt financing



**Teddy Esteve**  
CEO, Ecom Coffee



The whole strategy of Ecom is increase the income of our supplier, of the farmers ... not because we're cool, but because we know that supplier is going to sell to us because we're that good to them.



## Creating sustainable prosperity for farmers

It's said that a crisis brings out one's true character. Edward "Teddy" Esteve led Ecom Coffee through a crisis in the coffee industry by taking the high road to profits. Now Ecom is one of the world's largest coffee traders and a major presence in the upper end of the coffee market.

Teddy's ancestor, Jose Esteve, founded Ecom as a cotton trading business in 1849 in Spain. But Teddy was raised in Switzerland and had no intention of joining the family business. After finishing college, he had a good job offer, but family pressure was hard to resist. He grudgingly agreed to move to Mexico for six months at the persistent request of his uncle Jorge, CEO of Ecom at the time. Six months—and no more!

Upon arriving in Mexico, Teddy was given the option to work in cotton or in coffee. Coffee was a very small operation at the time and cotton was the heart of the company. He chose coffee. That was 30 years ago. Today, Teddy still lives in Mexico and is the CEO.

Starting with a small operation, Teddy had the opportunity to learn and grow with the company. "The coffee business, when I started, it was not a nice world," he says. Coffee buyers were known for being obsessed with price and caring little for the farmers who grew the commodity. Usually a commodity trader only thinks about volume, but the Esteves had a different mantra: Volume is vanity, profits are sanity. "What we've been taught is: Forget about the volume, the only important thing is profitability."

Teddy has shepherded Ecom Coffee with this basic principle in mind. The global coffee industry was upended in 1989 with the expiration of the International Coffee Agreement's quota system. Prices fluctuated wildly in the 1990s, first spiking and then crashing to historic lows. Farmers in Central America and Mexico—where Ecom owned mills—found themselves squeezed by large-scale mechanized production in Brazil and low-cost producers in Vietnam.

But there was a bright spot in the coffee market with the rise of Starbucks and other specialty coffee retailers. These retailers were creating new demand for quality coffees, and were interested in improving growing practices to ensure an increasing supply of quality coffee. There was also a rising public concern—spurred in part by the crisis—about the social and environmental impact of the coffee crop.

Ironically, it was in 1997—a year of high prices—that Ecom first began focusing its efforts on sustainability. Despite the high prices, Teddy noted, farmers were still just getting by, and their long-term viability was still threatened. Meanwhile, Ecom's traditional advantage of owning mills at the source was eroding because their competitors had also bought mills.

Ecom needed to find a new advantage. Teddy's solution: buy high and sell low.

## ECOM COFFEE

Ecom is a global soft commodity trading company founded by the Esteve family in Barcelona in 1849. Originally a cotton trader, Ecom has expanded primarily into coffee and cocoa. The company is an integrated commodity originator, processor, and merchandiser, and it sells its products to branded product manufacturers, including Nestlé Group, Starbucks, Hershey, Mars, Sara Lee, Kraft, and Folgers.

Now incorporated and headquartered in Switzerland, Ecom and its subsidiaries operate in 30 countries. The company employs approximately 6,000 people worldwide and has average annual sales of \$2.7 billion, positioning it as one of the world's leading traders of coffee, cocoa, and cotton. Ecom's coffee business is global, with more than 20 offices on five continents. In recent years, 20% of Ecom's total coffee trade was in certified varieties and the company's long-term vision is to increase this percentage significantly.



Teddy enjoys the reaction he gets when he inverts the classic investor's mantra, which is of course, buy low, sell high. Here's what he means: "The whole strategy of Ecom is increase the income of our supplier, of the farmers. We certify them. That increases their income by ten cents [per pound]. We increase their quality, which increases it another five or ten cents. Then, we increase their productivity—we multiply it by five, because it's very easy to increase productivity these days. We increase our supplier's income, not because we're cool, but because we know that supplier is going to sell to us because we're that good to him. That's what we mean by 'Buy high.'"

In turn, Ecom provides the roasters who buy its coffee a story about how the coffee is grown—a story of quality and sustainability, supported by certification and traceability. This allows the roaster to sell his end product at a premium. Selling sustainable coffee at a reasonable price—when combined with Ecom's value as a service provider—is what Teddy means by 'selling low.'

