

CROSS-CUTTING INCLUSIVE INNOVATIONS

Role of Governments and Public Policy in Advancing Innovative Service Delivery Models for the Base of the Pyramid

Policy instruments help to create a conducive market ecosystem for social enterprises

HIGHLIGHTS

- Governments can use certain policy instruments to support SEs in delivering goods and services to the very poor in the areas of education, energy, healthcare, water and sanitation and finance.
- Examples of support include fostering learning and knowledge exchange, advancing policy innovations and providing financial assistance and program implementation.



Introduction

Overview

In developing countries, major gaps persist in the delivery of basic services to low-income populations. Many people still lack access to education, energy, healthcare, water and sanitation, and financial services.

Governments struggle to fill these gaps, constrained not only by the lack of fiscal resources, but also by the technical challenge of meeting the needs of low-income households, which are often also the most marginalized, disparate, and/or informal. Given the challenges and costs of meeting these needs, public sector interest is growing on whether and how to support non-state actors who may have approaches that are more effective and cost-efficient.

Social enterprises (SEs) are demonstrating their ability to fill some of these gaps in service delivery. SEs are privately owned organizations—either for-profit, non-profit, or a hybrid of the two—that use business methods to advance their social objectives. They focus on maximizing the social and environmental impact for their target beneficiaries in contrast of maximizing the short-term profits for their shareholders and private owners. Due to their strong presence and understanding of local communities, SEs are often able to reach underserved populations through flexible and innovative business models.

However, low-income settings present numerous constraints for SEs. These challenges create entry barriers for SEs and limit the ability of low-income groups to participate in their services. There are four



This series on Cross-Cutting Inclusive Innovations explores thematic lessons from businesses that improve the lives of those living in poverty. Editors are Elaine Tinsley and Natalia Agapitova. Researched and developed by Endeava UG and Ashley Insight.

main areas of constraints that SEs most often face in these settings: information and awareness, rules and regulations, financial resources, and structure and capacity. Each of these can be addressed and alleviated, to some extent, by policy interventions.

While not extensive, this paper introduces 10 key instruments that governments can use to support SEs that serve markets at the Base of the Pyramid (BoP) in the five sectors mentioned above. The repertoire of policy instruments ranges from overarching policy frameworks to being an active partner of SEs. The choice of the most effective tool depends on the enabling environment and the options available. Often, combinations of instruments are required to address multiple constraints.

The World Bank and development organizations play an important role in supporting governments to strengthen the ecosystem for SEs through fostering learning and knowledge exchange, advancing policy innovations, providing financial assistance and program implementation, as well as capacity building.

Methodology

To prepare this paper, we studied a database of 290 SEs that deliver goods and services in low-income markets. These SEs were further classified into 26 business model innovations across five sectors, education, energy, financial services, healthcare, and water and sanitation. We looked at each of these individual business model innovations to study patterns in the role of the public sector and policies. Both primary and secondary sources were used for the research. We interviewed a set of SEs from each of the business model innovations to better understand their operations in low-income markets. We also conducted interviews with sector experts to sharpen the sector-level understanding and gain a perspective on trends and patterns.

This paper also takes into account previous findings on the role of governments in enabling private participation in low-income markets. The literature referred to includes *Inclusive Business Policies* published by Endeavor in 2013 and the *G20 Note on Inclusive Business Policies* published in 2013.

Why and How Governments Support Service Delivery by SEs

Governments often cannot deliver public services to the BoP

People living at the BoP often lack access to essential goods and services such as healthcare, education, energy, water and sanitation, and hygiene. Governments, for a number of reasons, including lack of resources and capacity, are often unable to effectively reach rural villages and urban slums with public services. Access to healthcare services remains highly uneven, access to schooling has increased but with enduring constraints on quality and attendance, access to sanitation barely appears on the radar in many countries, while extension of electrification has left large swathes of the population in most low-income countries untouched. Financial services for the unbanked have developed fairly rapidly in recent decades, but led by NGOs and SEs rather than through roll-out by governments.

At the same time, markets for these goods and services are often non-existent or underdeveloped, due to the lack of an enabling market environment. Hence, there is growing interest among governments in whether innovative models developed by SEs can improve service delivery to the BoP and whether governments can and should do more to support them.

