Grameen Veolia Water (GVW)

Need

- While water problems are often thought of as being associated with drought, dirty water or lack of access, there are regions where water resources are abundant but contaminated with toxins.
- In the case of Bangladesh, it is arsenic contamination, naturally occurring in the soil and not caused by human activity, which is causing lesions, cancer, numerous complications and even death;
- The consequences of arsenic contamination (which can occur in any type of country) were aggravated by the poverty typical of rural areas of Bangladesh, where the meager purchasing power of poor communities penalizes them when it comes to access to health-promoting services.

GVW, the social business

- The investment model chosen, a 50-50 joint venture between Veolia Water AMI and Grameen Health Care Service, a subsidiary of the Grameen Bank, was the Social Business model as defined by Professor Muhammad Yunus, with an initial capital of €500,000.
- Objectives: take a public service approach to supply affordable safe drinking water to the entire population of a rural area in Bangladesh, where over 99% of the population is considered by the World Resource Institute to be at the Base of the Pyramid (BoP)

Expertise of the two parties

- Grameen contributed its knowledge, local roots and local know-how to define the area for project experimentation. The village of Goalmari was chosen: it lies along the Meghna River in a rural area where the Bangladeshi government had found that 83% of the wells contained arsenic. There was a local branch of Grameen Bank there, along with a well-established network of women who had received micro loans from the Grameen Bank.
- Veolia Water contributed its technical expertise in choosing the water treatment method using river water which is arsenic free rather than ground water (a traditional technology producing water of a quality meeting the WHO standards) and in building a treatment plant and supply network appropriate to the geography.

BoP approaches

- provide the population with an existing solution as "satisfiers" to the population stakes considered to be needs from an occidental point of view but that were not knowingly expressed to date (Max-Neef, 1991). GVW chose a proven technology that would guarantee the best quality water possible for a limited cost.
- The joint-venture also benefited from Veolia Water credibility as a large French company in a country where the residents do not trust the quality of the goods and services produced by local businesses.

Business Model

- The first phase of the project, between 2008 and 2009, resulted in the construction of a plant, a 2 km network and 11 communal tap points.
- The Grameen Bank borrowers were employed and charged with opening the tap points and managing water distribution. They received a commission at the end of the month and remitted to GVW the sums received from the customers, which corresponded to the water volume supplied and recorded on each tap point's meter (franchise system).
- Water from the communal tap points is sold for 2.5 takas for 10 liters, comparable to what a village man pays for his habitual glass of tea at the local market. The price was set above all to make water affordable and does not cover the company's capital investments and operating expenses in the project's early years.

Disappointing Result after 6 months

- After the first six months, sales at the tap points were disappointing, stagnating at 10% of the forecasts despite the favorable reception given the project and the organization of a communications campaign (of a general nature at first but then oriented toward health benefits, with physicians featured).
- In spite of repeated urging from GVW staff and follow-up by the Grameen employees to encourage the villagers to use the tap points, the residents of Goalmari did not seem to change their habits and continued to use water from the wells, even when they were contaminated by arsenic and, in some cases, marked with a red cross.

Bottom-up not Top-down

- What had been seen as a means to respond to a so-called “need” did not solve directly the problem that had been primary highlighted.
- The initial top-down approaches led to another completing stage where the roles of the parties were reorganized, making them more suitable for the realities on the ground through the network expansion to Padua, where the penetration rate is now 40%.
- Based on consultations with the residents of the different villages of Padua, decisions were made on tap point siting and the organization of service (schedules, role of the dealers, payment, etc.), inspired from pragmatic Human Centered Design (IDEO, 2009) methods.

Innovation

- The initial maximum distance of 250 m between a tap point and the houses to be served was reduced to 50 m. A new strategy of greater involvement of the inhabitants as beneficiaries, consumers and potential players in the business (GVW stakeholders such as schools, public and religious authorities, etc…) has increased the prospects for embedding the GVW project in the communities.

Need ≠ Market

- Four times more people were using the tap points than in the first phase, but GVW was still not satisfied. More resources were assigned to analyze the obstacles to consumption of arsenic-free water.
- While a need for drinking water had been identified upstream of the project, it did not mean that there were a corresponding market (Simanis, 2010). Thus, after planting the seed, a better process for community participation seemed necessary to help change habits and create demand and a market (Hart, 2008).

Social and Societal Aspects

- With the support of the ESSEC Institute of Innovation and Social Entrepreneurship, Veolia Water began to focus more on the project's social and societal aspects. It was decided to initiate a process of mutual commitment and participation with the communities, combined with social innovation modeled on the principles of the BoP Protocol and other multidisciplinary approaches.