Ecom began to establish direct relationships with growers, cutting out middlemen by putting them on salary and hiring agronomists to work with the farmers. It started an "Adopt a Farm" project to help farmers increase their yields. Initially, Ecom worked through third parties to run this project, but it did not result in the increased productivity they had hoped for. These organizations did not have the accountability necessary to make it happen.

It was not until 2002, when Teddy bought his own farm, that he fully understood how much Ecom could support farmers. He quickly realized just how complicated farming was and how important technical assistance could be in increasing productivity and quality of the coffee. If someone as educated as Teddy was having trouble, imagine the challenge faced by a farmer with no formal training.

Ecom boosted its direct technical assistance efforts, later expanding into financing and micro-financing. And these efforts have paid off: "If you see our supply base at the bottom of the pyramid, it's where the yield has improved the most. It's where it's easiest to make an impact. We need the volume, so we're going to go and work with the people who can deliver it."

Commodity trading is still a tough business, one where you're "exposed to a lot of frauds, basically," Teddy says. Finding great people is crucial because in the fast-moving world of trading "the decision you make today, you'll know tomorrow morning whether it was a good one."

Teddy admits that it was difficult to convince Ecom's experienced traders—who are rewarded for short-term profitability—of the value of making long-term investments in their suppliers. A question that intrigues him is, "How can you use a ruthless trader—because that's what a trader is—to make this a better planet?"

Teddy is beginning to answer the question. His six-month adventure in Mexico has transformed into a way of life. Ask Teddy what makes this business so great and he responds: "Go to Jaltenango in Chiapas, ask for Martiniano. Martiniano is a farmer who started working with us maybe 15 years ago. Ask him where he was 15 years ago. Today, if you take all of his properties, he is probably a millionaire. The lifestyle of the people who have been growing coffee for the past 30 years—it's improving."



### IFC's Investment:

\$104 million in debt financing and \$50 million in quasi-equity in various projects covering several countries



**Juscelino Martins**  
Board Chairman, Tribanco



The more credit they got from Tribanco, the greater volume they would buy from Grupo Martins, and the longer terms they could get. So we flipped things upside down.



## Giving credit where credit is most needed

Tribanco was born under the direst of circumstances. The very day in 1990 when Brazil's central bank approved the bank's creation, President Fernando Collor de Mello announced Plano Collor, which froze 80 percent of all assets in Brazilian banks in an effort to battle rampant inflation.

The development could have been devastating for the fledgling financial institution. Its creators, the Martins family, were businessmen from Brazil's interior with no track record in banking. They had sunk a considerable portion of their own assets into the bank's initial capital. Juscelino Martins, the bank's first chief, was just 26 years old. Yet Tribanco not only survived, it grew quickly. Today, Tribanco serves about 150,000 micro- to medium-sized retailers and has issued more than 4 million credit cards to shoppers, many of whom cannot access credit through the traditional banking system due to low income.

The rebound is a testament to the ability of Juscelino and his family to build and sustain strong business relationships. "We had the personal connections, the access, the sense of focus and purpose," Juscelino says of the bank's early days. "Thanks to all of this, we got credit from other banks, from industry, and in the end we overcame all of this. It's difficult to imagine another situation so dramatic."

For Juscelino, joining his family's wholesale and distribution business "wasn't really a conscious decision; it was just sort of natural." He entered college at the age of 16, but rather than going to a major university in one of the big cities, he decided to attend the Federal University in Uberlandia. This allowed him to work for his father's business, Grupo Martins, during the day and attend school at night. For Juscelino, there was little separation between school and work. He studied economics and then information technology. "In 1981 in Brazil, IT was very expensive and unknown, like a black box. So I think my parents, my father especially, thought, 'Let me put one of my sons in this area. At least he will know exactly what these computers do.'"

At the time, Grupo Martins' competitive landscape was changing rapidly. Carrefour, a major French supermarket chain, was busily establishing large stores in Brazil's major cities. Carrefour considered grocery distributors like Grupo Martins an unnecessary intermediary. "The supermarket business model was going to wipe us out completely," Juscelino says.