SEs fill the service delivery gap in many places

SEs can be of interest to policy makers for a number of reasons:

- While they remain small, they demonstrate continued potential to scale.
- The models focus strongly on innovation in design and delivery to meet the needs of the BoP and overcome some of the challenges of serving such a market.

- Some models are intended to achieve commercial viability (e.g., solar home systems), and thus will ultimately be able to continue to scale with no public sector input.
- Some models are intended to be hybrid (e.g., water decontamination and supply), drawing on public and/or philanthropic input as well as user fees. The public input needed per user served is thus lower than in a public sector model.
- Entrepreneurs take on the costs of creating new markets, which constrains their profitability or growth. They are increasingly calling for more support in creating conducive ecosystems and public goods.
- The models are developing in new and fragmented markets, so they are highly susceptible, both positively and negatively, to policies, regulation, and value chain developments.
- There is a small but growing body of evidence that the models deliver outcomes, for example in health provision or water supply, and meeting needs that are not met by a pure public sector model. However, data to compare the costs and effectiveness of public provision, SE provision, and hybrid models is not yet available.

SEs face challenges in BoP markets

Constraints faced by low-income populations also create challenges for SEs aiming to reach them. The challenges go far beyond the mere fact that poor people cannot afford to spend much for services. Infrastructure is poor, markets are fragmented, transactions are mainly informal and cash-based, and cash flow is irregular. People have limited education and access to information, and they may have no habit of either paying for them or using the services offered. Supply chains are likely to be weak, making logistics and servicing an additional challenge. These barriers drive up transaction costs and make it difficult to do business. While SEs can overcome some challenges through innovation and investment, the high costs related to these market-building activities regularly limit the scaling of otherwise functional models.

Government can create the conditions for success and scale

Governments can establish a conducive market environment for business through their policies. They play an important role in reducing barriers for SEs and can promote innovative solutions for service delivery by SEs. Four functions of governments can be distinguished in this regard: providing information, setting and enforcing rules and regulations, providing public resources, and collaborating with the private sector. Figure 1 shows examples of policy instruments that have been identified for each function.

Figure 1. Examples of policy instruments to support SEs working in BoP markets



In addition to these individual functions, the overall narrative on the role of SEs for service delivery is set by government. Is social policy and economic policy deemed to be entirely separate? Are SEs included in the dialogue on regional or social development? Are social impacts of businesses recognized? By acknowledging the contribution of SEs to sustainable and human development, government encourages innovation and entrepreneurship.

Policy support varies greatly by sector

Health and education are traditionally the domain of government provision. These sectors are not only heavily regulated, but the role of private providers is often constrained or not acknowledged. When governments integrate SEs in BoP service delivery, they often use collaborative approaches and provide financial support to make models viable. Close alignment with public standards is critical. Energy and water and sanitation are also heavily regulated sectors when it comes to formal provision of services, especially on the grid.

However, most service provision to low-income households is traditionally taken care of by off-grid solutions offered by informal players (e.g., selling candles, charcoal or kerosene, selling bottled water, emptying latrines). To advance access to improved solutions, governments create regulation that acknowledges off-grid providers and facilitates licensing processes. They also create incentives via awareness campaigns, end-user subsidies, or tax breaks. Of course, these high-level patterns are much more nuanced if one takes a more detailed look, and all instruments can in principle be applied to all sectors.

Policy is enacted at all levels of government

The range of policy instruments used by governments extends from overarching policies that set broad development goals to more granular sector regulations directly affecting the daily operations of an SE. The nature of the policy instrument determines which level of government is involved and how roles and responsibilities are divided. On the national level, overarching policy frameworks such as poverty-reduction strategies or national development plans define broad government visions and help establish priorities for action. Local- and municipal-level authorities, which are closer to the ground, support implementation of solutions operationally, such as providing land for sanitation facilities.

Innovation in the model of SEs is often driven by collaboration across sectors: energy and finance, health and technology, and housing and sanitation. For example, a stove business can be constrained by regulations on slum housing, or an energy business by regulations on mobile finance, or a technology company by regulations on health provision. Often, policies relevant to BoP service delivery cut across multiple government entities (several ministries, regional and local administrations, local authorities). This requires close coordination, and continuous and open dialogue between all government entities involved throughout the policy cycle. It calls for innovative approaches on the part of policy makers, cutting through established boundaries and government departments. For example, mobile money has regulatory implications in both the financial and Information Communication Technology (ICT) sectors. Similarly, improving access to healthcare for informal sector workers requires the involvement of both the health and labor departments.

