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Abstract

This article criticises current BoP approaches for under-appreciating two issues that play vital roles in projects targeting the poor at the BoP: heterogeneity among the poor, and the intricacies of participatory partnerships between TNCs, the non-profit sector (NGOs) and local poor communities in the global south. Our main contention is that the extant BoP literature has a naïve view of what working with the poor really involves, which grossly underestimates adverse power relationships and disregards the hierarchies between the poor and outsiders who administer development interventions. To unpack the hidden complexities associated with heterogeneity and partnership dynamics, we draw on extensive knowledge from the field of development studies, which has accumulated key insights about working in and with poorer communities over several decades.

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1. Introduction

Can transnational corporations (TNCs) help improve the living conditions of the world's 4 billion poor to the extent that the global poverty problem would be eradicated by 2015? If it were up to leading American business school scholars writing about the Base of the Pyramid (BoP), the answer to this question would be an unequivocal ‘yes’, in spite of decades’ worth of controversial experience with the role of private business in development (Newell and Frynas, 2007). The flurry of recent BoP writings exudes an optimism about ‘the development project’ not witnessed since the large-scale development efforts driven by governments, international organisations and NGOs immediately after WWII.

The euphoria of the early postcolonial period has long since evaporated due to the lack of widespread achievements, and was supplanted by a lengthy period of disillusionment dominated by the Washington Consensus-based doctrine of unquestioned belief in narrow market-based solutions to poverty. During that period, many of the world’s poor experienced development in reverse. Hence, towards the end of the 1990s voices calling for a kinder, more socially inclusive and environmentally responsible capitalism became ever louder. The BoP proposition is a product of this period, riding onto an emerging global wave of popular concern about the future of our planet and the fate of the world’s vulnerable poor in the 21st century global capitalist system.

Meanwhile, these rising sentiments in the development arena blended remarkably well with the world’s large transnational corporations’ efforts to look for solutions to structural market saturation and slow growth in their established home markets. The unexplored BoP, with its vast numbers of people, was presented as the last global business frontier, brimming with latent business investment opportunities and consumption potential. All that remained to be done was to unleash these forces for a ‘win-win’ outcome (Prahalad, 2004).

But can the BoP proposition really deliver? So far, however, the corporate BoP idea is essentially unproven, despite leading BoP proponents now claiming to be well on the way to having identified the key processes and principles to success, and that it is just a matter of time before widespread tangible results will come about (e.g., Simanis and Hart, 2008). However, there are also a growing number of concerned scholars who have questioned key assumptions underlying the predicted ‘win-win’ outcomes, and raised sincere doubts about the viability and desirability of the world's leading corporations assuming the lead role in anti-poverty strategies.

This article is positioned within this growing body of critical literature. The specific focus of our critique is the casual manner in which the leading BoP proponents have treated two issues: heterogeneity among the poor, and the intricacies of participatory partnerships between TNCs, the non-profit sector (NGOs) and local poor communities in the global south. Our main contention is that the extant BoP literature has a naïve view of working with the poor, which grossly underestimates the adverse power relationships and disregards the hierarchies between the poor and outsiders who administer development interventions. To unpack the hidden complexities associated with heterogeneity and participation dynamics, we draw on extensive knowledge from the field of development studies, which has accumulated key insights about working in and with poor communities over several decades.

In section 2, we set the scene by briefly summarizing the motivations by TNCs for harnessing the market potential at the BoP, which gave rise to the emergence of the original BoP proposition (termed BOP 1). The essential features of BoP 1 are briefly sketched out in section 3. BoP 1 emphasized the poor in their role as latent consumers. Hence, unlocking the poor's consumptive potential is considered sufficient to raise their living standards as well as yield profits for TNCs. In response to extensive criticism of the product-delivery driven top-down BoP 1 perspective, the BoP discourse has recently evolved a more participative BOP 2 model, which we discuss in section 4. BoP 2 aims at raising the poor's earning capacity along with increased consumption through the co-creation of innovative business models by the TNC, the poor and other local actors in specific communities. At this point we encounter the BoP 2's under-appreciation of the complexities of the partnership and participation processes. Section 5 is an in-depth discussion of participation and partnership intricacies in development based on key insights from development studies, and illustrated with examples from the Indian rural scene. It is divided into three parts, each of which highlights a different sub-field within which these complexities are played out: heterogeneity within local communities; interactions between local poor communities and outsider-interveners; and issues arising from the embeddedness of poor communities in broader national and global spheres of economics and politics. In section 6 we provide some conclusions.

2. Motivations of TNCs for harnessing BoP markets

The BoP literature has highlighted a number of drivers for TNCs to become engaged with the world's poorest of the poor. The motives encompass hardcore business arguments, corporate social responsibility and broad developmental justifications. Although the BoP proponents consistently emphasize the potential "win-win" nature of the strategies they advocate, significant tensions may in fact emerge when simultaneously trying to achieve these diverse goals. In practice, therefore, BoP projects are more likely to experience the need for a delicate balancing act between their search for private profits and their social concerns for the world's poor. This can easily go wrong one way or another. Since the sources of the tensions bear on the subject matter of this paper, we explore the various BoP arguments in this section as a precursor to our discussion about heterogeneity and participation problems at the BoP, as identified by development scholars over the last two decades.

The discourse about the BoP as a business case spans a mix of threats and new opportunities. The threats are real and big. Future long-term market growth in developed-country markets is likely to be slow. Widespread market saturation, combined with the entry of new low-cost competitors from emerging economies who are making steady inroads into western markets (e.g. Athreye and Kapur 2009; Duysters et al. 2009; The Economist 2007a and 2007b), result in ever keener competition and structural overcrowding. These established markets no longer yield sufficiently lucrative financial prospects for large corporate investors (Hart and Christensen 2002; London 2007;

Prahalad and Hammond 2002). This increasingly uncomfortable situation is making it imperative for firms to explore unconventional markets in order to generate new future revenue streams (London and Hart 2004).

The last large unexplored global market 'frontier' is the BoP, which is perceived to represent vast untapped business opportunities (e.g. Wilson and Wilson 2006). Prahalad has argued that the opportunity lies in the fact that many of the world's poor are in fact 'underserved' due to all kinds of market imperfections. For instance, the prices they pay for basic goods and services such as water, health services or credit may be higher than what wealthier income groups pay for equivalent (or even better quality) items due to local monopolies, unequal power relationships, inadequate market information, and so on (Prahalad 2004; Prahalad and Hammond 2002). The poor are also said to be neglected by the existing private sector due to the widespread erroneous belief that there is no profit to be made by serving this segment of the population. In this view, therefore, the population at the BoP has a lot of unmet needs as well as latent purchasing power, which represent potentially large business revenue possibilities by dint of the vast numbers of people living there (London 2007). Large TNCs with their deep financial pockets, vast technical resources and managerial experience required for developing and serving large markets, would be particularly well placed to create useful products and services for the vast BoP segment of the world's population, and to do so profitably. Moreover, since these markets are in the earliest stages, it is envisaged that revenue growth at the BoP can be extremely rapid (Prahalad and Hammond 2002). Some firms therefore instigate investments in BoP projects not because of any substantial current profit opportunities, but rather because they want to obtain future first-mover advantages in emerging markets (Hopkins 2007). By developing and adapting products for local markets firms can build brand recognition and they can accumulate knowledge about potential clients. This can lead to competitive advantage in a later stage (Sanders 2006; Capell and Lakshman 2008).

Some have taken the business case even one step further, arguing that going down the BoP route is not merely about tapping vast unexplored business opportunities at the BoP for its own sake, but also about how the engagement with the BoP can ultimately help TNCs to beat their most powerful competitors on their home turf. Authors like Christensen emphasize that TNCs have no choice but to turn to the world's poor in order to develop new capabilities for "disruptive innovation": the incubation and commercialisation of revolutionary new products and services that combine very low price with good value. It is argued that such capabilities can only be developed successfully by being exposed to BoP markets, where these product characteristics are ruthlessly pursued by potential customers. The experience gained there would ultimately serve as a springboard for western TNCs to recapture market share in their traditional markets with revolutionary superior products (Christensen and Raynor 2003; Seelos and Mair 2005; Hart and Christensen 2002; Hagel and Brown 2005).

However, the BoP movement aims to be much more than a self-interested business strategy to survive and thrive in an increasingly globalised world. It also lays claim to being a viable approach for sustainable development that can deal with the world's intractable poverty problem. Prahalad (2004) even goes as far as to claim that the BoP approach can eradicate the world's poverty problem by 2020. Coincidentally or not, the argument that BoP business strategies aimed at developing and selling products and services designed for the poor would have the potential of lifting billions of people out of poverty tallies well with the latest developmental strategies advocated by leading international development institutions that have been leaning heavily towards a substantial role for the private sector for meeting Millennium Development Goals since the late 1990s. Publications such as *Unleashing Entrepreneurship, Making Business Work for the Poor* (UN Commission on the Private Sector and Development 2004) and *Creating Value for all: Strategies for Doing Business with the Poor* (UNDP 2008) all convey the basic idea that many areas that have been traditionally served by governments and non-profits could benefit from the application of commercial business principles and market-creation approaches used by private business, and in this way deliver the coveted financial sustainability that often has been sorely lacking in earlier development approaches. Indeed, we are witnessing a historic alignment of interests, ways of thinking and strategic approaches between two communities that have led separate lives for decades (Lodge and Wilson 2006). This process of unlikely convergence – although riddled with hurdles – has set the stage for dialogue and attempts to forge partnerships between traditional non-commercial development institutions and private sector parties, including large western TNCs, with the stated aim of bringing about widespread and sustainable pro-poor development (London 2007; Simanis and Hart 2009).

