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Proposal for an Inclusive Development Framework

Abstract

Peru has a richness of natural resources, consumables and culture, which are poorly explored as sources of value generation. On the other hand, one of each three Peruvians are considered poor. Thinking on how these resources, familiar for the poorest sectors of the country, could contribute to generate business opportunities, while increasing the income, quality of life and welfare of poor people, raises the idea of this theoretical paper in which the authors propose a framework based on the elements know how, innovation, tradition, intrinsic value, environment and participation, in order to guide those entrepreneurs who want to venture into an inclusive business.

Objective

The aim of this theoretical paper is proposing a conceptual framework for Inclusive Development that may guide entrepreneurs -mainly from the bottom of the pyramid- that freely decide and want to make a change on their business, promoting sustainable alternatives, by respecting the environment and preserving the culture and traditions as a way to improve their income and quality of life.

A Portrait of Peru´s Poverty Situation
Peru is a South American country with over 29.5 million of habitants and for more than a decade has been experiencing a sustainable economic growth, shown by the GPI index (Indexmundi, 2009a). However, the economic benefits have not reached the poorest sectors, which mostly live on rural zones. So it can be considered that in Peru, as in other Latin-american countries, there is still a lack of opportunities for the generation of sustainable income, mainly in rural areas (Galiani, 2007).

According to a 2007 United Nations Development Program’s (UNDP) published study (FONCODES, 2007), Peru has a media HDI\(^1\) of 0.5976, being 7th among 10th of South American countries. However, the country is not improving as a whole, since almost 70% of all Peruvian departments reached levels below that media, being the most of them in the natural regions called Sierra (a region with highlands and where is found the Andes Cordillera) and Selva (which is a rain forest region) where the poverty index measured by Governmental Statistics Office Report -INEI\(^2\) (INEI, 2007) can reach 56.2% and 40.9% respectively.

In the last six years Peruvian GDP per capita has been improving and is now in $7,300 dollars (Indexmundi, 2009b). Even though is feasible reaching the United Nations’ top Millenium Developement Goal and reduce the extreme poverty index by a half (which means that in Peru it has to achieve 11.5% by 2015\(^{th}\)), the positive impact of it, until now, barely reached rural zones, especially those located in the Sierra region (Sistema de Naciones Unidas en el Perú, 2009).

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\(^1\) HDI: Human Development Index

\(^2\) INEI: Peruvian National Institute of Informatics and Statistics.
According to the last governmental statistical office report (INEI, 2007), 64.6% of people leaving at rural zones can be considered poor, and 2 of 3 Peruvians that suffer from extreme poverty live in this area. In the other hand, people considered poor on urban zones are 25.7%.

These results can be expected, since people within the urban areas have better conditions to improve their knowledge, participating in activities such as exporting of goods and engineering, construction or by becoming part of the informal market. Nevertheless the rural homes are left with no support from government in order to improve themselves and develop competences so with that they can make income by themselves. As Nobel Prize Laureate Amartya Sen stated regarding global poverty, “the poor can not reach development because they do not have enough liberty once they have a lack of abilities to make better incomes for their own.” (Sen, 1999; Edo, 2002). He points out that we must learn to identify and remove the constraints that prevent those in poverty from realizing their full potential.
In Peru there are plenty of natural resources and cultural richness (PROMPERU, 2009), most of them in the Sierra and Selva regions, but how can Peru take advantage of this so that people of the base of the pyramid (BoP$^3$) could generate wealth once those resources are known through generations by most of them? Also considering that Peru has plenty of potential entrepreneurs at the BoP, as is the first country in Latin America in the ranking of entrepreneurs’ countries and the second between 42 to 50 countries all over the world (Serida, 2009).

The Proposed Inclusive Development Framework

There are several definitions for inclusive development, however, the most used by the World Bank is: "The design and implementation of actions and policies for the socioeconomic and human development aimed at equal opportunities and rights for all people, regardless of social status, gender, physical, intellectual or sensory impairments and their race. You can talk about various types of diversity: social, cultural, human, ethnic, political, religious, linguistic, educational, sexual, gender, science, personal and environmental or biodiversity. Therefore, inclusive development presupposes idea of diversity that goes beyond the individual level, involving systems such as environment, technology, the world of science and institutions, among others."

