

CASE STUDY 58

THE SNV-CAF Strategic Alliance and Program: INCLUSIVE BUSINESS WITH MICRO AND SMALL PRODUCERS

Agricultural sector
Bolivia

Context

In Bolivia, more than 60 % of the population lives in conditions of poverty., Economic activities are focused in the informal sector, and employment and market access opportunities are few and seldom offering long-term stable support. Bolivia is a country dependent on the state to play the major role in the economy. Small and medium companies in Bolivia do not have the culture of investing on research and development. They are exposed to over-priced terms of credit, far out of the reach from the immense majority of the population of low income persons that are Base of the Pyramid (BoP) in Bolivia.

In this context, the SNV technical assistance offered to Bolivian companies helps to connect the private sector and economic actors to the BoP in a more formal, economically sustainable and mutually profitable relationship.

Facing this situation, in the 2010 early SNV and CAF signed an Agreement with the purpose of promoting Inclusive Business (IB) in Bolivia, as a sustainable solution that contributes to the reduction of the poverty, with the participation and the leadership of the private sector.

CAF is a strategic partner for SNV, because CAF is a principal source of multilateral financing of the Andean region and a principal source of financing in the area of infrastructure in Latin America. For SNV, this alliance with CAF has allowed us to realize the first steps in rolling out IB on a larger scale. SNV has used the CAF program funding support to apply and refine our methodologies, and to develop managerial and financial networks that help contribute to the local and regional sustainability of our efforts in Bolivia and leverage our other programmatic efforts in country and regionally.

Clients and partners

The agreement with CAF has led to the "Inclusive Business Program for Micro and Small Producers" --a wide scale effort to incorporate BoP small producers directly into the value chain of anchor companies. It is matchmaking and catalyst/broker role for SNV that offers a win-win relationship for both BoP and companies, by meeting the needs of large companies with innovative and scalable solutions involving BoP as producers, suppliers, distributors and consumers for the company and its goods.

The program support to each company enables companies to develop sustainable linkages with the actors from the BoP, in a mutual profitable relationship, which improves the competitiveness of the company through a more sustainable supply chain, while simultaneously improving living standard of the low income communities as well.

At the beginning, the program identified ten (10) companies with potential of developing BIs, of which four (4) were selected in the agricultural production sector, because their profile and possibilities of impact. They are:

- Products MAYA
- PA&PA
- COPROCA
- SIMSA

Intervention Logic and Methods

With the first three (3) companies, SNV has co-designed and co-implemented with the company IBs focused on BoP suppliers. The fourth company has been developed as an IB with consumers and distributors.

MAYA, is a dairy products company founded in 1994. The SNV-CAF program has helped MAYA re-design its working model with its suppliers of goat milk, the bulk of which are low income/BoP producers. SNV provided technical assistance to increase MAYA's dairy productivity through its BoP suppliers, formulated into a new business model of inclusive sustainable and scalable business using new techniques for goat and cattle milk production. The SNV staff, through the CAF supported program, has provided technical assistance, resources and a strategy design for the company's sustainable growth, including identifying new opportunities in the BoP market (cattle and goat milk), introducing techniques and providing training for increasing dairy production from livestock, and introducing measures for reducing waste when transporting the perishable milk products. The results are increased income, increased productivity and increased profitability for the company and for the BoP producers. The MAYA IB has generated a win-win relationship, improving the income and the quality of life for low income dairy farmers and their families.



PA&PA, produces and sells frozen French fries for fast food restaurants. The SNV-CAF program has supported the design and initial roll-out of an IB oriented to improve the quality of the industrial processes of the whole french fry producing chain: from designing a managerial strategy to developing a broader base of BoP potato suppliers. These efforts have helped the company meet the rapidly growing national demand, and helped to create the competitive advantages necessary for the company to survive the drastic effects caused by wholesale substitution of imports with domestically produced foodstuffs. By increasing domestic productivity sources and quality, the PA&PA IB supported by the SNV-CAF program has helped to improve the technical and economic conditions for sourcing raw materials domestically within Bolivia, by employing SNV trained and recruited BoP potato producers from the rural municipality of Capinota. The IB, as it continues to roll-out to its scale potential and maximum, will also continue to improve the market opportunities, the income and quality of life of Capinota's families. The growth of the domestic potato production capacity and quality improvement will also enable Bolivia and its companies to shift away from more expensive substitute imports from Argentina. This fact means major opportunities for the BoP producers of potato who now and prospectively are incorporated into a new productive value chain, with access to new markets and new employment opportunities of potentially huge demand.



COPROCA (Compañía de Productos Camélidos), initiated its activities in 1979, when it bought from 1,000 individual llama and alpaca breeders gathered in crowds, raw fibers to be

manufactured and processed for textile production. More than thirty years later, this successful company approached SNV to help it enter a new and rising market segment – the organic clothing market. The SNV-CAF program support helps COPROCA take forward its market entry goals based on an Inclusive Business (IB) model. This IB helps the company add value to the already existing textile/Bolivian alpaca production chain, by training the BoP llama breeders and the COPROCA staff in how to cultivate, certify and guarantee the organic authenticity of the raw materials used. The result is that rural BoP communities are working with a leading Bolivian company in the production of threads, tops and clothes made from organic Alpaca fiber, generating premiums of price and increased opportunities for both the company in its new market segment, and the BoP breeders that enjoy more profitable and increased employment opportunities as a result.