Of course, there are also additional, less emphasized, aims behind corporate BoP strategies, which can benefit from emphasizing the noble anti-poverty agenda. It is worth pointing out that there are several examples where private corporations have received funds from public and international developmental institutions to help them to get started with the implementation of BoP programmes.

More enlightened forms of corporate self-interest can also be served in this way. For instance, as argued by London (2007) and Lodge and Wilson (2006), the shrinkage of our world into a global village has spread our consciousness about the vast gap between rich and poor and the alarming rate at which our environment is being destroyed. Since the global operations of powerful large corporations are widely perceived to be the primary drivers behind these problems, TNCs have come under considerable scrutiny and pressure to pursue a socially more inclusive and environmentally responsible type of capitalism, whether for moral reasons or to abate menaces of large-scale economic international migration, international terrorism and climate change (Ibid.: 118). The recent broad interest in Social Corporate Responsibility and the lively debate about what SCR schemes aimed at the BoP can and cannot deliver, also testifies to this trend (Blowfield 2005; Hopkins 2007). So, too, does the recent emergence of various kinds of experimental 'social entrepreneurship' models that attempt to pursue broader social and environmental aims alongside observing their financial bottom line and managing short-term shareholder interests. Some more perceptive corporate strategy writers have in fact pointed out that the value to corporations of pursuing sustainable BoP-focused strategies lies not merely in helping the poor through pursuing profits at the BoP, but also in the unique opportunity that this strategy could afford for re-invigorating their eroded legitimacy in their home markets (Lodge and Wilson 2006; Sanders 2006). They even see this as the ultimate reason why TNCs should get involved in anti-poverty activities. Lack of legitimacy breeds distrust in the firms' stakeholders and in society at large, and no firm can flourish without trust in the long term.

Judging by the virtual absence of internal discussion on the subject in the BoP literature, BoP proponents (e.g. Simanis and Hart 2008; Simanis et al. 2008) do not perceive the simultaneous pursuit of all these disparate objectives as presenting a potentially problematic tall order, or at least they do not want to portray it as such. They make it appear as if win-win outcomes will come about almost as a matter of course after firms take the plunge. Achieving success at the BoP is essentially presented as a matter of ironing out teething problems and learning the relevant routines. To be sure, this will take some exploration, patience and effort, but all will be well in due course. As we will argue in this paper, this rosy view of things grossly underestimates the problems encountered by TNCs as they try to engender BoP-relevant, profitable, and innovative environmentally sustainable products and business models in BoP settings, that can then *also* be successfully scaled or replicated widely so as to achieve the anti-poverty impact and profit that is expected from them.

3. BoP1

Since the publication of two articles (Prahalad and Hart 2002 and Prahalad and Hammond 2002), followed by Prahalad's (2004) book, the BoP concept rapidly gained common currency in business and development circles. In its original interpretation the BoP is an income-based definition, referring to the approximately four billion people who have an annual purchasing power (in PPP terms) of less than $ 1500. But since people with annual incomes of around $1500 are still worlds apart from the very poor, a somewhat more restricted definition of 1-2$ per day PPP also came to be widely adopted in due course (e.g. London 2007). Later BoP literature has also taken more explicit cognizance of the fact that poverty is a complex multidimensional phenomenon that cannot be adequately defined by an income-based measure alone (e.g. London 2007).

We have seen that the BoP approach is premised on the important assumption that the combined pursuit of corporate profits and widespread poverty eradication is possible because (1) there is believed to be much latent collective purchasing power at the BoP; and (2) private corporations can allegedly raise the prosperity of the poor by selling them products and services. The early BoP literature (up to around 2005, henceforth called BoP1) put a lot of emphasis on the first point. In order for companies to succeed at the BoP, it is crucial that the poor's latent purchasing power be mobilised, in other words that the BoP be turned into a consumer market. The big challenge for corporations is thus to mobilize the BoP's capacity to consume. This is to be done by working on three aspects that are conducive to turning the poor into consumers: affordability, access, and availability (Prahalad 2004). Examples of schemes that have tried to do this include single-serving packaging of basic consumption goods such as laundry soap and tea (increasing affordability through cash flow-smoothing), observing late opening hours (to facilitate access to poor people who cannot afford to pre-date or postpone their buying decisions), and to set up franchise-style rural distribution channels for modern consumer products like shampoos and body lotions (to increase availability and choice in remote areas). Sometimes, new markets have also been created, as in the case of nutritious low-cost ice creams (Prahalad 2004).

This BoP1 approach is largely top-down and places heavy emphasis on deriving profits from selling to the poor (e.g. Sprague 2008: 89). It has come in for heavy criticism on a number of counts, which already have been elaborated elsewhere and need not be repeated here at any length (see e.g. Landrum 2007, for a good overview). Only the points that are most salient for the purpose of this paper need a brief mention here.

The lack of empirical support for the BoP win-win proposition is worrying. First there is the fact that several case studies that have been flouted as BoP schemes fail to meet one or more BoP criteria. Several are not operated by western corporations (such as the Indian Jaipur Foot project and the Aravind Eye Care Project (Karnani 2007), and the efforts by the Haier Group to create rural markets among less-well off people in China (Anderson and Billou, 2007). In fact there is increasing evidence of Southern-led creative entrepreneurial initiatives that are successfully serving the BoP, even in the difficult context of Sub-Saharan Africa (Hamann et al. 2008; UNDP 2008). This is giving rise to critical observations that TNCs have no particular advantages in serving this complex market, and that local entrepreneurship should be facilitated instead.

Other case studies that are indeed operated by TNCs upon closer inspection were found to aim at above-BoP markets, for instance Philips India's rural health project DISHA that aimed for people with incomes between $1000-$2000 per annum (Kasturi Rangan et al. 2007), and the Mexican Cemex-operated Patrimonio Hoy programme, whose repayment requirements by participants work out to about $1.3 per day – an unaffordable proposition for those below the poverty line (Jenkins 2005; Karnani 2006).

More seriously, the BoP critiques bring out that schemes that do qualify as BoP projects proper appear to be questionable in terms of their performance either on the profit-side of things, or on their anti-poverty impact, with the overall result that these schemes, too, fail to provide support for the BoP win-win proposition. Zooming in on the profit prospects of Prahalad's (2004) case studies, Karnani's (2007) analysis is highly sceptical about the possibilities for TNCs to exploit economies of scale, given the difficulties and high transaction costs of operating in environments without developed infrastructure and modern institutions, and the low margin on each small BoP transaction. He concludes that "virtually none of the examples cited by the BoP proposition support the recommendation that companies can make a fortune by selling to the BoP" (Karnani 2007: 6). More sympathetic authors frame the profitability issue in terms of major challenges that are yet to be confronted: "Companies are under inevitable pressure to bring their BoP ventures to scale. In many such ventures, the true profit driver lies in volume rather than in profit margin. However, because of challenges of ill-equipped organizational [corporate] cultures and the serious institutional and infrastructural deficits that characterise the BoP environment, few BoP ventures can be expected to reach scale at the pace seen in their mainstream counterparts" (Kasturi Rangan et al. 2007: 8).[1]

Meanwhile, analysts looking at the BoP proposition from the poverty-alleviation perspective have taken issue with the notion that corporations would actually be able to raise people's living standards by selling to the BoP (e.g. Bendell 2005; Jaiswal 2007; Jenkins 2005; Jose 2006; Karnani 2007; Walsh et al. 2005; Zachary 2005). The fact is that the BoP1 proposition has indeed performed poorly in its treatment of the poverty-eradication implications of its advocated strategies. An analysis of the mechanisms through which BoP strategies are supposed to impact on socio-economic development is completely missing in the early BoP literature (Walsch et al. 2005). Perhaps we are justified in concluding from this that there *are* really no poverty eradication implications worth mentioning.

The empirical evidence on this count is certainly not promising. Some critics have taken particular exception to the idea of the single serving sachets, which often create new environmental problems and are no cheaper than equivalent goods in larger packages. Corporations using sophisticated marketing tactics can also deceive poor people into believing that they are better off by using glamorous modern products such as branded lotions and skin creams that are in fact expensive substitutes for their earlier-used traditional products prepared and supplied by local businesspeople. For example, in the case of the widely hyped Hindustan Unilever's BoP project Shakti, "the challenge was to change long entrenched behaviours and shift consumers from commodities to brands. For the HL shampoo brand Clinic Plus, the challenge was to create dissonance among users of mud, natural herbs, and low-cost local shampoos" (Sinha et al. 2007, in: Kasturi Rangan et al. 2007). This smacks of exploitation and manipulation of ill-informed people, which is ethically problematic (Karnani 2007). Even more problematic is the fact that some of these schemes were co-funded by public bodies (Seelos and Mair 2006). The Shakti project was co-funded by the World Health Organisation to promote good hygiene practices and which promoted its own brands alongside this. Interestingly, the project was no great success from the business point of view, either. High turnover by the recruited sales ladies who found their hard work insufficiently rewarding financially has plagued the programme from its inception (Simanis et al. 2008).

