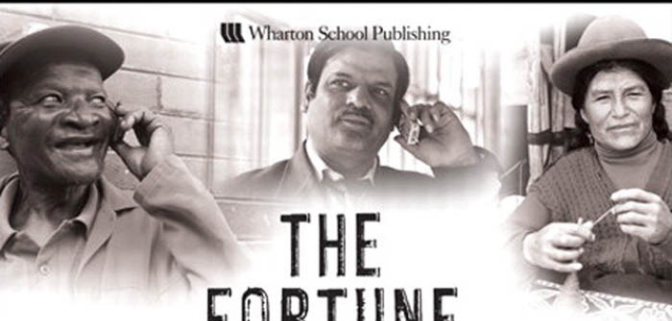


REVISED AND UPDATED 5TH ANNIVERSARY EDITION

 Wharton School Publishing

A black and white photograph of three people. On the left, an older Black man wearing a hat is smiling and talking on a mobile phone. In the center, a man with a mustache is also talking on a mobile phone. On the right, a woman wearing a hat is looking down at something in her hands.

THE FORTUNE AT THE BOTTOM OF THE PYRAMID

ERADICATING POVERTY THROUGH PROFITS

A black and white photograph of three elderly men sitting in front of a stone wall. They are all wearing head coverings (turbans or headwraps). The man on the left is looking towards the other two. The man in the middle is looking down at his hands. The man on the right is looking towards the other two.

C.K. PRAHALAD

Coauthor of the International Best Seller *COMPETING FOR THE FUTURE*

Praise for
The Fortune at the Bottom of the Pyramid

"C.K. Prahalad argues that companies must revolutionize how they do business in developing countries if both sides of that economic equation are to prosper. Drawing on a wealth of case studies, his compelling new book offers an intriguing blueprint for how to fight poverty with profitability."

Bill Gates
Chairman and Chief Software Architect,
Microsoft

"The Fortune at the Bottom of the Pyramid belongs at the top of the reading list for business people, academics, and experts pursuing the elusive goal of sustainable growth in the developing world. C.K. Prahalad writes with uncommon insight about consumer needs in poor societies and opportunities for the private sector to serve important public purposes while enhancing its own bottom line. If you are looking for fresh thinking about emerging markets, your search is ended. This is the book for you."

Madeleine K. Albright
Former U.S. Secretary of State

"Prahalad challenges readers to re-evaluate their preconceived notions about the commercial opportunities in serving the relatively poor nations of the world. The Fortune at the Bottom of the Pyramid highlights the way to commercial success and societal improvement—but only if the developed world reconceives the way it delivers products and services to the developing world."

Christopher Rodrigues
CEO, Visa International

"An important and insightful work showing persuasively how the private sector can be put at the center of development, not just as a rhetorical flourish but as a real engine of jobs and services for the poor."

Mark Malloch Brown
Administrator
United Nations Development Programme

"Most people recognize that poverty is a major problem in the world, yet they throw up their hands and say, 'What to do?' Not so C.K. Prahalad. The Fortune at the Bottom of the Pyramid gives us hope and strategies for eradicating poverty through profits that benefit all. Pass this book on to those who need to read it."

Ken Blanchard
coauthor of *The One Minute Manager®* and
The Secret: What Great Leaders Know—And Do

- PH is further developing a PPP-project with *Capacity Building International (InWEnt)*⁷ to implement a sustainable training program for the *promotoras*, achieving higher skilled and more empowered promoters.
- PH also communicates with *Asboka*, the *World Bank*,⁸ *Acción International*, *UN-Habitat*, the *Swedish International Cooperation Development Agency (SIDA)*, and the *French Development Agency (AFD)* in efforts to build potential partnerships.

Although PH has achieved international recognition and established several partnerships so far, its main challenge of scaling up, by reaching more low-income families, is still a medium-term goal. By assessing this strategy at the national level, it will be possible to design a model that will be replicated at the international level.

CEMEX's Progress

In the quest of creative, innovative, and sustainable projects, which always intend to combine business with the improvement of the living conditions of the BOP, CEMEX has developed several new initiatives that are detailed here.