BoP Protocol

- based on multidisciplinary academic approaches (anthropology, social action, international development, graphic design, etc.) and participatory and social embeddedness methods (including Participatory Rural Appraisal, rapid ethnography and the Rapid Assessment Process) to set innovation in motion.
- The protocol is used by the IIES in combination with complementary deliberative approaches to multi-player, multi-criteria innovation and evaluation (Vidal, 2011).

World Coffee Meeting

- Focus groups inspired by the "World Coffee Meeting" participatory workshops were held in 2010 to allow residents to express their views on the village's water problems and choose the discussion topics themselves. This type of approach brings out the complex factors in communities' values and representations, to encourage the stakeholders express their point of view through building a deep dialog and make community actors agents of the innovation process (Vidal, 2011).

Anthropological Study

- was conducted by the Drishti Research Center between August 2010 and April 2011 to provide a better understanding of the village's socioeconomic structure, the importance of tradition, the social representations associated with water and the residents' position on arsenic and diseases due to it.
- revealed the origin of some of the obstacles and will enable GVW to embark on a comprehensive new and more-targeted action plan.
- As in any research, the actions are evaluated for their effectiveness and pertinence and are then corrected, deployed or abandoned.

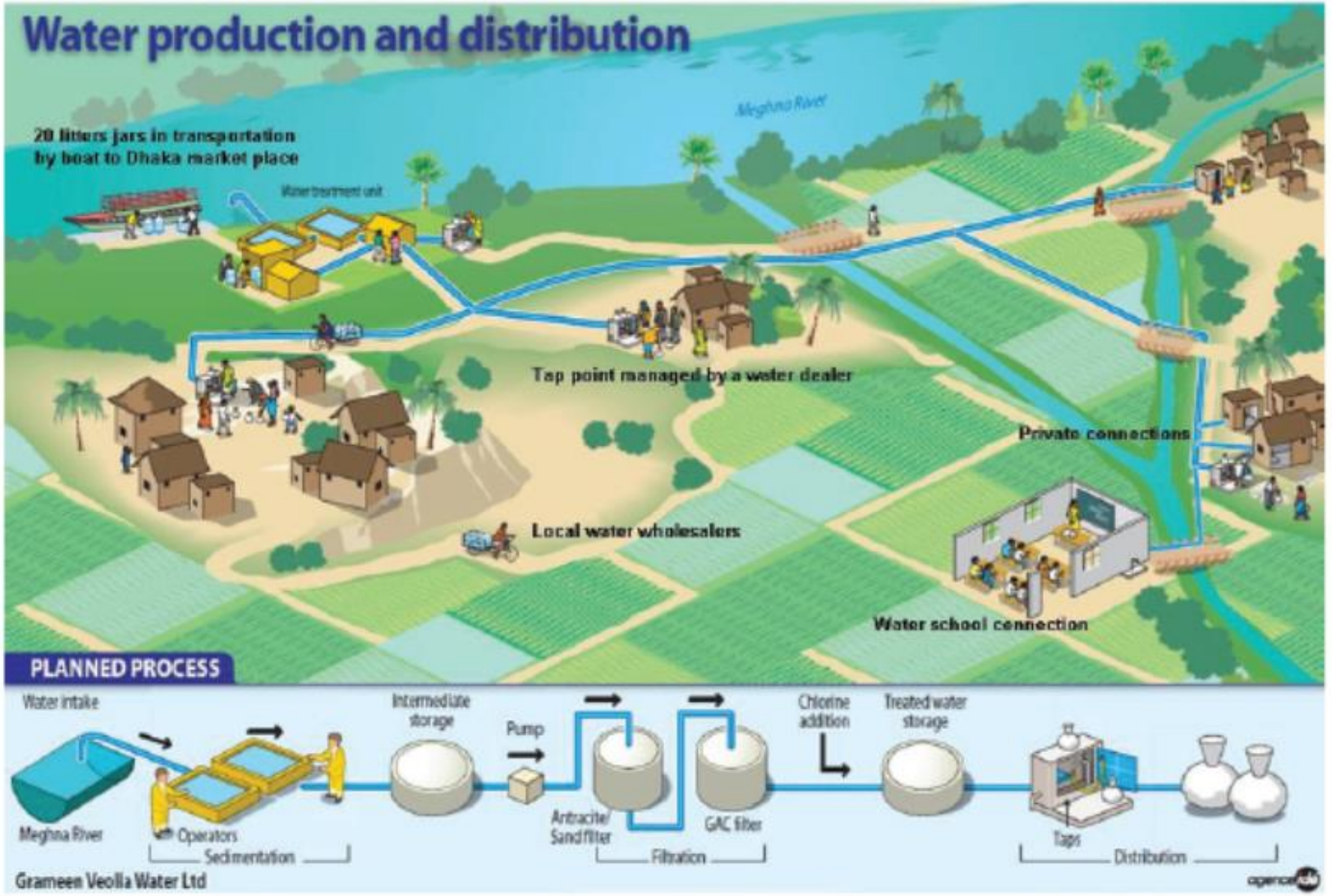

Figure 1. Grameen Veolia Water processes.

Partnership approach based on local entrepreneurship

- In rural areas, almost half of GVW’ s sales are through wholesalers, who distribute 20-liter containers to neighboring villages.
- They capitalize on the credibility of a large French company to promote GVW water.
- The women selling water from the tap points were also recruited with a view to promoting entrepreneurship (franchise).
- The villages were too small, however, to identify the right people for project promotion: sales varied widely and were often closely related to the saleslady’s motivation and commitment (Blanchet, 2011).

Re-evaluating the economic model

- These dimensions must be considered in re-evaluating the economic model since it is important to find levers for community involvement, which will be a factor in co-building the market with the players in a coherent overall model based on the right to imagine (Hart, 2008) and the right to change approaches, “so long as the primary objective remains the same” (Yunus, 2010.) Social Business involves interaction with the players in an ecosystem that it helps build by creating new “hybrid value chains” with local entrepreneurs or NGOs (Ashoka, 2005). In a second period, different types of distribution were added and tested, for example, private individual and collective connections.

Innovation Framework

- Since the business model did not produce enough revenue to ensure sustainable water supply, GVW's Board of Directors decided to target urban customers by selling 20-liter containers of water from Goalmari to a new urban segment with greater purchasing power (government, hotels, etc.).
- Revenue generated by sales of water containers in an active market will finance expansion of the rural market. This new dimension of the business reflects GVW's interest in implementing innovative ways of achieving its objectives.