The next four sections introduce key instruments per function and explain how they are used in different sectors.

Policy Instrument: Information

Governments play a vital role in collecting and disseminating information

Governments possess a vast amount of information from various stakeholders for their own policy making purposes. This puts governments in a vital position to collect and disseminate information and also generate knowledge through research.

Policy instruments that facilitate the creation, availability, and exchange of information create conducive conditions for the SEs to enter low-income markets. Through these tools, SEs can develop a better understanding of low-income markets and develop better suited models, and low-income people can make better choices related to services.

Two instruments have been identified: building awareness among consumers and providing data and research on BoP markets.

A. Building Awareness Among Consumers

Poor people often lack access to information on available services and their benefits, as well as on the negative consequences of current consumer choices (such as drinking contaminated water). When governments raise awareness, they create a fertile ground for SE service delivery by creating trust in, and demand for, the service offering. While evidence in our database on this government contribution is limited, researchers often identify awareness-raising as an important role for governments to strengthen SE ecosystems.

Energy: To avoid energy theft on the grid and increase consumers' willingness to pay, governments raise awareness among low-income consumers that energy is a purchased product and not free. This understanding is critical to enable grid-connection service delivery, whether it be private or public.

Healthcare: Pregnant women need to learn about prenatal care and children need to learn about basic preventive healthcare. Governments often run campaigns to educate communities on the benefits of proper healthcare, thereby strengthening the market for healthcare products. In India, the government invests in raising awareness about the benefits of the national health insurance scheme, Rashtriya Swasthya Bima Yojna (RSBY), to provide access to healthcare services to people living below the poverty line. The usage rates of RSBY increased when membership cards were issued immediately upon enrollment and clients were informed about how to make the insurance claim.

Water and sanitation: Governments fund education activities for health officers, trainers, and villagers to promote hygiene and raise awareness about reasons for using toilets or hand hygiene. Quite often these activities are carried out in tandem with healthcare initiatives. For example, Ecofiltro in Guatemala works with local governments to educate communities about the dangers of unsafe water and ways to avoid them.

B. Data and Research on BoP Markets

Governments own a wealth of data gathered through administrative processes, household surveys, etc. This data can be valuable for SEs that aim to understand market gaps and customer profiles. Government expansion plans are also critical to share, since this affects rates of return on projects such as off-grid energy systems or water and sanitation services.

Education: The government collects and publishes data pertaining to student enrollments, educational achievements, and teaching staff. Such data is extremely important for SEs to set educational objectives and design appropriate models. In Uganda and South Africa, the Ministry of Education and its local departments assist the SEs Hands-on-Tech and Limited Resource Teacher Training in identifying and selecting the most suitable schools for providing their teacher training. In India, the State Institute of Education in Goa supported teacher training provider Karadi Path by conducting a study on the methodology's effectiveness in 20 schools.

Financial services: Innovative financial services that reach the BoP often rely on solid technical infrastructure. For example, to enable the provision of index-based agri-insurance services, governments invest in weather stations and other measurement technology that entails a high initial investment. These costs are commonly borne by governments or international donors.

Healthcare: Governments collect and maintain data on several health parameters, such as the prevalence of diseases, causes of death, and available health infrastructure across the country. This data points at the most urgent needs within the overall healthcare sector, including personnel gaps and reach of healthcare services, and guides policy goals and innovation. Governments can also promote research institutes or universities to undertake research into national health priorities.

Energy: Governments can also support businesses by providing relevant market contacts and information on their electrification plans. For example, the government of Rwanda shared its grid extension strategy with Mobisol to guarantee the most effective electrification coverage. It shares grid maps with the company and facilitates entry into communities by providing contacts at the village level.