SIMSA was founded 79 years ago and is a leading household name in nutritional products in Bolivia. The SNV-CAF program supports training and technical assistance for an IB with SIMSA, by recruiting and developing a new sales force comprised of BoP housewives that come from multiple low income neighborhoods across all of La Paz. It is word of mouth and community outreach marketing, achieving the commercial aims of the company, while simultaneously improving the opportunities for accessible and affordable child nutrition products to BoP households. This IB reduces costs and travel burdens associated with shopping for BoP households, and particularly for the BoP women/child caretakers. This IB also helps create the type of flexible and local opportunities that enable BoP women to increase their possibilities for gainful employment, subsequently improving their family income and their self-esteem. SNV-CAF worked with SIMSA to design this IB project specifically based on nutritional products oriented low income families from the onset, not only to address a chronic problem of child nutritional levels in Bolivia, but also because it generates market opportunities in segments of the population traditionally excluded. With these new commercial strategies and new opportunities of employment offered, both SIMSA and the BoP women residents of La Paz are improving their income and their quality of life (family and community life). This new relationship where BoP are both consumers and distributors is a win-win.



Outcome and Impact

MAYA. Goat milk production 100 % increased; 2.000 heads of cattle genetically improved; 25 % increase in the BoP family's monthly income because the price of goat milk is at least 25 % higher than the price of cow milk; up to 500 BoP families have benefited from this IB to date, meaning approximately 2.500 BoP persons improving their standard of living.

PA&PA. Increased sales by 10%, which means USD 1.5MM annual in sales; the new production of the company will substitute the actual imports from Argentina; The process of collecting and transforming the raw material have been improved; up to 750 BoP producer families have benefited, meaning approximately 3.750 BoP persons improving their standard of living.

COPROCA. Production of clothes made by organic certified Alpaca Fiber; access to high value international markets identified as "Premium markets"; revenue of the producers increased by 75 % because the prices of these products are significantly higher than conventional products; more than 1.000 rural families incorporated into the new productive process, which means approximately 5.000 BoP persons improving their standard of living.

In short, the SNV-CAF program has contributed to improving the business climate and assuring sustainable mechanisms of economic and social inclusion for people from the Base of the Pyramid. SNV is proud to say that through its strategic partnership with CAF, it is managing to improve the quality of life of 16.000 Bolivians from the Base of the Pyramid.

Lessons learned

- 1) SNV has learned that its core and value-added function and role must be that of joint, design, management and project supervision with the client, leaving the tasks of execution to the second layer of workforce (second skin) comprised of LCBs, consultants and assistants, that are recruited, contracted, trained and supervised by SNV staff.
- 2) In Bolivia, entrepreneurs are willing to jump into Inclusive Business arena but they need to be encouraged. The encouraging comes from the nonrefundable Technical Assistance. It is the initial pilot project experience and their tangible results that induces them to continue to invest their own scarce capital into the Inclusive Business Model.
- 3) Every project has its own particularities, which means that it is very important to clearly understand the economic, social and cultural reality of the participants from the BoP. In this regard, SNV's emerging ethnographic studies and expertise have become a very powerful tool and asset, distinguishing SNV's services from others in the market of professional/IB services.
- 4) It is critical to always set and continuously manage clear expectations, for both the beneficiaries and the companies.
- 5) For the private sector to engage in IB and lifting the BoP out of poverty, there is a collaboration space and brokering role between the BoP and the companies that is critical to utilize and fulfill. It will not happen on its own.

Data

- The Inclusive Business with micro and small producers was signed at the end of 2009 and is going to end by the end of august 2011.
- Team:

Horacio Barrancos Bellot, Advisor SNV	Daniela Padrón, external consultant CAF Silvia Vizcarra, external consultant CAF Daniela Quevedo, external consultant CAF
Mauricio Jordán, LCB Martín Morales, LCB David Rojas, LCB	Paula Mejía, external consultant Ramiro Luján, external consultant Iván Tejada, external consultant

- PPD

- SNV staff: 90 PPD
- LCB: 180 PPD
- External consultant: 660
- Relevant partnerships:
 - CAF, MAYA, PA&PA, SIMSA, COPROCA
- Financial resources invested:
 - CAF: \$US 85.000
 - Companies: \$US 70.150
 - SNV: \$US 42.621 (350 Euros cost of PPD x 90 ppd of SNV staff at 1.35 US/Euro exchange rate)]*

**Please note that CAF Funds did cover the direct costs of SNV involvement in this program and a large portion of the SNV indirect costs for this program alone. Attributing the PPD cost per day average for the region as a whole, however, results in this figure for total SNV investment into the SNV-CAF program. In other words, this is an estimate of how this Bolivia program helps pay for other SNV costs within the LA region, including senior management and back-office operational overhead and support costs.*