- It wanted to design a hybrid economic model called cross-subsidization that combines revenue-generating activities.

Long amortization period

- Over time, investments that are too big for rural communities to bear can be financed through a sufficiently long amortization period and effective formulas for pooling or equalizing the costs and revenues.
- In this manner, Social Business is relying on a process of economic sustainability through economic stabilization.
- Moreover, this system of equalization can be used to finance rural water distribution and replicate the business model elsewhere. GVW is expected to break even (rural and urban operations combined) in 2014.

Attract new investment

- profits from the urban segment can go to expanding the amount of water consumed in the rural Goalmari and Padua areas. The money generated by this new segment and the learnings from the introduction and evaluation of new action plans in Goalmari and Padua will improve the efficiency of GVW's approach in rural areas.
- At the end of the project's pilot phase, GVW's performance in terms of economic, social and health benefits will be assessed.
- In the end, the performance level achieved in the rural areas and the viability of the business model would attract new outside investment to respond on a larger scale to the public health problems of rural communities in Bangladesh.

Outcomes

- Social Business is an efficient tool for poverty reduction: it provides sustainable solutions (revenue from the activity must cover the capital investment and operating costs) and it warrants replication.
- A change in scale is possible because the structure will have learned from its initial experience and because the money to finance replication will be available once the capital initially invested is built up again.

Learning Curve

- Social Business puts a company on a learning curve: Experimenting with a Social Business project in a “White Space”, as described in the BoP Protocol and represented by a joint venture with a flexible scope of action, offers the long-term perspective needed in managing innovative models at the base of the pyramid.
- A company testing methods of action outside its habitual sphere will therefore find itself engaged in entrepreneurial learning that will change and improve its practices based on the principle of learning by doing.

Experiential Curve

- Testing activities under the radar also makes possible projects that diverge from the usual activities, while company resources, competencies and expertise can be allocated to them. This experiential curve is enriched by innovative governance tools and methods of appraising societal performance, which are also important for the company’s core activities and enter into its overall CSR policy

Vector of change

- All experiments in Social Business have a mobilizing effect in the company. Personally and professionally rewarding because of their effects on society, such experiments define the objectives of tomorrow’s senior managers.
- raises important questions in the minds of the players and makes them demand a lot from within themselves.
- Aside from internal financial and strategic considerations, companies involved in Social Business projects are bound by their commitments. This implies discipline in carrying out the projects and serves as a stimulus for success and the creation of positive societal impacts.