But the basic issue at stake goes even beyond this. Even if these types of excesses can be avoided (which is hard), can poor people increase their quality of life through an improved access to a wide range of cheap, good, high-quality products and services to such an extent that this will pull them out of chronic poverty? There is essentially no evidence to support this notion. As one critic

[1] These observations are backed up by a host of business strategy papers that have examined the potential minefields likely to be encountered by western corporations entering emerging markets, even when they do not have a BoP focus. A review of that literature brings out the crucial importance of understanding the institutional context, and that some of the research also points to the business-unfriendly behaviour of government and the influence of social networks and culture. Particular questions are raised about the desirability and the feasibility of introducing or even imposing American-style approaches in these contexts (Hoskisson et al. 2000: 263). A later review warns that the evidence points to many multinational companies having fared poorly in developing countries because of all kinds of modern institutional voids, and companies' inability to grasp how they could work around these (Khanna et al. 2005).

remarked, ".. it is perfectly possible to use the market to extend access to useful goods and services ... [but] few of these efforts have any substantial, long-term, broad-based impact on social transformation. ... The reason is pretty obvious: systemic change involves social movements, politics and the state, which these experiments generally ignore" (Edwards 2008: 37). For instance, in the case of HLL's Shakti, a field study found no evidence that the project empowers women or promotes community action (Tandon and Thekkudan 2007, as cited in Edwards 2008: 41).

Another issue that has been widely pointed out is that developmental impact cannot be expected without enabling the poor to increase their productive capacity and earning power, rather than focusing on turning them into consumers of TNC-made products whose value for their enhanced well-being is in any case open to dispute (Karnani 2007; Jaiswal 2007; Zachary 2005; Hopkins 2007, Kasturi Rangan et al. 2007). Poverty can be addressed only when attempts to raise consumption are brought together with efforts to boost local production and local income generation. Moreover, the consumption aspect should focus on the things that the poor really need, such as basic shelter, food, water, clothing and energy (Khosla 2007).

In conclusion, the high promises raised by the BOP1 approach have been shown to be based on some heroic assumptions. The basic point is that there seems to be no latent fortune at the BoP which is just waiting to be tapped by foreign corporations rolling into this vast "market" with revolutionary products and services that will be readily embraced by large numbers of poor, let alone that a BoP strategy also could have the effect of inducing widespread poverty eradication.

In the light of these critiques and the emerging lack of clear win-win scenario's in early top-down BoP experiments such as the Philips health care and stove projects in India, Nike's World Shoe project in China (Simanis et al. 2008), the BoP movement has tried to move forward in order to improve effectiveness as well as to salvage its dented public image. As reflected in the later BoP literature (henceforth called BoP2), BoP discourse and practices began to shift away from the traditional linear innovation approach implied by its top-down sales-focused business concept, towards approaches that require active engagement with the poor. These are inspired by insights from community development and participation studies that take a much more organic view of innovation as societally-constructed learning and capacity-building processes that must be *driven by local needs* in order to be successful. The lack of attention to local needs as felt and experienced by the poor had been flagged by critics as a crucial factor behind the lack of impact (Khosla 2007; Kandachar and Halme 2007) Put briefly, BoP practitioners are turning towards more bottom-up methodologies of local *co-creation* of innovative solutions to poverty problems through interactive learning in close dialogue and partnership with the poor and other stakeholders. This is an interesting and potentially fruitful development, which however does raise a host of new issues of how to achieve effective participation and deal with heterogeneity within local BoP communities.

Meanwhile the first big unsolved problem in BoP1, the requirement of achieving scale for profitability, has received remarkably little attention. This is so despite the fact that in the face of low feasible profit margins, the viability of the whole BoP approach stands or falls with the ability of firms to engender business concepts that have the potential to be *widely scalable* sources of revenue. This fact has been pointed out not merely by critics but also by many BoP proponents themselves.

Arguably, the issue of scalability has even grown in magnitude since BoP has moved on from BoP1 to BoP2. This is because the co-creation of locally relevant business solutions through the deep embedding of foreign TNCs into particular local scenes is intensely focused on producing locally appropriate innovations that blend well with local informal institutions, culture, economic ways of organising, and governance structures in those particular local informal environments where the BoP experiments take place.

This approach may well be the best way in which to effect longer-term financial viability of local ventures. However, it remains to be seen whether these locally grown solutions – or even the local learning processes underlying them – would have potential for broad upscaling or replication across different communities, localities, regions and countries. Early evidence about intra-country heterogeneity seems to suggest that this issues could become highly problematic (Ault and Spicer 2008). In particular, serious doubts have been expressed about the feasibility of the BoP approach to the world's poorest countries in Sub-Saharan Africa (Rost and Ydren 2006). The analysis of these authors shows that the concept of one BoP is essentially a false one. There is not even a series of identifiable BoP segments that one can distinguish by income segment, and target accordingly. That leads to a new conundrum because the BoP's requirements for locally-targeted products often cannot be met with the sort of business models that TNCs are good at operating – those that rely on large resources with which one can reap economies of scale from producing large volumes of standardised goods, operating centralised warehousing facilities and utilising of modern distribution logistics (WEF 2009: 19-20).

However, since it is not yet clear that the BoP2 approach can indeed yield socially desirable, profitable and developmentally relevant outcomes at the micro level, an in-depth discussion of these wider scaling issues in this paper is premature. Instead, we will focus on two salient issues that have to be confronted by first-time *local* BoP2 experiments: intra-group heterogeneity and pitfalls of participation at the local level. This is the arena where a company has to get down to the nuts and bolts of doing business in a particular new environment in which the specificities of the power plays, networks, allegiances, and feuds in a particular locality must be confronted.

4. BOP 2

The extent to which BoP has become popular among business strategists and management researchers in the spate of less than a decade is captured by some remarkable developments. Starting in 2004, the BoP movement evolved a best-practice manual called the BoP Protocol, which documents the principal BoP ideas and practices. Since 2004, the manual has already seen a major overhaul, as it evolved from the initial top-down model of selling-to-the-poor discussed in the previous section, to a model based on bottom-up business co-venturing (for this latest version 2.0 of the BoP Protocol see: Simanis and Hart 2008). In recent BoP literature the letter "B" in the abbreviation was also re-baptised to "Base", to convey the positive idea of a platform or launchpad from which one can build upwards. It seems as if one wanted to get away from the derogatory "Bottom" to which corporations reach down to help the miserable poor who are stuck there. The complete elaboration of the Protocol version 2.0 is obviously still a work in progress, so it is too early to pass a definitive judgement on its merits and weaknesses. However, we can make some salient observations about its likely potential to fulfill its promises by studying its basic features, the ongoing articulation processes and the direction in which the BoP work is evolving.

A good starting point for this is the article "Innovation from the Inside Out" by Simanis and Hart (2009) because it represents the latest thinking and moreover it represents a first attempt to cast the differences between the BoP 1 and BoP 2 models in terms of contrasting paradigms of corporate innovation strategy. The article also enfolds earlier contributions that advanced a number of insights that build up towards it (e.g. Hart 2007; London and Hart 2004; London 2007; Simanis et al. 2008; Hart and Sharma 2004).

Simanis and Hart typify the BoP 1 model as the embodiment of the familiar "Structural Innovation Paradigm" (SIP) aimed at fulfilling customer needs by delivering a product or service that is better, faster and cheaper than those of competitors. The aim is narrowly financial and short-term: one should try to increase consumption-based value through a focus on latent needs and involving transactional engagement with stakeholders (2009: 79-80). The big problem with this reductionist model is that innovation processes and corporate growth have become increasingly disembedded from broader societal values and the natural environment: "Communities are framed as target markets. Ecological systems are treated as national resources that supply raw materials" and there is "an absence of shared commitment" with parties outside the company (2009: 79&82).

The basic problem that the initial BoP 1 schemes hit up against is that the SIP paradigm does not work well at the BoP. There is only one solution: companies must step out of the SIP, and re-embed themselves, along with their stakeholders, into broader society and the natural environment, adopting an Embedded Innovation Paradigm (EIP). The EIP is not about satisfying latent consumer needs, but about fostering and nurturing local economic potential of communities. The values it creates do not lie in the field of utility maximization through increased material consumption, but in the sphere of intangible assets – gaining people's trust, helping to reshape their identities, and fostering a sense of belonging in local communities – that are a springboard for personal growth and creativity. Relationships with stakeholders are not arm's-length impersonal economic transactions, but durable and personal, aimed at transformation of thinking and behaviour through social engagement and building of mutual trust and confidence. Simanis and Hart use the term *business intimacy* for this. (83-84).