Water and sanitation: Facilitating knowledge sharing and discussion is another way in which governments can play a role. For example, in 2014, the Ugandan government supported the first national conference on menstrual hygiene, which focused on breaking the taboo of menstruation and keeping girls in school. The SE AFRIpads was part of the consortium of civil society organizations that organized the conference in collaboration with various ministries, including Health, Education and Sports; Gender, Labour and Social Development; and the Ministry of Water and Environment.¹

Policy Instrument: Rules and Regulations

Low-income markets are marked by informality and regulatory entry barriers

Low-income people predominantly operate in the informal sector of the economy. For instance, the retail trade in Kenya is 95 percent informal², and formal distribution channels might not even reach the poor due to remote locations and inadequate infrastructure. Further, low-income groups' access to banks and financial institutions, as well as main electricity grids even when available, is often restricted due to lack of proper identity documentation. To integrate these groups into formal value chains, SEs require a supportive set of rules and regulations.

Burdensome or outdated regulation can preclude the entry of innovative solutions into a market. In the case of education, some regulations do not specify the private sector's role, or impose unclear registration criteria for private schools. Restrictions on the legal forms and operating freedom of private schools and infrastructural requirements have inhibited private sector participation in some countries.

Conducive rules help with inclusion of low-income groups in formal value chains

Governments are the only actors that have the authority to create and implement binding regulations for all societal actors and impose sanctions in case of non-compliance. They do so through their legislative

and administrative bodies, and public services, and have several instruments at their disposal to enable and encourage SEs and empower low-income people.

The most commonly used policy instruments in the reviewed cases include sector regulations, and standards and accreditation. Often, these regulations follow the successful and widespread adoption of innovative delivery models by SEs, and have to undergo an evolutionary process. In the cases of microcredit, micro-insurance, mobile banking, and off-grid energy provision, among others, regulation was developed only after these innovations reached a critical mass.

A. Sector Strategies and Regulation

Sector regulation creates the legal basis for SEs to enter the market and build businesses, either by creating new regulations for new industries or by relaxing or adjusting existing regulations that reduce the barriers for entry and subsequent operations. They also create a framework for action by formulating policy objectives and plans. In some cases, new regulations have also been enacted to encourage private participation in delivery of essential services to low-income groups.

Energy: Governments set the framework that enables SEs to contribute to electrification. A clear government strategy that acknowledges the role of private providers and gives direction allows SEs to define a business case and areas for intervention. For example, the government of Tanzania clearly specified which areas of the country the grid and off-grid solutions would cover, and then invited the private sector to provide these solutions. In Bulgaria, India, and several other countries, slum electrification innovations were crafted after the privatization of state distribution companies. The newly privatized companies also received the leeway to design solutions that were more suited for the low-income setting. In India, solutions such as solar mini-grids and solar home systems received a boost due to the government renewable energy policy, which acknowledges and promotes the role of private providers.

Water and sanitation: A national commitment to sanitation backed by a policy on sanitation programs and clear responsibility for implementation in a single government agency, specifically at the local levels, is one of the major determinants of success in this sector. In Colombia, Law 99 of 1993 established a water and sanitation sector framework that allows SEs to expand coverage in poor municipalities not effectively served by traditional public utilities.

Education: Education is a highly regulated sector. Recognizing the role of SEs is already an important step to create the ground for investment and formal providers. Overarching policy frameworks have important effects on the demand for private education services. Abolition of school fees in many countries have led to an influx of students, which has not been matched by adequate investments and increases in teachers. Over 70 percent of sub-Saharan African countries have acute teacher shortages.³ Under-resourced, overcrowded schools, and low quality of public education encourages low-income parents to seek alternatives in the private sector. Bangladesh has seen similar impacts since public school fees were abolished, prompting BRAC to establish Shishu Niketan schools where public schooling has deteriorated.⁴

Financial services: Attempts to avoid money laundering, prevent illicit financial transactions, and protect citizens from financial harm have kept financial services a highly regulated sector, and often also highly politicized. In Africa, the lack of regulation enabled mobile money providers such as M-PESA to grow quickly, while tight regulations in Asia prevented similar success (see case study 1). In India, Vodafone had to wait a few years for regulation on mobile wallets to be put in place before it was given a license to operate. Though at times a bottleneck, government regulations have evolved in some cases to provide enabling platforms for financial innovation targeted at low-income people. For instance, in the case of

agri-insurance, well-specified legal frameworks have defined insurance companies' field of activities, guaranteed their financial integrity, and inspired confidence in all of the actors involved. Consumer and entrepreneur finance models have not seen high involvement of governments, which have largely remained on the sidelines.