So it can be said that diversity is an important element or idea to rescue, which supports the hypothesis of the need of adaptation of the existing models of development to the

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$^3$ The basis of the world (economic) pyramid consists of 4 billion people living on less than $2 per day.
particularities of each region or community. Therefore, an inclusive development model is proposed to fit in Peru’s and other emerging countries’ realities, which integrates the concept of entrepreneurship and develops some pillars: tradition, environment, participation, intrinsic value, innovation and know-how, shown in Figure 1. It is important to remark that people living at the BoP should be seen not only as a potential market but also as potentials developers of inclusive business.

![Figure 1: Inclusive Development Proposal](image)

Below there is an explanation of these elements or pillars:
**Know How:** Is the degree of knowledge or skills already developed or acquired by people about a product or service, which is an advantage in a sense that people learn faster new procedures in old practices rather than on new at all techniques, and there is an easier implementation of processes changes—it is faster to make changes about something that is already known rather than if it is seen for the first time-. An additional value of this knowledge is that is being transmitted over several generations, sometimes through oral tradition or by observation and it is an important part of their traditions and customs.

**Innovation:** Innovation is the application of new ideas, concepts, products, services and practices, with the intention of being useful for increasing productivity. An essential requirement for innovation is that it has to allow a successful commercial use. Innovation is not only creating something never seen before but also introducing changes or reinventing things that could be useful to the market.

The lower level of sophistication of a product or service provides great opportunities to take that as an advantage and use it to change what it’s being offer in a way that more customers could be attracted to buy it.

**Intrinsic Value:** Value is the ultimate outcome of marketing and is recognized as an important factor in customer satisfaction (Fornell, Johnson, Anderson, Cha & Bryant, 1996; McDougall & Levesque, 2000; Patterson & Spreng, 1997). Therefore, delivering customer value is of critical importance in firms. The intrinsic value refers to the value of the product or service itself, disregarding future manufacturing processes the product may receive. It is valuable because of its nature or sense of scarcity, which provides an attractive or benefit to the target market, such as natural resources.
There is also an emotional value given to the product by people, especially when the product has a relation with something in the past, is rooted in their beliefs, customs and traditions, or that makes them remember of the city they were born or the country they came from.

**Tradition:** by meaning could be expressed as everything that inherits from the previous generation, and it was considered valuable, bequeathed to the next. It can be said that tradition could be represented by culture, folklore or “wisdom”.

All the values, beliefs, customs and artistic expressions characteristic of a community, could be considered as tradition, especially when are orally transmitted. A conservative position for tradition considers this as something to keep and observe. However, the vitality of a tradition depends on its ability to renew itself, changing in form and substance (sometimes deeply) to remain useful. Tradition provides more sustainability to the proposed framework, since it is recognized that people tend to preserve them.

**Environment:** It is understood as the environment and special conditions affecting the life of individuals or society. Includes the range of natural, social and cultural norms in a given place and time, affecting the lives of human beings and future generations. It’s not just the space in which life unfolds but which also covers living things, objects, water, soil, air and relations between them, as well as intangibles like culture.

In recent years, the humanity has been destroying the environment, and the consequences are being felt, as it can be seen the reports of agencies such as UNDP. Therefore, this element takes on a little-recognized importance, becoming a real treasure for all Peruvians.
**Participation:** According to the FAO, participation is a process that involves active and equitably the stakeholders in the formulation of policies, development strategies and analysis, planning, implementation, monitoring and evaluation activities development. To allow a more equitable development process, disadvantaged actors must be empowered to increase their level of knowledge, influence and control over their own livelihoods, including development initiatives that affect them.

Participation in development is also seen as an organized effort that takes place within the institutions to increase access and control over resources by the actors and decision making, which contributes to systems sustainable living and development. Moreover, participation is seen as an interactive process that leads to a continuous readjustment of the relations between different actors in society by increasing the control and influence of these agents on development initiatives that affect their lives.

There are several levels or degrees of participation, from a shared decision making to self-management by the officers involved. The specific degree of participation is determined through the negotiation process. The meaning of participation in the proposed framework is to place communities as strategic partners and not mere consumers or suppliers, going beyond creation, to co-creation. Co-creation business logic implies that the most competitive business model will emerge from a deep understanding and dialogue with front-end users or producers, and this requires trustful and long-term relationships (Grönroos, 2000; Normann, 2001).