In order to make a successful transformation from SIP to EIP, corporations must evolve radically new management and organisational routines: Innovation at the BoP must be a co-creation process based on extensive participation and partnership, involving deep dialogue, openness to experimentation and mutual learning, and aimed at building local capacity in order to create "new communities". This would involve the creation of a complete new community ecology, in which the company becomes part of, and redefines the community's identity (Simanis et al. 2008: 66). In the Protocol version 2.0 we read that this involves representatives of TNCs actually staying in local BoP communities for some time to get to grips with local problems, pressing needs, mores and ways of doing things. BoP writers also emphasize that TNCs cannot embark on this kind of strategy alone. A host of parties such as local governmental agencies, NGOs, other types of civil-society organisations as well as 'fringe stakeholders' must be involved as co-creation partners. All these parties bring essential unique knowledge, skills, assets and experience to the table. The powerful local stakeholders among them can facilitate and mediate TNCs' entry into local BoP communities, while the poor, weak, isolated, non-legitimate, and even non-human 'fringe' must be involved because their perspectives are particularly crucial for incubating disruptive change (Hart and Sharma 2004). However, how these extremely diverse stakeholders must work together and increase welfare for everyone in the "new communities" remains to be spelled out.

Furthermore, the co-created BoP solutions entail complete *business models* that involve and empower the poor as venture entrepreneurs and value producers, rather than just innovative new product offerings that push the poor into the role of passive consumers (WEF 2009: 9; London and Hart 2004: 363). The possibility of co-developing new technologies is not discarded as such, but it seems to have been recognised at least by the main BoP proponents that a product-driven 'technological fix approach' is not the way to go.

The emphasis on building intangible assets of local capacity, local project "ownership", shared commitment and cohesion remind one of models of participatory and community driven development. Indeed, the adoption of strategies based on EIP are inspired by these (notably, Chambers 1983), and also by ideas such as "development as freedom" (Sen 1999). BoP writers have been keen to stress that BoP 2 goes well beyond the older developmental Basic Needs paradigm, which did not have a private-for-profit orientation and was aimed at meeting basic *material* needs without honing people's broader capabilities for wealth creation and social transformation (Simanis et al. 2008).

It can be concluded from the above that achieving extensive *participation* by a range of *highly diverse* stakeholders, then, is considered to be the ultimate key to success of the BoP 2 co-creation model in local communities, and to the successful replication of those successful business models in other communities through ongoing processes of re-embedding and adaptation to suit local conditions (this is called 'scaling out', see: Simanis and Hart 2008; WEF 2009), to the point where they will ultimately yield the coveted win-win outcomes.

One of the most cited examples of this participatory process at the BoP is the Grameen Bank tie-up with Telenor for spreading mobile telephony in rural Bangladesh. However, two BoP researchers who studied the case closely observed that this is probably the exception that confirms the rule: "Mr. Yunus was considered a person of impeccable integrity – probably an ideal partner in Bangladesh where it is still hard to find influential partners that are resistant to corruption. ... That kind of credibility is a scarce asset and extremely valuable in a developing country." (Seelos and Mair 2006, p. 5).[2]

A number of writers, ranging from business strategy analysts to development scholars have already expressed a number of misgivings on the practicability of the BoP 2 model. First of all, this is untrodden terrain for the driving parties (TNCs), so there is likely to be problems in establishing communication with parties such as NGOs and poor communities (Russell 2008). Goodwill on all sides for starting constructive dialogue and engagement might not be enough to solve that problem. As the president of Oxfam America pointedly noted in a keynote speech to a large BoP conference: "Oxfam is interested in NGO-corporate partnerships that address obstacles to development, empower stakeholders, and build corporate accountability. [But]... how do we find mutual interests in our core missions? Is that actually something that's possible? Second, how do we identify win-win outcomes that we can build upon? Is it possible for us to actually do a deal? And finally, how do we find systemic market-based solutions to fundamental social problems? Is that a pipe dream or is that something we might be able to pursue together?" (Kasturi Rangan et al. 2007: 9). These are fundamental questions.

On the corporate side, pressures to generate profit from BoP projects within a reasonable time-horizon are not to be underestimated. Global capitalist institutions are after all are geared to observing the financial bottom line à la SIP, and individual corporate business units cannot simply decide to step out of that treadmill (Raworth et al. 2008). Says Mark O'Connor, of Pfizer Global: "Operational units need to generate a return on investment in order to achieve buy-in, both internally within the management structure of a company, as well as, externally with its stockholders ... The fact is that a loss, cost, or net-zero balance will simply not achieve [this]" (2009). But even if the financial issue is not an overriding constraint, TNCs often don't have the legitimacy to involve themselves more in development, and/or they simply don't have the expertise (Lodge and Wilson 2006: 85)

Expertise of managing participation processes involving heterogeneous parties in a foreign setting is indeed not something one can pick up quickly and easily. Experts warn that stakeholder engagement in developing countries is a can of worms. Language, culture, education and pluralistic values can all effect the process of negotiation and decision making (Blowfield and Frynas 2005: 507). In fact, the very concept of "community identity" envisaged by BoP writers could turn out to be completely fallacious in the face of profound power inequalities, diverse caste or tribal allegiances, gender biases, and contradictory agendas that being pursued by local parties.

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[2] One can add to this that the Grameen partnership with Telenor does not illustrate the success of a typical BoP2 venture in the first place, as it was solely based on cross-collaboration between two institutions, Grameen Telecom (an NGO owned by Grameen) and Grameen Phone (a for-profit owned by the Norwegian firm Telenor) (Seelos and Mair 2006). Under this arrangement Telenor did not need to engage at all in direct collaboration with poor rural users of telecom services, because that task was managed by the local Grameen Telecom. Moreover, Telenor was heavily subsidised by international development banks and aid institutions to go into Bangladesh, so this project also fails to illustrate the viability of the for-profit model.

One gets the impression that the main BoP 2 proponents are unaware of any of these problems. In a recent BoP paper, participation issues are reduced to some flat observations about 'the ideal degree', which is conceived of as lying somewhere on a scale from 0% to 100%, in most cases probably somewhere close to 50% (London 2007: 27-28). However, in practice such metrics could mean anything, or nothing at all. Not surprisingly, then, that there is as yet very little evidence of successful multiparty BoP partnerships in developing countries (Russell 2008; Lodge and Wilson 2006; Kleine and Unwin 2009).

5. Participation and heterogeneity

The BoP literature is consistent in its uncritical use of the terms 'community', 'participation' and 'co-creation'. Communities of the poor are romanticized as replete with entrepreneurial individuals ready to team up with a TNC and its local non-governmental partners. Benefits from such partnerships are then assumed to flow to a community as a whole and poverty is alleviated. Nowhere do we observe an appreciation of the complexity of processes and the multiplicity of actual practices that these terms, as part of official BoP policy (or protocol), are expected to generate. Communities of the poor are in general not homogeneous entities where all members are socio-economically equal to each other. These inequalities and asymmetric power relations have important consequences for peoples' behaviour, in driving the practice of a business model,[3] and the poor's capacities to seize any economic opportunities offered by a BoP venture. Participation by the poor in BoP activities is then framed by, and embedded in, local and non-local power relations. Furthermore, just like communities are disembedded from their local political and cultural contexts in the BoP literature, they are disconnected from national/global politico-economic contexts with which they may possess strong material and ideological links (cf. Kasmir 1999). In other words, the 'new communities' to be created according to the BoP protocol are supposed to develop a business model in isolation from any pressures from a global market and its politics. In the BoP discourse, the global market enters as a provider of opportunities for successful ventures generated in the new communities, but cannot have any adverse local impacts.

Simanis and Hart (2009) discuss two cases as shining examples of responsible capitalism at the BOP: the Grameen Bank (GB) led micro-credit programmes in Bangladesh and the giant Mondragón Cooperative Complex (MCC) in Spain.[4] Simanis and Hart adopt the dominant pro-GB discourse in academic and development agency circles, without consulting a substantial literature that is critical of the 'micro-credit as poor women's empowerment' doctrine. Among others, this literature has raised the following critical questions: Which global (and national) politico-economic developments have facilitated the growth of micro-credit? Who has access to micro-credit among rural women? Who

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[3] According to a recent report on the BoP potential by WEF (2009: 9), a business model "encompasses both the product or service offering, as well as the operational and financial arrangements that go into generating returns from a particular activity."

[4] Here we simply go along with Simanis and Hart in assuming that GB and MCC are indeed examples of global capitalism, but see Gibson-Graham (2003) for a criticism of, and an alternative to, such 'capitalo-centric' accounts.

uses the credit that the women receive? And what role do factors other than the social collateral of women's groups play in Grameen bank achieving its 98% loan recovery rate?

For instance, Ghosh (2006) argues that in many cases, destitute women are excluded from women's savings groups because they are deemed to pose too high a risk for other group members. Similarly, Karim (2008) documents that rural middle class women benefited most from micro-credit. She compares micro-credit success to a lottery ticket: a few successful cases instill the promise of 'making a windfall' in numerous others. Additionally, in a majority of the cases, micro-credit loans are eventually used by male members of a household: a fact acknowledged by Mohd. Yunus himself (Yunus and Jolis 1998, quoted in Karim 2008; Rahman 1999; Goetz and Sen gupta 1996).[5]

Furthermore, social solidarity in tight-knit rural communities may not be the only reason behind high recovery rates at the GB: Ito (2003: 328) shows that coercive power of bank workers over the rural poor "strengthens the credit discipline of the borrower." Even the borrowers' groups may not be horizontally structured as is generally assumed but some group members may wield more power than others (see Rahman 1999). In addition, non-payment of a loan installment threatens a woman's honour and shame in rural Bangladesh, and households try their best to pay on time often lending money from other sources for the installment (Rahman 1999; Karim 2008). Thus there is a high risk that poor households get trapped on a debt-treadmill, from which an escape can be very difficult while living and working in an uncertain economic environment that lacks state-provisioned safety nets. Driven by the global ideology of neoliberalism since the late 1970s, the "withdrawal of the state from welfarist policies" has substantially enlarged the space for organizations such as GB to become 'shadow states' in providing human welfare and development (Karim 2008: 6).

