Overview

1. Challenges in public service provision at BoP
2. Channels of service Provision
3. Challenges for Scaling Social Enterprise Innovations
4. Pathways for Scaling up
CHALLENGES IN PUBLIC SERVICE PROVISION AT BOP

Public Services: Foundation for Sustainable Development

Services that meet **basic needs**:

- Health & Nutrition
- Water & Sanitation
- Education
- Housing

Key **enabling services** that facilitate access to basic services:

- Energy
- Transportation
- Information and communication technology
- Financial services
Service Delivery Gap

Unmet Needs at the Base of the Pyramid (bottom 20% of population)

- Persistent gaps in the delivery of basic services that governments and markets have not addressed
- Common BoP constraints: access, affordability, awareness, acceptability

- 1B people can’t obtain the health services needed
- 2.5B people without access to quality sanitation
- 748M people lack access to safe drinking water
- 781M adults lack basic reading and writing skills
- 1.2B people don’t have access to electricity
- 2.5B adults worldwide are ‘unbanked’

Government: Barriers to Meeting BoP Needs

- **Scope**: poor disproportionately affected by gaps in service delivery
- **Awareness**: BoP attitudes/perceptions affect willingness to access services
- **Cost**: high direct, indirect and opportunity costs
- **Governance**: Lack of accountability and incentives; rent-seeking/corruption
- **Capacity**: Lack of understanding of BoP needs
- **Evidence**: weak M&E, limited data
- **Path-dependency**: lack of experimentation/innovation, difficulties adapting new models
Technology adoption and diffusion (adopted from Rogers, 1995)

Gap at the last mile

CHANELS OF SERVICE PROVISION

2.
Channels of public service delivery

For profit

Business Sector

Social enterprises

Government

Not for profit

Base of Pyramid

Why Social Enterprise Innovations are Effective

Present in poor communities (where Gov’t is missing or ineffective)

Closer to user feedback = better understanding of needs & context

Effective and efficient innovations tailored to binding constraints at BoP

Often small and nimble

Flexibility = Freedom to experiment, adapt, and to fail

Face severe resource constraints

Limitations = Natural incentives for cost efficiency
Social Enterprises: Organizational Forms

Private Sector
- Entrepreneurs
- SMEs
- Established Companies
- Multinationals

Civil Society
- Community organizations
- Informal Voluntary Organizations
- National NGOs
- International NGOs
- Faith-based Organizations

Hybrid/Blended Models
- Public Procurement
- Corporate Social Responsibility/Shared Values
- Community-Based Organizations

Social Enterprises: Innovations in Financing
- Smart Subsidies

Social Enterprises: Innovations in Scaling
- Social franchising

Innovations in Social Enterprise Service Delivery Models

Sourcing Inputs
- Labor
  - Para-skilling
  - Task allocation
- Materials
  - Inventory streamlining
  - Bulk purchasing
  - Aggregation models
  - Supplier capacity building

Product/Service Design
- Systems Engineering
  - Standardization
  - Use of Technology
- Feature Set
  - No frills design
- Packaging
  - Small serving size
  - Modular products
  - Bundling
- Pricing
  - Tiered/Cross-subsidy pricing
  - Community cost-sharing

Distribution
- Reach
  - Leveraging established networks/outlets
  - Virtual distribution (mobile-enabled)
- Quality & Efficiency
  - Training of agents/partners
  - Efficient distribution technology (e.g. routing/logistics)

Sales/Marketing
- Market Preparation
  - Customer education & training
- Sales/Use Incentives
  - Customer credit models
- Fee Collection
  - Community-led models
  - Payment incentives
  - Use of technology (e.g. smart metering)

Illustrative and not complete
Examples of Social Enterprise Innovations

Educate Girls
https://www.youtube.com/watch?v=b-o1JKa5KfM&feature=youtu.be

Real Medicine Foundation
https://www.youtube.com/watch?v=bsnoQMz2e2Y&feature=youtu.be

Alternative for India Development
https://www.youtube.com/watch?v=Hq0A8H4UXXw&feature=youtu.be

3. CHALLENGES FOR SCALING SOCIAL ENTERPRISE INNOVATIONS
Range of business models: tradeoffs for sustainability/scale

CONTINUUM OF INOVATIVE BUSINESS MODELS

- **Subsidy-Dependent**
  - Mission rather profit-driven
  - Often more cost efficient than government offerings
  - Questions about steady-state funding/sustainability
  - Risk of donor capture

- **Self-Sustaining**
  - Potential for long-term sustainability
  - Scale up driven by private investment
  - Questions about viability for the poorest of the poor