**A Practical Application of the Framework: The Peruvian Guinea Pig**

Peru has a richness of natural resources and cultural elements that may apply to the use of the proposed framework such as the traditional music, food (vegetables and animals),
handicrafts and natural places. Those elements suits to the diagram because they have a sense of belonging to the country and can be identify by other countries as Peruvian.

From all those elements above, we have chosen the guinea pig (Cavia porcellus) as a practical example. The guinea pig is rodent that was first domesticated for food by ancient Andean cultures, in regions that now represent Peru, Ecuador and Bolivia (Chauca, 1997) and because of its association with Peruvians since long time ago it can be considered an animal that is part of Peruvian culture and tradition.

**Know how:** it can be said that the breeding of guinea pigs for human consumption is not new in Peruvian tradition, and it does not demand an extenuating work, actually it can be done by women and children as a complement of the family income. Information from MINIAG (Peruvian Department of Agriculture) in the last Agriculture and Animal Production census in 1994 showed that the guinea pig production in the country was about 6.9 million of animals (Chavez) but is known that nowadays that there is over 22 million of animals in a stable production in order to sustain an annual consumption of meat of 116 500 tons (Chauca). So in Peru breeding this animal is not a total mystery, so it is easier to train these people to adjust and adapt their actual way of breeding from a familiar to a commercial way and being careful with hygiene or giving a better quality food. In Peru a governmental research organism called INIA (National Institute for Agricultural Information) is very concerned about improving and turning the guinea pig breeding more technical.

**Innovation:** At the present the guinea pig presentation to the market is a little bit rustic although since a couple of years ago some companies have been improving it but there are
more things than can be done to develop products in order to attract different levels of the pyramid and not only to the internal market but also exterior one. By innovation it means that it must change the way the animal is presented to the consumers by trying new dishes, new carves or make hamburgers or cold meat (Portella, 2009). It´s like taking the guinea pig from presentations that may not be to pleasant for the majority of consumers like the ones seen in traditional dishes and popular markets:

Guinea Pigs in Traditional Presentations

![Guinea Pigs in a market and a roasted dish](image)

**Figure 2: Guinea Pigs in a market and a roasted dish**

To a complete different presentation including a better package or in a more fancy dish like can be observed in the pictures below.

![Guinea Pigs in a more fancy dish](image)
Tradition: This animal and its domestication has been present in Peruvian’s life since pre columbines cultures (5000 – 4000 BC). Its presence in daily life can be observed in several archeological excavations and also in handicraft made by many cultures like Paracas, Moche, Chimu, Chavin and Inca (Chauca, 1997). In the Inca civilization they had a moral code “JAKTA HUATAY HALLINTA MIKUYNAYQUIPAC” that means that they should eat guinea pig in order to get a nutritional food (INIA). The guinea pig is also a main course of parades like “Chiri Uchu” in Cuzco (in Sierra region of Peru) and its present in a lot of typical dishes all over the country. In Peru there is another traditional use of the guinea pig rather than food, it is it’s used as an instrument for diagnosis of diseases by observing the animal’s intern organs. This practice is made as a custom mainly in Sierra zone of the country in which a “curandero” (a kind of witch doctors) passes the animal through the body of the patient and then do the diagnosis (Cavero, 1988; Espino 2003).

Intrinsic Value: It refers that the guinea pig meat has an excellent nutritional value having high protein levels that depending on the diet the animal takes can go from 19% of 1gr/100gr (Sanchez, 2000) until 20% (Chauca, 1997) of protein and has a low content of fat (1.6%) compared to chicken (10.2%) or swine (15.1%) meat (Ministerio de Salud, 1996; Sanchez, 2000). So it can be prescribed by physicians or dietitian as an alternative protein
source for special diets to people that have high cholesterol or cardiovascular diseases or also those who want to lose some weight.

