



ARLETTE PEDRAGLIO, BID

LUIZ ROS **Manager** **Opportunities for** **the Majority Office**

In Latin America, the majority of the population, approximately 360 million people, remains outside of the integrated economy, living on extremely low incomes and lacking access to basic goods and services such as energy, healthcare, and housing. This “majority” group shares other challenges such as high dependence on informal livelihoods and the “poverty penalty,” in effect a fine—a tax for being poor—in forms such as higher costs to obtain potable water and hours wasted due to inadequate transportation.

These development challenges represent a significant opportunity for the private sector to enter untapped markets, develop new products and business models, create jobs, engage low-income communities into their value chains—as stakeholders, suppliers, clients, and entrepreneurs—and drive economic growth.

The majority in Latin America and the Caribbean comprises a market

Exploring New Models to Serve the Majority

with US\$509 billion in potential purchasing power. Companies wish to tap this market, but realize that, without jobs or access to products, the poor will not and cannot consume. Businesses are realizing that they must help create jobs, infrastructure and choices as an integral part of their business model. And, they are discovering that poor people are value conscious, entrepreneurial and willing to adopt new technology.

However, neither business nor governments nor civil society by itself can unlock the potential of these markets to improve people’s lives. It must be a joint effort among the key stakeholders. The Inter-American Development Bank is uniquely positioned to promote new models of public, private and civil society partnerships due to its core capabilities of combining research, building social networks in remote communities, and, most important, assisting its shareholders, the governments in the region, in addressing development issues through innovative approaches. The future growth and development of Latin American countries will depend largely on their own ability to provide key services more inclusively.

Under the IDB’s Opportunities for the Majority Initiative, we have identified five distinct models to serve the majority. Although this is a broad categorization, it will help

target future pipeline development efforts, as it identifies the various business drivers that motivate the different groups. The five models follow: (1) large local and international companies that seek to incorporate majority communities in their value chains, delivering more appropriate products and generating income and employment opportunities; (2) financial organizations that seek to leverage their financial resources in order to reach the underserved with existing and new products; (3) investment funds that support majority-oriented activities in the region, providing equity to small entrepreneurial organizations engaged in majority markets; (4) entrepreneurial small and medium-sized companies (SMEs) that strive to address unmet needs as a strategic decision driven by opportunities for business growth; and (5) non-governmental organizations (NGOs) and cooperative organizations that are driven by the need to generate mutual value for all partners and to scale up their activities.

The IDB is rethinking its entire approach to development with the goal of enabling these types of partnerships, because we are convinced that they can unleash the latent energies, talents, and consumer power of our region’s hard-working people, who represent the backbone of our societies.