Mejora Tu Calle—Improve Your Street

DESCRIPTION

The program promotes partnerships between communities and governments to improve the streets and sidewalks' conditions of their neighborhoods through technical, financial, and social-oriented designed solutions by CEMEX. The principal target group is low-income families (BOP) who have suffered a lack of infrastructure for decades.

IMPLEMENTATION

- Each neighbor in the street to be renovated contributes by paying for the necessary hydraulic ready-mix concrete required to improve the street in front of their house, according to individual budgets prepared and presented by CEMEX.

- After the project is approved by the community, neighbors are provided with individual loans. The government guarantees 25 percent of such loans through a trust fund.
- Authorities collaborate with the design of dimensions, earthworks, introduction of services, and placement of the concrete.
- CEMEX determines individual affordable quotes, supplying the material at preferential prices and managing debt collection.

BENEFITS

- Community and the government work together in a mutually beneficial effort.
- Neighbors benefit from the direct sale price and the financing of hydraulic concrete.
- The community raises the living conditions and achieves increased value for their houses.
- The members of the community become supervisors of the construction works.
- By getting neighbors to collaborate, the government's budget can be used to carry out other public works.

ACHIEVEMENTS

Having started as a pilot scheme in 2002 in the state of Jalisco, the program took off formally in 2006 with a large roll-out in the city of Reynosa, where more than 5,300 families signed-up for the paving of 230,000 m². In total, the program delivered 360,000 m² so far, benefiting 8,600 families.

WHAT'S NEXT?

CEMEX's goal is to implement the program among Mexican municipalities that present viable conditions for implementing the program. In 2009, the goal is to launch "Mejora Tu Calle" in four to six additional cities.

IMPACTS⁹

Mejora Tu Calle has proved to be sustainable. Depending on climate circumstances, it produces important sustainable development impacts, which are presented in Figure 2.

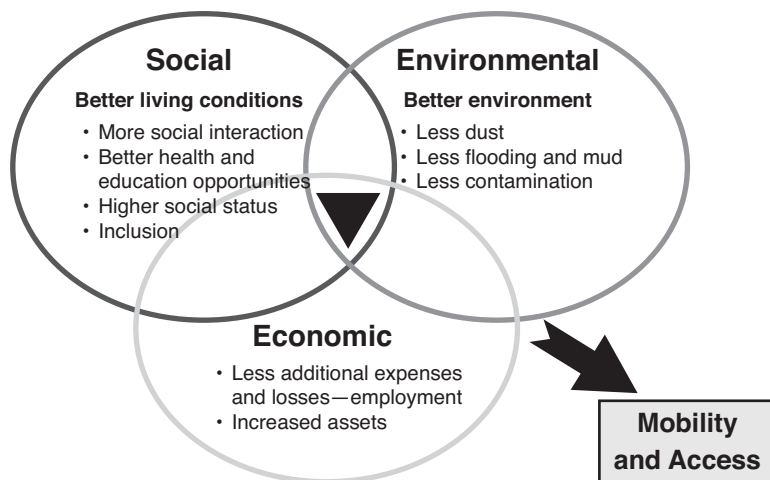


Figure 2 Mejora Tu Calle—sustainable development.

TESTIMONY

“Before, when it rained, the school transport couldn’t pick up the children, nor could the public transport service. There were days when, if it rained too much, the children didn’t go to school and classes were suspended. Now there is a big difference. I’m very happy with my new concrete street; I never thought I’d see my street like that. Children can now play without getting dirty. We don’t get muddy any more when it rains and everything is clean because there is no dirt.” (Rosa Guajardo, Gomez Farias Street, Reynosa, Mexico)

Microempresarios—Micro Entrepreneurs

Since 2007, CEMEX has engaged in a small-scale pilot program in Jalisco that supports low-income manufacturers of clay bricks to become producers of concrete bricks.

On the one hand, small manufacturers suffer several negative impacts due to the clay brick production: First, the traditional production process and the producers are not environmentally friendly because they use any kind of flammable material like garbage, tires, and so on in the brick-baking process; second, there is a high risk of explosion, given the use of hazardous materials.

On the other hand, the production process is highly inefficient and interrupted during the rainy seasons, which does not allow for a sufficient income generation, and fosters the poverty cycle.