The company brought in an international consulting firm, which recommended that Grupo Martins concede the major cities and focus on serving grocers in Brazil's smaller markets and rural areas. With this goal in mind, Juscelino set about putting Grupo Martins ahead of the curve in technology. The company served remote areas

## TRIBANCO

Tribanco is a Brazilian specialized financial institution that helps owners of micro-, small-, and medium-sized retail stores to expand, providing loans and check-cashing services to help them outfit and renovate their shops as well as training in store management, business practices, and marketing. Many of these stores are family businesses, which means the whole family is involved in running the shop. Tribanco operates in more than 90 percent of Brazil, including more than 5,000 towns, as well as remote rural areas with little or no access to financial services. It also offers Tricard, a private label credit card for the retailers. With the help of Tribanco and its parent company Martins Group, which wholesales much of these businesses' stock items, many small businesses have grown up to 10 times their initial size. Tribanco also partners with financial and non-financial institutions to offer other services for their clients, including Tribanco Corretora de Seguros, which offers insurance to storeowners and consumers.



all the way to the Amazon River. Losing a single truck to armed robbery or an extended breakdown could impose a significant cost. Working in Grupo Martins' logistics department, Juscelino's first major innovation was installing GPS trackers on Grupo Martins trucks. At that time, there were no GPS maps of Brazil; Juscelino and his team created the digitalized maps from scratch. They brought technology back from the U.S. for use in Brazil. By tracking the trucks, the company could react immediately when there was a breakdown or theft. The innovation helped to improve the efficiency of Grupo Martins' entire supply chain.

Within five years—at the tender age of 21—Juscelino became head of technology for Grupo Martins. His next big idea was Tribanco, a bank that served Grupo Martins clients, mostly small and medium retail shops. The idea was spawned from a discussion with IBM about how smaller grocers could raise the capital needed to implement IT solutions. At the time, Grupo Martins had a typical relationship with its retailers, with company executives routinely fielding requests from retailers asking for more financing and longer terms. It was hard to accommodate these requests: It required tying up working capital and putting the balance sheet at risk, and it burdened the company with the need to review the retailers' records. Ultimately, financing decisions were based on personal relationships with the retailers that had formed over the years. Juscelino saw an opportunity to professionalize and multiply these financial relationships through the creation of Tribanco.

The new bank flipped the wholesaling industry on its head. Instead of pleading with the distributor for short-term loans or better terms—and the distributor sometimes being forced to say no—the retailer would talk to a bank about how to grow its business. “The more credit they got from Tribanco, the greater volume they would buy from Grupo Martins, and the longer terms they could get. So we flipped things upside down.”

To overcome the crisis precipitated by Plano Collor, Tribanco secured credit lines from other banks and from its larger suppliers. The bank initially focused on providing debt capital. Then it moved into payment methods and loan services. Later, it began issuing shop-specific co-branded credit cards that allowed its retailers to provide credit to their customers in a more systematic way. A large proportion of these customers are from the base of the pyramid,

and they have difficulty finding another way to access formalized credit or to build a credit history.

Grupo Martins' philosophy is that its own growth will be driven by its customers' growth. In addition to establishing the bank, Juscelino led efforts to create a training center for the smaller retailers. Some of these were isolated deep in rural areas or in the Amazon and had little knowledge of what a retail store should look like. Grupo Martins trains them on details such as lighting and product display. It provides standardized modernization kits that have been designed by architects. Tribanco finances the renovation and energy efficiency efforts. The financial support and training allows Grupo Martins' retailers to effectively compete against large foreign retailers, which in turn helps to maintain Grupo Martins' status as Latin America's largest wholesaler and distributor.

Juscelino's business philosophy was formed during his childhood, a time of considerable political instability in Brazil. His father taught him a powerful lesson during that time: “Everything that was part of the economy, people could lose; their house, their car, their job, their private property. So you should invest in knowledge and information, and in having good relationships with people, those who worked for you and those who did not.” These “investments” in knowledge, information and relationships paid off in the early days of Tribanco, and have continued to pay off throughout Juscelino's career.



**IFC's Investment:**  
\$21.3 million in equity and \$40 million  
in debt financing



**Francisco Mere**  
CEO, Agrofinanzas S.A.



If you are not able to be financially sustainable, in the long term you are doing more harm than good.



## Trusting the BOP is a 'fantastic business'

Francisco Mere finds it inspiring and energizing to lead a business that “does something for the people,” as he puts it. “It’s what gets me out of bed in the morning,” he says. However, good intentions without a solid business model don’t benefit anyone. Francisco has a warning: “If you are not able to be financially sustainable, in the long term you are doing more harm than good.”