- **Profit-Generating**
  - Often more cost efficient than government offerings
  - Questions about steady-state funding/sustainability
  - Risk of donor capture

Barriers for scale of social enterprise sector

Internal barriers
- Convoluted mission
- Insufficient human resources
- Weak leadership
- Lack of growth capital
- Models often not designed for scale
- Lack of revenue streams
- Weak M&E

External barriers
- Lack of adequate regulation
- Regulatory and policy hurdles
- Weak delivery infrastructure
- Limited access to finance
- Lack of reliable market information to gauge needs of the BoP
- Information asymmetry

Result: “positive deviants” rather than sector
The Valley of Death for Scale

Opportunity for Sustainability and Scale

### Improved Results
- New model development happening outside of the public sector offers laboratory for learning
- Up to 70% of services delivered to BoP
- Promise for improved access, cost, quality and sustainability

### Innovation and Learning
- Potential to more systematically support experimentation, harvest learning, and facilitate mainstreaming
- Reduce costs through integrated financing and delivery via public and private channels
- Activate new pathways for scale through public-private collaboration
PATHWAYS FOR SCALING UP

4.

1. Open Innovation Mechanisms to Surface Innovative Business Models

2. Develop learning as to opportunities and constraints for scaling the business model

3. Establish an environment for scale and increased impact

For Example: Agastya Foundation

Key Opportunity
Large labor market demand for skills in math and science

Constraints
Low interest and motivation of rural students
Low quality of math & science education in schools

Model Design
80 mobile labs, 35 science centers, training of 200,000 teachers

Applying Model
Creativity Labs campus, science camps, student engagement

Example: Bringing Innovations to Scale

Public-private Collaboration
Public service supplement, partnerships with schools and gov’t

Collective Leadership
Beneficiaries engaged in active dissemination of new practices, become drivers of change

Replication
Replication across India and in Africa

Learning
South-South exchange facilitated by DM/OECD, BBLs with Educ GP
1. SE Growth
2. Replication across Social Enterprise Sector
3. Enabling Environment

GOVERNMENT
- Impact Bonds
- Public procurement
- Adaptation in public systems
- Mainstream in public systems
- Information systems (data, M&E)
- Policies and Regulations

Impact Investment

Pathways for Sustainability and Scale of Social Enterprise Innovations

Example: Support to Inclusive Innovation at the WBG

DM 1.0 “Innovation Marketplace” is an internal WBG competition.

The first Country DM in Thailand begins the franchise model.

From 2001 to 2009, the DM continues to support global and country competitions, engaging external donors, internal sector partners and supporting social entrepreneurs around the world.

DM 2.0 Identify social enterprises, provide grants and capacity building to increase scale and impact from inclusive innovation.

DM 3.0 Surface, analyze, replicate inclusive innovations that can accelerate service delivery to the poor. Strengthening DM’s ability to link innovative business models to WBG’s lending operations and gov’t engagement.

2001 DM 1.0 DM 2.0 DM 3.0 Partnership with the IFC’s Inclusive Business Models program, merger with WBI’s Innovation Policy Program.

New Social Enterprise Innovations Program Integrated suite of tools and services to WBG operations, governments, and social enterprises to scale inclusive innovation.

Scale and sustainability
- Embedded in WBG operations
- Strong external partnerships: e.g. SDF, OECD
Program Goals

- **Identify** innovative business models in service delivery to the BoP with clear evidence of social impact and

- **Support their potential** to be scaled, replicated or mainstreamed through public or private channels of service delivery
Program Components

1. Competitions
   - Crowdsourcing platform
   - Open competitions platform
   - Adaptations for partner organizations
   - Customized competitions
   - Funding mobilization for social enterprises
   - Leverage partners
   - Integrate WBG operations
   - Grant/prizes oversight
     - Standardized M&E
     - Benchmarking tools

2. Capacity Development
   - Systematic needs assessment
   - Customized support of funded Social Enterprises
   - E-learning
     - Social Enterprises
     - Public officials
     - Building of local/regional centers for scaling delivery
   - Accelerator program

3. Evidence Base
   - Solution-based portfolio of social enterprise innovations
   - One-stop-shop platform on innovative business models
   - Tools and frameworks for analysis of business model innovations

4. Multi-stakeholder Dialogue
   - Diagnostic of environment for non-state provision of services to the poor
   - Engagement tools and processes for public/private collaboration on service delivery
   - South-South exchange for multi-stakeholder audiences

5. Strategic planning & management
   - Strategy and business development
   - Monitoring and evaluation
   - Partnerships, coordination and collaboration
   - Outreach and communications