Healthcare: The health sector needs sufficient oversight and regulation of private providers and products to protect patient safety and outcomes. It is influenced by the government through a mix of instruments ranging from overarching health policy objectives to granular sector regulations that can facilitate the emergence of SEs. Private franchise networks of reproductive health service providers are regulated by registration requirements as well as legal provisions for franchising, procurement of drugs, commodities and supplies by private actors, and accreditation. In the case of telemedicine, legislation is crucial to protect sensitive personal and health-related data in digital formats, as well as allowing individuals the right to access and control over their own health records. A legal framework that requires insurance companies to officially recognize telemedicine and reimburse doctors for its use is also critical for its success. Policy and regulation can serve to harmonize the roles and responsibilities of community health workers and provide clear standards and protocols to ensure quality.

B. Standards and Accreditation

Standards help ensure low-income consumers get value for their money. Where standards are lacking, low-quality competition can erode consumers' trust in the entire sector, as has been seen with solar lighting products. Accreditation schemes can improve the reputation of SEs and weed out bad performers.

Education: Standards and accreditation are critical to align private provision of education services with public expectations. Governments establish indicators of school quality and improvement that guide providers' solutions. These standards also guide education provision in private schools, and school evaluations provide important information for parents choosing a school for their children. Some SEs, such as Link in various countries in Africa, support school evaluation through school performance reviews that align with national standards. Learning centers often aim to reintegrate children into mainstream education, making alignment with the public education system an important success factor. The Bangladeshi government is working on an accreditation scheme for non-formal learning with formal qualifications.⁵ SEs promoting teacher quality equally require alignment with national standards. In Thailand and India, the Ministries of Education have accredited Lamplimat Pattana School and the Muktangam Schools as official teacher training programs and sites.

Healthcare: In healthcare, sufficient oversight, regulation, and enforcement of private providers and products is needed to protect patient safety and outcomes. Accreditation of healthcare professionals and providers helps to ensure patients receive quality service. A close link with public standards can facilitate scale-up for private health providers, for example by enabling access to subsidies. Most women's health franchises, such as Merrygold in India, Bluestar in Vietnam, and Greenstar in Pakistan, link to the public sector through a common accreditation and quality oversight system.

Water and sanitation: Standards are also important to ensure safety in the provision of water and sanitation solutions. Existing sanitation initiatives often work with the respective governments on overall facilitation of the market. The Selling Sanitation Program in Kenya has supported the Ministry of Health to develop a national definition for improved sanitation, national guidelines for pit standards and latrine options, and an accreditation scheme for improved sanitation options produced by local manufacturers.

Energy: Low quality of off-grid products has hindered the scale-up of these solutions. Setting standards and accrediting products help consumers choose quality products that are worth their price. The World

Bank program, Lighting Africa, develops standards and accreditation schemes for solar products in Asia and Africa.

Policy Instrument: Public Resources

Lack of affordable and ample financial resources in low-income markets

A common theme in the reviewed business models is a scarcity of financial resources, both for low-income customers and for the SEs catering to these markets.

Low-income people can lack the financial capacity to afford even essential goods and services. Their access to formal sources of capital is limited, and they conduct most of their economic transactions in cash. Local providers of credit such as money lenders charge high interest rates that prevent low-income groups from investing in capital-intensive solutions such as solar home systems or toilets.

SEs face difficulties in financing their business startup and expansion through commercial finance. Serving low-income customers is usually associated with higher risk and uncertainty, as well as lower margins. Credit markets in developing countries are often immature, implying a high cost of capital and making credit inaccessible for SEs. Lack of finance restricts organizational growth and thus impact of SEs.

Governments fill the financing gap through various instruments

Governments disburse financial resources to incentivize companies to invest in certain activities, for example via subsidies and tax breaks. Governments also improve access to finance through public development banks that provide preferential interest rates. Public investments into infrastructure, ICT, and the workforce reduce the cost burden for SEs.

A. End-user Subsidies and Tax Breaks

End-user subsidies can help to create markets for products and services that would otherwise be unaffordable for people with low incomes. These subsidies can take the form of differentiated tariffs, cash transfers, or vouchers. Tax breaks on products are functionally equivalent.