Agrofinanzas does a lot of good, but in a resolutely businesslike way: By serving a new market and providing a product tailored to its customers’ needs, Agrofinanzas earns a profit and rewards investors. It just so happens that most of Agrofinanzas’ customers are base-of-the-pyramid farmers.

Francisco has built his career at the intersection of business and social concerns. Before joining Agrofinanzas, he headed a government-owned agricultural development bank and was director of Societe Generale’s Energy and Natural Resources department. When leading the development bank, he stayed in Mexican farming communities and was impressed by the farmers’ entrepreneurial spirit. As CEO of Agrofinanzas, he’s putting that spirit to the test—and so far, it’s paying off.

“We’ve trusted low-income people here in Mexico and given them opportunities, and they’ve never failed us,” Francisco says. “They value these opportunities. And I think that’s a great lesson ... To those who believe that inclusion is not good business, I can say this: It’s a fantastic business.”

Most small farmers in Mexico can’t obtain financial services due in part to their lack of credit history. Agribusiness firms sometimes finance their farmer suppliers through their own credit lines, but that approach has limits: The farmers only get short-term financing and do not build a credit history with formal financial institutions that could provide them with other services. The agribusiness firms, for their part, lose some of their liquidity. Farmers without linkages to agribusiness firms lack both a market to buy their crops and access to financing.

Agrofinanzas connects rural producers with larger buyers at the end of the supply chain. The buyers and sellers develop a sales agreement that allows Agrofinanzas to predict how much the farmers will make from the harvest. That allows Agrofinanzas to finance the farmers with less risk. The loans are repaid when the crop is harvested (unlike typical lenders who require periodic repayments). And the agribusiness firms do not have to assume the role of lender. In fact, the agribusinesses develop a useful partnership with Agrofinanzas: The agribusinesses help Agrofinanzas identify reliable producers, and those farmers are given the opportunity to sign up

## AGROFINANZAS S.A.

Agrofinanzas S.A. is a non-deposit taking financial institution that provides financing to farmers and food producers in Mexico. Agrofinanzas' clients produce 25 commodities, including sugar cane and sugar, corn, wheat, sorghum, cotton, coffee, cocoa, poultry, pork, and beef, and more than 80 percent of them have never received financing before. Founded in 2005, Agrofinanzas has grown to serve more than 6,500 clients in 21 Mexican states. Before Agrofinanzas, these small producers had trouble obtaining financial services because they didn't have credit histories and there was little financial information available about them. Food distributors and processors used their own credit lines to finance individual food producers, tying up their working capital. Agrofinanzas allows companies to free up this capital while providing small producers an opportunity to access affordable loans and, simultaneously, build their credit history.



for an Agrofinanzas loan at the same time that they sign the sales agreements with the agribusiness.

Agrofinanzas offers loans for both working capital—such as inputs for this year's crop—and capital expenditures, like new equipment. The company also sends information to the national credit bureau on its clients' credit history. Good credit behavior helps farmers get follow-on loans from banks to cover other business activities or home improvements. Agrofinanzas itself was recently approved as a formal banking institution in Mexico and plans to offer saving accounts, insurance and other financial products aimed at farmers' specific needs.

Agrofinanzas' business model allows it to offer more affordable interest rates and convenient terms than agribusinesses, consumer lenders or microfinance initiatives. But those rates still must be sufficient to allow Agrofinanzas to survive and grow. And that gets to why Francisco worries that some social entrepreneurs may be "doing more harm than good." Agrofinanzas faces competition from a small number of projects that are lending to small farmers "in a non-sustainable way," Francisco believes. Whatever good these lenders are doing in the short term, they're "distorting the market" over the long run, he says.

True sustainability isn't about taking protracted losses, Francisco suggests. It's about innovation and foresight, and in the case of Agrofinanzas a deep knowledge of its industry and customer base. Francisco says Agrofinanzas wants to be a market disruptor—in the sense popularized by Clayton Christensen's *The Innovator's Dilemma*—and to pursue a "blue ocean strategy," identifying new market segments ahead of the competition.