Simanis and Hart's (2009) second shining example is that of the MCC in Basque country. Here again no classes or power relations are mentioned and the strength of Mondragón's "vision of cooperative entrepreneurship" is uncritically rehearsed from the dominant discourse on MCC (ibid: 84). This MCC discourse was constructed by divorcing it from its political and economic contexts and by omitting its complexities and contradictions (Kasmir 1999). In an earlier study, Kasmir (1996) found that the cooperative workers are not more satisfied with their jobs than workers at a unionized private firm in a neighbouring town. MCC workers are allowed much less time to organize and come up with a shop-floor position than union delegates. Workers at MCC do not make use of the substantial participatory democracy avenues available to them because "they lack the expertise to fully evaluate engineers' proposals and managers' business plans or to develop alternatives." (Kasmir 1999: 387). Overall she argues that while workers' accomplishments are central to the MCC discourse, the perspectives of the workers themselves are missing from the discourse. The latter is largely based on managerial perspectives, according to which no class conflict, no contestations, and no inequalities exist at MCC. This privileging of managerial perspectives must be situated within

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[5] According to official instructions, bank workers must monitor loan-use for productive purposes. In practice however, bank workers do not have the time or the incentives to monitor loan use that often serves the purpose of consumption smoothing for poor households (Ghosh 2006). Bank workers' performance is judged on recovery rates and this is what they focus on (Rahman 1999; Karim 2008).

"global transformations of work, class relations and ideology" (Kasmir 1999: 394). For instance, to contain worker militancy across the United States and Europe, new programmes for labour participation in management were introduced in the 1970s. However, instead of addressing the demands of workers' movements, these programmes were "management-initiated plans intended to increase productivity and profitability and to strengthen managerial control (Hogler and Grenier, 1992)." (Kasmir 1999: 394).

In the remainder of this section, using insights from development studies, we elaborate different issues identified in the two examples above. The section is divided into three parts. Part I looks at heterogeneity within rural communities (villages, or occupational groups such as farmers) and its consequences for the politics of participation in development projects/programmes. Part II is an exploration of hierarchies between external state/non-state actors and rural communities in participatory development. Part III discusses how rural communities are embroiled in wider political and economic developments: an illustration of how the global/national becomes local through its impacts on, as well as appropriation by, community members.

5.1 Intra-community heterogeneity

Communities may be defined as governable spaces at different geographical scales, "within different social force fields" (Watts 2005: 105). For instance, a nation may itself be viewed as an 'imagined community' which fosters a national identity within a given geographical space. In general, people may be part of multiple communities (imagined or otherwise) such as class, ethnicity, religion, caste, gender, same age-groups, constituency of a leader, and thus have multiple identities through these community affiliations (Watts 2005). These multiple affiliations may compete with each other and act as bases for heterogeneity if we isolate a single community at some spatial level. In other words, grouping people together in one community does not lead to a decimation of other identities and affiliations to other possible communities. These other identities are carried by people into a new community delineated for purposes of a development project. Our primary focus here is on a local community defined at the level of one village, or a small cluster of villages, or an urban neighbourhood.

The nature of intra-village heterogeneity can take different forms in different parts of the developing world. In our discussion, we use developing Asia, particularly rural India, to illustrate our arguments. In the first instance, heterogeneity in a local community manifests itself as class or, in a rural area, landownership. Even in a village afflicted with poverty, there are rich and poor farmers who are assisted in their agricultural tasks by the landless. As an example, consider a small south Indian village of 212 households where one of us did fieldwork in 2005-6 (Arora 2009). The landownership structure of this village is shown in Table 5.1 (for other similar examples of unequal landownership in north and south Indian villages, see Jeffrey et al. 2008; Nair et al. 2007; Rawal 2001; Wadley 1994). This village is predominantly inhabited by the landless and smallholders with less than 2 hectares of land, but a handful of farmers own larger landholdings. Furthermore, as in the rest of India, landownership in this multi-caste (and tribe) village is not independent of caste affiliation (see Table 5.2).

Table 5.1. Distribution of land holdings (owned) in a south Indian village

	Number of Owners
Number of farmers with ≤ 1 hectare	71
More than 1 but ≤ 2 ha	50
> 2 but ≤ 3 ha	7
> 3 ≤ 4 ha	8
> 4 ≤ 6 ha	2
> 6 ≤ 8 ha	3
Total number of farmers	141
Number of landless households	61

Table 5.2 Caste and land distribution in the village

Caste	Number of households	Number of landowners	Total land owned (ha)	Average per household	Standard deviation
Koya	75	56	61.8	1.10	1.18
Yadava	62	43	62	1.44	1.08
Lambadi	29	13	21.4	1.65	1.09
Mala	14	11	19	1.73	1.87
Mudiraj	10	6	20.2	3.37	2.24
Potter	7	5	5	1.00	0.57
Goud	5	2	3.2	1.60	0.28
Dudekula	4	3	2.4	0.80	0.57
Choudhary	3	2	1.2	0.60	0.35
Reddy	1	1	0	0.00	
Total	210	142	199.4	1.38	

Caste in India continues to be associated with unequal access to land (Singh 2008), but the forms of inequality sustained through the caste system are not restricted to landownership. There is by now considerable evidence that people from the lower castes (Scheduled Castes, SC, or Dalits) and tribes (Scheduled Tribes, ST) have lower living standards than non-SC/ST people (Deshpande 2000; Deshpande 2001; Dréze and Sen 2002; Kijima 2006). This relationship between caste and poverty is observed in urban and rural India. Affirmative action (reservations in educational institutions, government jobs and rural development programmes) by post-colonial Indian governments in the last six decades has had little impact on eradication of lower caste destitution (Kijima 2006). Kijima found that in the same village, ST households earn lower returns on their investment than non-SC/ST households. It is important to note here that state-sponsorred categories of SC and ST include a large diverse group of castes and tribes. One can observe substantial heterogeneity, in terms of living standards and landownership, even within a single caste or tribe group living in one village (see the standard deviation results in Table 5.2 for the dispersion/concentration of landholdings). In addition, some members of a caste group may afford better opportunities than others, as a result of possessing better social networks to influential patrons within a village and outside.[6] Thus, there is no one-to-one correspondence between destitution and membership of a low caste or tribe.

Heterogeneity among individual households (or heads of households) leads to a skewed power distribution within a community.[7] This power has many faces. In the first instance, it is expressed through interpersonal relationships. Here, one of the members of a relationship (ego) controls the actions of the other (alter), such as in patron-client relationships. This form of power is "understood as the ability of an ego to impose its will on an alter, in social action, in interpersonal relations." (Wolf 1990: 586). A second form of power is more pervasive and it implies the ability of an individual actor to control the settings within which others act and interact. A third form of power, which may be seen as an extension of the second, "organizes and orchestrates the settings themselves" or in Foucault's words, it is the ability "to structure the possible field of action of others" (Wolf 1990: 586). The latter two forms of power have consequences for how control of, and benefits from, a project is distributed within a community. Exercise of these structural forms of power determines which voices are raised in public, or silenced, and whose knowledge and interests are paramount in participatory or community-driven development. Also power relations of community members with external actors can influence the practice and outcome of a project. We discuss this issue in section 5.2.

In a survey of community-based and -driven development projects, Mansuri and Rao (2004) find that power relations between community elites and others can lead to an elite capture of decision-making in, and benefits from, a project (also see Classen et al. 2008; Platteau 2004; Abraham and Platteau 2004). Examples of such projects have been observed in Africa, Asia and Latin America (see the cases reviewed by Mansuri and Rao 2004). The elites derive their power and their roles as leaders from local (and in some cases, non-local) institutions: they are often caste or tribal headmen, or other influential people in a community who are well-connected to political parties and development agencies from outside the village. Community influentials often act as brokers who connect development agencies to their target (poor) beneficiaries: many NGOs use these elites as entry points into a village and through this, further entrench their power in a community. The elites

[6] This does not however imply that the density and effectiveness of individuals' social networks cannot be affiliated with caste membership. For instance, people use their caste networks to find working-class as well as white-collar jobs (Munshi and Rosenzweig 2006). In general, we believe it's erroneous to view a caste group as a solidary community in which people help each other at the expense of members of other castes.

[7] In this paper, we do not address issues of intra-household power relations and how they constrain the agency of non-dominant members of a household. These very important issues are simply out of the scope of our present discussion.

then are also able to control the flow of information from external agencies into the community and vice versa. Community leaders can for example then convince development agencies into thinking that their private interests are the interests of the community as a whole, including those of the poorest members (Platteau 2004).[8] In this way, the elites 'produce' local knowledge that excludes voices of non-dominant members of a community (including women) and makes a participatory project more suited to their own needs rather than those of the poor (Mosse 1995; Mosse 2001).
Elite capture does not of course affect all community-led development projects. In some cases, 'benevolent' elite control rather than 'pernicious' elite capture may be observed (see Dasgupta and Beard 2007; and Fritzen 2007 for evidence from Indonesia). In the benevolent scenario, the elites who dominate a project, yet distribute its benefits, may be downwardly accountable to members of their communities (Mansuri and Rao 2004). Such downward accountability is likely to avoid elite capture in provision of public goods (Wade 1988; cited in Mansuri and Rao). This situation may however be quite difficult to realize for privately appropriable profits, such as those promised by BoP ventures.