Furthermore, new legislation forces these producers to invest in equipment adaptation that these low-income families cannot afford.

Therefore, CEMEX in cooperation with the *Inter-American Development Bank* (IBD) designed a pilot project to offer a sustainable market-oriented business solution. Its general objectives follow:

1. Investing in the training of producers to enable them to develop proper sustainable business activities and get formally included in the economy and society.
2. Guaranteeing that the new business generates sufficient income to improve significantly the living conditions of the family (health, nutrition, and education).
3. Eliminating the negative impacts on environment and personal health through the transfer of new technology and knowledge.
4. In the long-term: reaching a competitive advantage for CEMEX in a new market segment, empowering the BOP.

Centros Productivos de Autoempleo (CPAs)

Productive Centers for Self-Employment

Another recent socially oriented initiative is the *productive centers for self-employment* (CPAs), which started in 2006 and so far has been implemented in 11 Mexican municipalities.¹⁰

Until December 2008, 1,200 low-income families have benefitted from the self-employment centers, which consist of all necessary equipment and machines—offered for free by CEMEX—to produce concrete bricks. The participants have produced 550,000 concrete bricks and have built 1,800 rooms of 10m².

Low-income families use the CPAs to produce basic materials for their self-construction process or for housing improvements. Thus, participants produce their own concrete blocks for free. This means that the contribution of participants is their labor. What CEMEX asks of them is 50 percent of their production that will be used in two different ways:

By the terms of an official agreement, the local government buys the remaining concrete blocks to improve local infrastructure.

CEMEX sells the remaining part and reinvests the revenues in the centers: This allows for self-sustainability.

Therefore, CPAs present another opportunity for low-income families (BOP) to improve their housing and, hence, living conditions. In addition, the fact that there is a place where all neighbors meet strengthens the community cohesion and raises awareness on other necessary improvements. CEMEX achieves its objective to improve the living conditions of the BOP while producing additional income sources.

Conclusion

This brief survey of new initiatives related to the Bottom of the Pyramid demonstrates the awareness and willingness of CEMEX to go beyond the achieved programs and goals and find new ways to reach the Bottom of the Pyramid. At the same time, the financial crisis that began in late 2008 has had a negative impact on the business activities of the construction materials industry. However, evidence suggests that in times of worldwide financial crisis, a program like PH should not be reduced or abandoned, one reason being that the initiative is self-sustainable and underpinned by a robust social responsibility approach.

For instance, CEMEX conducted research on the Bottom of the Pyramid after the Mexican economic crisis in 1995–1996. One finding was that the informal sector (Bottom of the Pyramid) is less affected by crises of this nature than the formal one.¹¹

CEMEX, as the founder company of Patrimonio Hoy and of the other mentioned programs, is aware of these circumstances and has demonstrated its long-term social and economic commitment to continuing its social responsibility efforts even in these difficult times.

Annex

Opportunities for the Majority Index: Analysis of Corporate Performance in Latin America and the Caribbean

Final Report (2007) prepared by Innovest Strategic Value Advisors prepared for the Inter-American Development Bank

Table 2 OM Leadership Index. Those companies that scored in the top tier (above 4.0) form the OM Leadership Index.

Number	Company Name	Country	Sector	Overall Score
1	Bradesco (Banco Bradesco, SA)	Brazil	Finance	4.85
2	Grupa ACP	Peru	Finance	4.80
3	Paralife	Mexico	Finance	4.70
4	Unibanco (Unibanco-Uniao de Bancos Brasileiros S.A.)	Brazil	Finance	4.68
5	CEMEX, S.A.B. DE C.V.	Mexico	Homebuilding	4.62
6	Caja Rural de Ahorro Y Crédito del Sur S.A.A.—Cajasur	Peru	Finance	4.43
7	Desarrolladora Homex, S.A.B. DE C.V.	Mexico	Homebuilding	4.38
8	Grupo Nueva	Chile	Homebuilding	4.33
9	Farmacias SIMI	Mexico	Consumer Goods/Retail	4.12
10	Unilever	Mexico	Consumer Goods/Retail	4.07
11	Promotora Ambiental, S.A.B. DE C.V.	Mexico	Infrastructure	4.02