But Francisco is also excited about "leaving a footprint in the life of people," as he puts it. In a 2011 survey, more than 30 percent of Agrofinanzas borrowers said they had improved their quality of life. The social mission helps Francisco inspire his workforce: "We do a lot of sessions with our staff where we show them the stories and the faces beyond the numbers," he says.

Francisco has always had a "passion to do something relevant, to help people," he says. And he also knows that helping people requires listening carefully to them: "I have a friend who told me, 'You know, I never learned anything while I was talking,'" he says. "That's pure wisdom."



IFC's Investment:  
\$3.4 million in equity

# Embracing the Change

When I read the stories of the leaders of IFC's inclusive business clients, I am struck by the strong sense of humility that they share. They are more concerned about making sure things get done right than by who receives the recognition.

They all have a clear philosophy of what "doing the right thing" is. They see their businesses as an intrinsic part of the larger society, and have built their companies around certain challenges society faces. These leaders have found a way to balance financial returns and long-term development impact through inclusive business models, and they do not make a trade-off between earning profits and integrating the base of the pyramid in their value chains. They understand that both are needed for a sustainable company.

Being a leader is not about a title or position in the hierarchy. It's about the daily actions one takes. The leaders in this report established teams of passionate individuals who had the attitude and commitment needed to implement their vision.

By creating companies that do not depend on a single person, they made their businesses sustainable and empowered staff to help improve the company. They all recognize that the strength of the team is as important as the strength of the leader.

These leaders' humility extends beyond their companies. They recognize that their company's success is closely intertwined with the success of the people at the BOP.

In 1956, Robert L. Garner set up IFC on the same principles of humility, teamwork, and putting people first. The stories in this publication are an inspiration for IFC to build upon its experiences. We are constantly learning from our clients. While there will be bumps along the way, we know that with each sunrise comes a new day and an opportunity to improve.



**Toshiya Masuoka**  
Director, Inclusive Business Models Group  
IFC

A handwritten signature in black ink that reads "T. Masuoka". The signature is written in a cursive, flowing style.



# Final Thoughts

The inspiring and uplifting messages of the fourteen entrepreneurs—whose stories are showcased in this report—conclusively demonstrate that businesses are indeed powerful engines of beneficial change, which can command the respect and the trust of people. Let us all ignite a global revolution of wholesome, inclusive enterprise.

***Bharat Wakhlu, Resident Director, The Tata Group***

The question is not whether we will continue to build better enterprises to serve the BoP. We must. A better question is who will be the leaders and founders of these new enterprises. This IFC report shows us that these next generation leaders will share several traits: passion for impact, vision for what can be, and the ability to truly hear the voices of the BoP. The time has come to use the power of enterprise to create a more inclusive world, and we need to encourage and support this type of inspired leadership.

***Ted London, Senior Research Fellow and Director of the Base of the Pyramid Initiative, Ross School of Business, University of Michigan***

This report is a crucial link in establishing how inclusive businesses actually start, and the inspiring innovations behind successful inclusive business models.

***Sahba Sobhani, Manager, Growing Inclusive Markets Initiative, United Nations Development Programme***

The profiles of the entrepreneurs in IFC's "Being the Change" demonstrate that regardless of sector, geography, or background, the visionary business people who recognize the potential of serving the base of the pyramid have created successful enterprises that deliver not only much-needed products, services and livelihood opportunities, but also generate good financial returns.

***Jane Nelson, Director, Corporate Social Responsibility Initiative, Harvard Kennedy School***

The role of the emerging markets has changed dramatically over the last 10 years. "Emerging markets" include not only countries like the BRICS, but also lower-income populations around the world. I have learned that the success of the "inclusive business" model is based upon business leadership and the commitment to include the segment of society that has been underserved and often neglected. The stories of the inclusive business entrepreneurs presented in this report are very inspiring.

***Yasuyuki Sugiura, President & CEO, Mitsubishi International Corporation***

Inclusive business models demonstrate how the private sector can contribute solutions that enable the sustainable development of emerging economies. The stories in IFC's "Being the Change" provide refreshing insights into the personal journeys of pioneers in this field.

***Filippo Veglio, Director, Development Focus Area, World Business Council for Sustainable Development***

I thoroughly enjoyed reading the IFC Report which showcases 14 businesses who are deploying innovative and sustainable goods and services to bottom of the pyramid customers. Well done!

***Aigboje Aig-Imoukhuede, Director/CEO, Access Bank***



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