Between the dichotomy of elite capture vs. elite control, one may observe cases where elites capture development resources for their own benefit and that of their extended kin and network of friends (see Jeffrey et al. 2008: 1381-82 for an example), while excluding the wider (more heterogeneous) community. In these cases, the elites are downwardly accountable only to their kin and friends. Such a form of elite capture and bounded redistribution may also be observed in pro-poor development projects in which the benefits on offer are not of direct interest to the comparatively well-off elites. Here, the elites work to siphon off the benefits to 'their poor' through patronage networks (Mosse 1995).

Finally, the authority of elites may be contested by non-dominant social groups, or individuals from competing factions, in a community. In such cases, a power sharing arrangement can arise between different social groups, each represented by their leader (Tanabe 2007 makes such a claim while tracing the village-level impact of the 73rd amendment to the Indian constitution which made multi-caste village councils mandatory). However, emergence of a new power-sharing arrangement in a community due to a constitutional amendment or another development, exogenous or endogenous to the community, does not imply that difference and heterogeneity are replaced by equality and homogeneity. Poor and rich individuals, more and less powerful social groups, and cultural hierarchies such as those sustained by the caste system continue to exist (more on this in section 5.3). Here, it is worth noting that developments external to a village can provide support to subaltern groups trying to wrestle respect and self-determination from dominant individuals and social groups. Although external interventions must be introduced gradually and cautiously into

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[8] In general, it should be recognized that "multiple constructions of knowledge" exist in any society, or a heterogeneous community, and that the interests of a poor farmer can diverge from those of a rich one (Thompson and Scoones 1994). And one has to go beyond Platteau's emphasis on elites duping development agency personnel to explore how local needs and knowledge are interpreted by the latter, who may be more interested in projecting consensus and homogeneity in a community (instead of conflict or contestation) to realize time-bound development projects (Chhotray 2004). More on this in section 5.2.

communities as they "interact with already contested domains of power and meaning." (Li 1996: 515, quoted in Mosse 1997: 499). In general, communities are at least as much a space for contestation as for benevolence on part of its elites: "Communities typically contain both reactionary (despotic or disciplinary) and emancipatory (liberatory) expressions that are, as it were, in perpetual struggle with one another: communities are not always warm and fuzzy." (Watts 2005: 105). These arguments are as likely to be applied to the 'new communities' envisioned by Simanis and Hart (2008; 2009), which arise after representatives from TNCs and local NGOs have embedded themselves in the 'old communities'.

5.2 Interactions between external actors and communities

In recent BoP literature, interactions between external actors and communities are framed in terms of the development of a new business model which can eventually lead to a new product or service. The social space for the development of this business model is provided by the so-called new communities. There are two important unresolved issues here. First, the sale of the new product or service is supposed to bring profits into a new community. However, the way in which the financial arrangements of the business model coordinate distribution of profits among different members of the new community is not worked out in the BoP protocol or elsewhere in the literature (but see London 2007, who raises this issue in a cautionary reflection, and WEF 2009: 31-32). Will the TNCs retain a lion's share of any profits generated from these ventures or will they be more equitably distributed? Will a kinder, more-inclusive, form of capitalism pursued by Hart and co-authors finally arrive at the poor's doorstep? The answer will depend on whether the practice of the BoP activities are driven by the policy models and protocols devised by BoP proponents (TNCs and academics), or by the *interplay* of these external factors and existing local social hierarchies and routinized practices of partner organizations and community members. Recent work in development anthropology has shown that the latter interplay, rather than a policy model, drives the practice of participatory development projects (Rossi 2006; Lewis and Mosse 2006; Mosse 2005; 2004; Cooke and Kothari 2001).

Secondly, a new BoP project arrives into a rich social world with its own well-entrenched habits, practices, and values. BoP proponents want to change these old ways of people, replacing them with a "new way of thinking" which embraces the new "enterprise's values." (Simanis and Hart 2009: 83, on "Transformational Stakeholder Engagement."). However, whether this embracement of new ways actually creates or destroys existing value for all or some members of a community is left out of the picture (but once again see London 2007). And value must be viewed broadly here, beyond the purview of financial profitability, to include capabilities, socio-economic equity, and self-respect. Furthermore, Simanis and Hart's transformational stakeholder engagement is attempted within a broader (global/national) politico-economic context, which can enhance or constrain local value creation for a poor community. We consider two examples of this context in section 5.3.

Interpreting local needs

We've already noted that external actors in a participatory, community-driven project – NGOs, firms, state, no matter how embedded – play an important role in interpreting local needs and knowledge in a community.[9] This process works through a mixture of two 'practices of interpretation'. First, community conditions (poverty, inequality, or in more specific projects, lack of sanitation infrastructure, health impacts of excessive pesticide use) are problematized as "deficiencies that need to be rectified." (Li 2007: 7; also see Escobar 1995). Building on this, external agencies play an active role in framing local needs to ensure that their own agendas are reflected in what they read on the ground (Mosse 2001: 19-21). Actual needs of the poor are narrowed down, reinterpreted in terms of solutions, such as technical expertise or products, that the external agency can deliver.[10] Furthermore, this practice of interpreting and constructing communities' needs situates agency personnel as experts, who then expect behavioural changes from community members while making them amenable to expert direction (Mitchell 2002).

However, we are not implying that an external agency simply forces its will on and coerces villagers into expressing their needs solely according to the agency's preferences. A certain degree of collusion is necessary between dominant community members and the representatives of the external agency (Mosse 2001). Through such collusion, the views of non-dominant groups in a community are often excluded from the list of local needs generated through a participatory appraisal (Chhotray 2004; Mosse 1995). Accounting for conflicting or contested claims is never easy to accommodate in time-bound development projects (Chhotray 2004). Thus, a dominant group's interests are legitimized and attributed to a whole community. This is the *second practice of interpretation* used by external agencies, which has the impact of negating local political relations within a community (Li 2007; Chhotray 2004).[11]

Over time, the poor (beneficiaries, often including some non-elites in pro-poor projects) may understand what a project can provide, and thus gain some planning or policy knowledge about the development agency's activities (Mosse 2005). They may then utilize this newly acquired planning knowledge to get the project to meet some of their idiosyncratic needs, often adapted from the set of benefits that the development agencies are able to deliver. In this way, the beneficiaries attempt to match the knowledge generated by the project about local needs with their own interests.

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[9] In the BOP 2.0 literature, a common assumption is that the involvement of grassroots NGOs will solve the problems of embedding a new venture into poor communities and facilitate participation. However, evidence on participatory projects initiated by NGOs collected by practitioners over the last three decades has shown that such projects are not immune "from the problems affecting larger, officially sponsorred aid programmes." (Feeney 1998:7). These problems relate to ensuring the "participation of the poorest and equitable distribution" of project benefits (Feeney 1998: 151). See Feeney for an overview of NGO-led participatory projects on natural resource management supported by Oxfam, Great Britain.

[10] An apt example of this among BoP projects is the S.C. Johnson intervention in Kenya reported by Simanis and Hart (2008). In this project, the first need of the Kenyan slum community was interpreted to be hygiene and cleanliness for which chemicals already being manufactured by the S.C. Johnson corporation were adopted as solutions.

[11] At the same time, it must be noted a community's elites whose needs or preferences are finally registered as legitimate may possess more skill and authority in presenting their personal interests as those of the community (Mosse 2001: 21). See section 5.1.

Interpreting local knowledge

In participatory technology development, Chambers' (1983) famous dictum of 'putting the last first' requires that knowledge circulate among external 'experts' and community members. In practice, however, it is difficult to achieve such two-way transfer of technical knowledge, due to the fact that community members' knowledge is considered to be 'traditional or indigenous knowledge' (IK), *different* from the experts' own scientific knowledge. Through this classification, the experts relegate peoples' local knowledge, skills and experience to the realm of the non-scientific i.e., practical knowledge about concrete everyday life or relevant only in its local context; scattered; akin to common sense (lacking intellectual content and deductive logic); closed and non-systematic (Agrawal 1995). However, as Agrawal has demonstrated, there are no substantive, epistemological and contextual differences between scientific knowledge and IK. The differences instead are rather political: the politics of classifying knowledge into different categories, where the global (and national) asymmetries of wealth and authority are projected on to the knowledge arena, privileging modern science over IK (Agrawal 1995). Such knowledge hierarchies are unlikely to be bridged by forming a coalition, or a new community in the sense of the BoP protocol, to muster social and political support for participatory technology development (cf. Biggs and Smith 1998).