**Environment:** The breeding of guinea pig in Peru is not harmful to the environment compared to a bovine factory farming or also called intensive livestock operation which causes pollution problems with greenhouse gases emissions and also water pollution (Koneswaran & Nierenberg, 2008). That is because their breeding is done in a familiar way, the animal does not requires large spaces and their excrement can be used as fertilizer that is the most common one, or like food for other animals and also as a biomass for generation of biofuel (Saettone, 2008). In the case of the used of the excretes for poultry, pigs or small ruminants nutrition is because guinea pigs excrete can contain a higher concentration of protein according to what the animal was fed (reaching almost 19% when fed with alfalfa for example) (Saettone, 2008; Chauca, 1997). In the case of its use for generation of biofuel, using a biodigester the excrement could generate gas (methane mostly) and it could be used to generate gas heating, which is pretty attractive to the colder zones of the country specially those near the cordillera where the Sierra zone is, and also by using an electric generator the gas could be used to provide them electricity (Botero & Preston, 1987).

**Participation:** The projects and business ideas that may come out from breeding guinea pigs could involve many stakeholders: community producers, industry, small and medium companies, restaurants, supermarkets, government and also consumers. An example of it may be a the creation of a guinea pig meat brand with good quality, chemical free with an organic certification and a track from the origin certification that would increase value of
that meat with the extra of a good package and different carves. This can be done by a small entrepreneur that may organize a community of producers teaching them how to breed the guinea pig in order to achieve the requirements of the certification and count on an industry for the slaughter of the animal and packing process of the meat so it can be turned into an attractive product to supermarkets and restaurants.

**Scorecard for the Framework: the Guinea Pig and Two more Cases**

In the table below it could be observed the use of the framework in the six pillars mentioned, one of the examples is of the already mentioned and hypothetic case of the guinea pig. From the other two examples one is from another country, Arzu Rugs from Afghanistan and the other one is from a Peruvian traditional drink called “emoliente”.

<table>
<thead>
<tr>
<th>Pillars of the Framework</th>
<th>Guinea Pig</th>
<th>Arzu Rugs</th>
<th>Emoliente (Drink made of diuretic herbs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intrinsic Value</strong></td>
<td>Nutritional Value, especially protein and low fat</td>
<td>Handmade rugs with fibers and dyes created by nature and done by Afghan women</td>
<td>It is a diuretic drink made of natural herbs that may also help in treatment of urinary infections</td>
</tr>
<tr>
<td><strong>Tradition</strong></td>
<td>Used as food source in ancient Peru since before Inca times</td>
<td>Is a centuries-old tradition in Afghan families handed down from mother to daughter</td>
<td>The origin of this drink is not exactly known but is very popular since Peruvian colonial times where it is served as part of the breakfast in streets</td>
</tr>
<tr>
<td>Know How</td>
<td>It breeding is known by centuries so it is easier the implementation of new techniques and make improvements</td>
<td>Is a tradition between woman to weave is a matter of how take a good profit of their talent</td>
<td>The knowledge of how to prepare it and the herbs to use is different from region to region and there are also family secret ingredient recipe</td>
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<tr>
<td>Innovation</td>
<td>Nowadays it has a rustic presentation so there are options to improve the way it reaches the market</td>
<td>Is an opportunity to help Afgan women and also an investment in their future and their community providing literacy and education classes for children and essential healthcare</td>
<td>The way it is currently presented to the public have small changes since it first commercialization so there are ways to improve it presentation to the public</td>
</tr>
<tr>
<td>Environment</td>
<td>It can be breed in a way that will not be harmful to the environment and there are several ways to reuse their wastes.</td>
<td>The rugs are created with handspun wool from sheep avoiding harmful chemical dyes; the rugs contain rich hues derived from natural plants and fruits.</td>
<td>The production of emoliente is not harmful to environment once all the ingredients used are natural (like <em>Equisetum</em> spp., <em>Uncaria tomentosa</em>, <em>Croton</em> spp., <em>Lepidium peruvianum</em>, <em>Aloe vera</em>) and fruits.</td>
</tr>
<tr>
<td>Participation</td>
<td>It can involve several stakeholders since the producer to industrials or restaurants.</td>
<td>Arzu counts on women weavers but helping their families and the community</td>
<td>In this business can participate families that already have the tradition of making emoliente and may also contribute to their city generating tourism of it</td>
</tr>
</tbody>
</table>

**Limitations of the Research**

The proposed framework is just in a theoretical stage, so more empirical research is needed in order to validate it with numbers. It seems that it could be pretty truly helpful not only for those who want to start new business but also for people that already has their business and want to innovate with new products and involve the community in the project development.
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