This is true even in projects where IK is touted as something essential to harness for making development more effective in meeting the needs of the poor (Sillitoe 1998; Blaikie et al. 1997), ensuring environmental sustainability, and generally avoiding the pitfalls of top-down high-modernist development so vividly documented by Scott (1998). However, proponents of IK fail to recognize that IK, like all knowledge, is produced and interpreted within a set of unequal power relations. In other words, honouring local practices and peoples' knowledge is simply not going to succeed without remapping the cultural power structures in which these practices and knowledge are embedded (Gururani 2002). For instance, within the context of a participatory project, development workers are likely to discredit local practices and knowledge through their "superior models of knowing and rational decision making introduced by educated well-dressed outsiders, guided by foreign 'participation experts'." (Mosse 2005: 96).[12]

However, as in the case of local needs, it may be erroneous to view the participatory knowledge dynamics, as described here, as solely top-down. Mosse (2005) argues that privileging such a top-down imposition perspective obscures the agency of the poor in co-opting or complying with the 'official' view of local knowledge and practices. For instance, by adopting modern techniques such as scientific agriculture, community members may successfully project themselves as rational agents worthy of the development benefits targeted at them (Mosse 2005).

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[12] Similarly, within a village, whose knowledge is considered valuable and who can act as an IK expert is a question of local power and authority relations. Just as with local needs, perspectives of the locally powerful are likely to dominate (Mosse 1994, cited in Gururani 2002). More generally, new knowledge is socially constructed and reflects the unequal power relations in the locality where it is produced and circulated. In return, this socially-constructed knowledge serves to reinscribe local power relations. Furthermore, no knowledge can be bounded in a locality, nor can it be considered to be a uniform and immutable entity, as it always interacts with non-local discourses of relevant 'scientific' knowledge. See Gururani (2002) for an example of women's knowledge of forest management in the Indian Himalayas.

In summary, we have discussed two sets of practices of interpretation and representation used by development workers in participatory development projects. According to the first, local needs and knowledge are framed in ways consistent with extant social hierarchies between development 'experts' and poor communities. The second set of practices is often based on collusion between development workers and participating communities. These actors share a set of cultural codes which facilitate the communication of local needs and knowledge. Representation of local needs is then a dialogic process which occurs within a shared culture of development. But this shared culture, like any other, is made up of heterogeneous elements, and power and difference persist "between different 'speakers' within the same cultural circuit." (Hall 1997: 11). Thus, cultural communication takes place within the context of heterogeneity and asymmetric power relations, allowing the representation of certain facts as authoritative while obscuring others.

Now the question arises, how and why does the shared culture of development get constructed? Here it may be instructive to view development as an institution which rewards those actors who abide by its rules (Douglas 1987, cited in Rossi 2006). In this way, community members attempt to gain benefits from participatory projects by conforming to their role as 'development beneficiaries'. Local development workers similarly interpret community needs and represent the practice of a project in terms of planned "policy narrative" of the project; and finally, the "planners align their arguments with dominant development paradigms to find support for their plans." (Rossi 2006: 29). An alternate way to understand the shared culture of development is through Foucault's (1991) concept of governmentality. Governmentality does not operate as forced coercion and extension of bureaucratic regulation, but through the "conduct of conduct", or the regulation of people's actions by configuring their aspirations to match the interests of the powerful. Here, power is viewed as something "*productive* rather than repressive" and is concerned with creating subjects who act as they ought to (Lewis and Mosse 2006: 3; Li 2007). Development then "operates by educating desires and configuring habits, aspirations and beliefs." (Li 2007: 5).

5.3 The community, severed from its context

Isolating a community for purposes of targeting a development intervention, or social analysis, may create a neat governable and controllable social world (Cornwall and Brock 2005). However, as we discussed in sections 5.1 and 5.2, this governability of the local community is not achieved through forced imposition, but produced through practices of external as well as community actors, and by negotiating local power relations. In the present section, we argue that a community is typically connected to regional/global politico-economic contexts through material and ideological links. By positing a community as isolated, a discourse can preempt discussions about how global movements of corporate capital, commodities, and ideologies create new vulnerabilities in poor communities. The latter discussions have the power to 'rupture the optimistic narrative' of poverty alleviation and win-win situations (cf. Kasmir 1999: 394), as propagated in the BoP literature.

Beyond the discursive realm, global and national politico-economic contexts have a bearing on the practice of a project and its outcomes. As we show in the following, the global and the national are brought home in myriad ways by people in rural communities. For example, the context may be appropriated by subalterns to aid their struggle for respect and equality in a community. In opposition, the dominant big men in the community may employ parallel developments at the national or global level in their counter-resistance efforts. Thus, wider politico-economic developments, reflected in local contestations and struggles for survival, filter into everyday lives of the poor and cannot be easily overridden by new financial interests, such as those promised by a BoP venture.

Continuing our focus on rural India, we briefly consider the impacts, and community-level endogenization, of two wider contextual developments of the last couple of decades. First, we discuss the widening sphere of interactions between caste-based identities and electoral politics, and their multiple manifestations at the village-level. Secondly, we bring in the global economic context in terms of agricultural markets and declining state support for agriculture in neo-liberal India. Small and marginal farmers attempt to secure their livelihoods within this context, while being exposed to newer vulnerabilities. Agriculture is facing an acute crisis, with about 49% of India's farmers trapped in debt according to a 2003 survey (Mishra 2007a), and widespread farmer suicides being reported from different parts of the country. Finally, we also explore the politics of recent state-led solutions to the agrarian crisis.

'Modern' electoral politics uses 'traditional' caste structures to stabilize itself, legitimizing the actions of its leaders and mobilizing the masses with the aid of caste identities and loyalties (Rudolph and Rudolph 1967; Béteille 1970; Kothari 1970; Kaviraj 1997). In turn caste, as an evolving institution, gets intimately modified through the influence of electoral politics, often through consolidation of caste identities and internal solidarity, regeneration of caste-based divides, and aggravation of inter-caste conflicts. Although the bulk of this process visibly takes place at provincial and national levels, where we observe the increasing clout of lower caste political parties such as the pro-Dalit Bahujan Samaj Party in Uttar Pradesh (Jaffrelot 2003), effects are also felt at local levels in villages (Jeffrey et al. 2008). People in villages often use their awareness of, and ties to, national and regional political (and/or religious) movements in their local struggles for greater recognition, dignity and power (Somjee 1973; Mines 2002). In fact, national and regional politics are integrated in everyday life within the village to such an extent that the non-local becomes the local. This is evident in the struggles for equality waged by Pallars (Dalits) in the Tamil village studied by Mines. In the first instance, this struggle took the form of the Pallars' refusal to attend the temple festival headed by the dominant landowning castes of the village and in which the Dalits played a peripheral role (such boycotts of ritual events by Dalits in south India have also been noted by Dirks 1988 and Fuller 1992, cited in Mines 2002: 68). Secondly, the struggle took an openly subversive stance through the organization of a Pallar temple festival in which the dominant villagers were exposed to the Pallar "vision of a different, egalitarian future." (Mines 2002: 69). This assertion by the Pallars had several features including "a bold procession route, displays of wealth and largess, taking over a road, and using portraits of Ambedkar, a national Untouchable hero and leader, to define an alternative, extravillage source of identity and power." (Mines 2002: 69).

In response to these lower-caste "assertions of identity" (Owens 2000: 704), the upper castes organize 'counter-resistance' to set the stage for inter-caste conflict and slow down a radical transformation of society toward greater equality (Jeffrey et al. 2008; Mines 2005). At the level of regional and national electoral politics, this trend is exemplified by the rise of the Hindu nationalist parties such as the Bharatiya Janata Party and Shiv Sena in the 1980s and 90s, who support reinstatement of the caste system's hierarchical order. At the local level, members of upper castes may exploit national level developments, such as the destruction of the Babri Mosque in December 1992 and subsequent attempts to build a Hindu temple in its place by Hindu nationalists, for marginalizing the lower castes and Muslims (see Mines 2005: 201-208 for a telling example). In addition, many members of the upper castes are locally "well-equipped – economically, socially, and culturally – to counterresist lower-caste political assertion." (Jeffrey et al. 2008: 1382). Upper caste tactics include economic exclusion of recalcitrant lower caste members who depend on them for agricultural employment; building more effective social networks with government bureaucracies; and development of 'sophisticated' identities through urban clothing and construction of new multi-storied houses replete with modern goods such as televisions and refrigerators (Jeffrey et al. 2008). The new urbane identity has the impact of creating difference from lower caste leaders who are then projected as uncouth or backward.

Overall, assertions of identity by the lower castes may enlarge their symbolic and ritual space within a village and provide armament to the build-up of a wider lower-caste political discourse. But, their impact on everyday livelihoods and better access to economic and social resources is limited by effective counter-resistance by the more powerful upper castes. And as we noted in section 5.1, according to widespread economic evidence, lower caste membership continues to be correlated with insecure livelihoods and lower living standards.

Our second global/national context of local communities explores the integration of small farmers into global agricultural markets. The Indian national government has been pursuing policies that promote liberalization, beginning with the 1991 reforms which signalled India's entry into the Washington consensus regime of globalization. In this regime, developing country states frame their national policies under neo-liberal prescriptions of the IMF, WTO and the World Bank.[13] Trade in agriculture was also liberalized as part of this process and since the mid-1990s, global trends in crop prices are closely reflected in local markets. The volatility in global crop prices then sends uncertain signals regarding shifting of cropping patterns to farmers (Ghosh 2005). Following these signals, farmers may switch to an alternate crop only to find that the price has fallen by the time they bring

[13] These policies have led to a gradual withdrawal of state support to 'non-priority' sectors such as agriculture, health and education, in order to achieve fiscal discipline at the macro-level. The brunt of these withdrawals is felt by the poor. Lobbying by, for example, the adversely affected farmers has been unable to effectively compete with the clout of industrial conglomerates in extracting more favourable resource allocation plans from the state in the last two decades.

the crop to market (Ghosh 2009 cites cotton and groundnut as two examples).[14] In fact, these price fluctuations, coupled with declining public investment in agriculture (erosion of agricultural subsidies and extension services, reduction in resource allocation for irrigation and other agricultural infrastructure, reform of minimum support price and public procurement); rising farm-input costs;[15] lack of affordable credit; water scarcity and widespread failure of borewells are commonly reported as central causes of falling agricultural incomes and widespread rural indebtedness, which in turn are believed to have driven thousands of farmers to commit suicide (Posani 2009; Sainath 2009; Nagaraj 2008; Mishra 2007a; 2007b; The Hindu 2007; Mishra 2006b; The New York Times 2006; Ghosh 2005).[16] This agrarian distress has gripped many Indian provinces, including the prosperous agricultural states of the Punjab and Harayana. And areas that produce export crops are the worst-affected. During the post-liberalization 1990s, many provincial governments encouraged farmers to switch to export-oriented cash crops (Posani 2009).

In a recent attempt to solve the agrarian crisis, after winning elections in 2004 on the promise of an agrarian revival and in the run-up to another national election, the United Progressive Alliance government at the centre announced a credit relief package of 600 billion rupees in the 2008-9 budget. These waivers are however limited to formal loans and do not apply to farmers with more than 2 hectares of land. Thus the waivers exclude the majority of small and marginal farmers, who are dependent on informal credit from local moneylenders,[17] and resource-poor farmers who own more than 2 hectares in dry areas (Chandrasekhar 2008).

Another touted solution, the Agriculture Infrastructure and Investment Policy, announced in 2007 by the government of the largest Indian province, Uttar Pradesh, was to provide "more freedom" to the farmer by eliminating middlemen (Ghosh 2007). According to this policy, farmers could directly sell their produce to a buyer at a mutually agreed upon price. The buyers can only be large firms that plan to invest 25 billion rupees over the next three years: the rational policy makers' assumption being that large firms will be less exploitative of the small farmer than local moneylenders and farm-input dealers. The policy also promotes contract farming where the firm may supply all farm-inputs

[14] In a survey of price fluctuations in Warangal district of Andhra Pradesh, Venu Menon (2006, cited in Posani 2009) reported that price of cotton per 1000 kg swung between Rs. 2200 and Rs. 1450 within a 45-day period. The lowest price reached was Rs. 1200.

[15] Between 1992-2002, in Andhra Pradesh (AP), urea and DAP prices doubled, Murate of Potash prices quadrupled and so did prices of cotton and chilli seeds (Rao and Suri 2006, cited in Posani 2009). Up until 2004, Monsanto's genetically modified, and patented, Bt cotton seeds cost four times as much as traditional hybrid varieties. Monsanto charged a high royalty on Bt seeds, more than six times the amount it charges in the United States (Mishra 2006a), manufactured by its partners in India. In AP, the prices were reduced under government pressure in 2005 but they are still more than twice that of other varieties (Sainath 2009). Ironically, working with the economic rule that free markets yield lower prices for the consumers, the same government had deregulated the farm-input markets in the 1990s and allowed TNC's such as Monsanto and Syngenta to operate in India.

[16] Here too caste plays a role: the returns from cultivation are the lowest for the Dalits (in general, their landholdings are small or marginal). They are followed by the Scheduled Tribes (Mishra 2007b). Mishra also noted that only medium and large-sized farmers have consumption expenditures lower than their incomes. In other words, the small and marginal farmers get indebted just to meet their consumption needs.

[17] Smallholders without enough land to use as collateral find formal credit hard to come by and depend on informal credit from local moneylenders and farm-input dealers, whose interest rates range between 2 and 5% per month. The same farm-input dealers often double as middlemen between farmers and market, buying crop at lower than market price. Overall, the share of agricultural credit in total commercial bank lending declined from 18% in 1989 to about 10% in 2003 (GoI 2007). Since 2004-5, the availability of formal credit for agriculture has increased gradually but much of this credit still goes to seed companies, farm-input dealers and large farmers (Chandrasekhar 2008).

and expertise while the farmer provides land and labour. Contract farming is not new to India and has been offered as a route to prosperity for smallholders and mid-sized farmers in the past. However, results from the Punjab, where some experience with contract farming has accumulated over the last two decades, have shown that it has only benefited the relatively large farmers and that the terms of most contracts were unfavourable toward farmers (Singh 2002).[18] Through stipulations in the contracts the firms shifted the production, and often market, risks to the farmers which automatically made contract-farming more feasible for richer farmers. Small farmers were simply excluded from contract farming by TNCs in the Punjab (Khairnar and Yelati 2005; Singh 2002). Finally, contract farming has simply reinforced environmental problems of post-green revolution agriculture such as soil degeneration due to repeated cultivation of the same crop season after season, and extensive use of chemical pesticides and fertilizers (higher quantities were used on contract farmed crops as compared to the other crops grown in the area, Singh 2002).

In this section, we have used two cases from India to show how the global/national politico-economic context manifests itself in everyday life of local communities. Paying adequate attention to this context is essential because it not only engenders changes in people's identities, but also has a bearing on the practice of any community development effort by producing newer forms of vulnerabilities. Thus, any local development intervention is entangled, through material and ideological links, with global markets and information currents. The latter also shape any national policies or plans to uplift the poor by legitimating only those policies that are consistent with the reigning ideology of neo-liberalism, and by aligning the interests of local elites with non-local ones.

6. Conclusions

In a review of the literature on BoP, we have identified positive trends toward greater engagement with poor communities and other non-traditional stakeholders such as grassroots NGOs among main BoP proponents. However, the complexity of this participatory engagement is underappreciated in this literature and important issues about the poverty alleviation potential of BoP initiatives are not deeply explored. In particular, we have argued that an uncritical usage of the terms 'community', 'participation' and 'co-creation' negates the local and global politics of putting these ideas into practice.

Reviewing literature on the politics of participation and intra-community heterogeneity in development studies, we have highlighted that local and non-local power relations; socially constructed routines of different stakeholders; and community embeddedness in global politico-

[18] In the Punjab, the contracts are considered too strict by the farmers, who are bound to meet their contractual obligations under all circumstances, while the firms are not obliged to stick to the contract under any (unforeseen) circumstances (Singh 2002: 1632-33). Farmers are not to be compensated in case of crop failure due to a natural calamity. A farmer is penalized if he's unable to sell to the firm on time while it is not stipulated that the firm must buy the farmer's produce. Singh also found that the contracts of domestic firms, written in the local language rather than in English, were much less stringent than those of the TNC subsidiaries. Despite the biased contracts, the large farmers exercised their agency in extracting profits out of contract farming and creating new employment opportunities for the poorer landless in the region. However, as Singh 2002: 1635 emphasizes these positive impacts are "unlikely to be sustained due to lack of trust between firms and farmers and the tendencies toward agribusiness normalization and monopolization by firms."

economic contexts shape the practice of participatory and community-driven development projects. The nature of this practice then determines whose needs and local knowledge are considered legitimate within a community, and how these needs and knowledge are interpreted through more or less routinized practices of development workers. These 'participatory' processes are situated within structures of asymmetric power distribution between development experts and communities of the poor on the one hand, and global/national currents of corporate capital, commodities, information and ideologies on the other.

The question then arises if development programmes, TNC-driven or otherwise, can be designed to ensure the inclusion of the marginalized in terms of equitable distribution of decision-making and project benefits. Or should we resign to the fact that a bulk of the benefits and empowerment possibilities from development programmes will flow to the relatively richer members in poor communities? After all, this latter outcome is still better than further wealth accumulation by a stockbroker on the Wall street in New York, or for that matter on Dalal street in Mumbai. However, in such a scenario, we may have to give up the ultimate dream of development – eradicating poverty in the global south (or become a naïve believer in one of the trickle down theories). The best chance to realise this dream, according to the evidence presented in this paper, is for development proponents to first understand and then gradually confront the local and not-so-local unequal power relations. Such a strategy raises the risk of getting embroiled in community conflicts but then this is what genuine embedding into a community, to ensure that no one is excluded, typically entails. Secondly, we must appreciate that the regime of neo-liberal globalization may not provide the right context in which such poverty reduction strategies can be effectively chased. Economic inequality, that sustains asymmetric power relations, has significantly worsened in developing countries such as China and India since they have integrated into this global regime of thin states and instrumental civil society organizations (CSOs, both for-profit and non-profit). Decentralized activities, such as participatory and community-driven development projects, can only succeed when they are complemented by strong states who play a complementary role to the CSOs in providing public goods such as infrastructure, social safety nets, and redistribution of resources through an effective system of taxation. The latter are not amenable to privatization.

That said, it is plausible that the corporate-led globalization regime will undergo a sea change by sanctioning a greater role of the state in poorer regions of the world, simply because the TNCs themselves are now major stakeholders in the BoP poverty alleviation project. State subsidized TNC-driven BoP projects are not a distant reality and if questions about equal distribution of profits and democratic control of BoP projects are not adequately addressed, we might end up enriching the stockbroker yet again.

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