Education: Governments have tried to bridge the education gap through several financial instruments, such as direct subsidies, cash transfers, and capital support. The chain school LEAP receives government subsidies for deprived children, albeit only half of the subsidy allocated to public schools. Learning centers also often depend on student subsidies. Gyan Shala in India receives government reimbursements per student. Agastya's science centers and mobile science labs are supported by Sarva Shiksha Abhiyan (SSA), the Indian government's flagship program for universal access to elementary education. Agastya also has partnerships with Haryana and Karnataka state governments. Enova has leveraged the State of Mexico's digital libraries development plan to secure grants for its students.

Conditional cash transfers have been introduced in many countries to incentivize families to use basic services such as healthcare and education. In 2007, the Indonesian government launched Program Keluarga Harapan (PKH), which provides cash transfers conditional on households accessing specified health and education services, including children ages 6 to 18 attending nine-year compulsory education.

Energy: Subsidies have played an important role in promoting SEs that provide electricity access to the underserved. The Ministry of New and Renewable Energy in India provides subsidies of up to 30 percent of the cost of solar home systems or mini grids to the end-users. Subsidies have enabled grid-based energy distribution companies to offer differentiated tariffs to low-income households, and they reduce the cost for a new electricity connection, allowing more people to legally access electricity. In some cases, tax

breaks have been used to enhance energy access to the underserved. The Tanzanian government, in addition to relaxing the entry norms for mini-grids players, also provides tax incentives and removed import duties on solar panels.

Healthcare: End-user financing is widely used for improving access to healthcare for low-income people through several different instruments. In Kenya and Uganda, the Reproductive Health Output-Based Aid Voucher Program aims to stimulate consumer interest in healthcare services. Consumers purchase vouchers at a low cost, and providers then use the voucher to receive reimbursement for treatment costs. Greenstar, the second largest provider of family planning services in Pakistan after the government, partnered with the public sector and donor agencies to implement voucher schemes that provide subsidized access to institutionalized healthcare for mothers.⁶ Eighty thousand vouchers are being distributed to qualifying women in the lowest wealth quintiles in Punjab and Sind (Pakistan). Voucher recipients have access to subsidized services through clinics in the Greenstar franchise network as well as to public providers.

The national health insurance scheme RSBY in India enables free access to healthcare services of up to a certain limit to the citizens living below the poverty line. In other cases, through state-funded health services, the government health agencies support health micro-insurance schemes by reducing costs or by complementing the entitlements of clients with government health services.

Access to female hygiene products and specialized hospitals has also been facilitated through end-user subsidies or tax breaks. In 2011, Kenya stopped levying import tax on sanitary products, which led to a reduction in cost by 18 percent.⁷ It also allocated almost USD 4 million to provide free sanitary napkins for schoolgirls in 2011, and in 2014 committed to an additional USD 2 million.^{8,9,10} In 2010, the Indian government announced the Menstrual Hygiene Scheme as part of its National Rural Health Mission, to provide highly subsidized sanitary pads to rural girls living below the poverty line. State governments—including Himachal Pradesh, Delhi, Tamil Nadu, and Bihar—have followed suit with similar initiatives.

Water and sanitation: Some governments provide targeted subsidies to reduce the price of toilets for low-income households. Evidence on outcomes is mixed. For example, eKutir in India notes that specific government guidelines on toilet set-up, materials, and products to be used have restricted its access to government subsidies. The company is engaging with the Indian government to address this issue. WaterSHED in Cambodia notes that government-led programs providing fully subsidized sanitation products at no cost to the consumer undermine its market-led approach. WaterSHED is addressing this by engaging with the national government to implement more aligned strategies, e.g., a targeted subsidy to the very poor. This is also BRAC's approach in Bangladesh, where smartly designed subsidies for poorer households work successfully.¹¹ Various programs facilitate access to government sanitation subsidies for low-income households, such as Ambuja Cement Foundation and 3Si in India.¹²

B. Grants and Soft Loans

Governments also support SEs directly through grants and soft loans. Donors also play an important role in funding SEs, either through national programs or international award schemes.

Education: Most of the SEs focused on teaching quality in our analysis receive financial contribution from the governments either in the form of grants or as payments for serving government schools. In the Philippines, local governments bear about half of the cost of rolling out BridgeIT, a teacher training program. Experifun Learning Solutions in India received funding from the Government Department of Industrial Policy & Promotion.

Healthcare: Telemedicine relies particularly on government funding, since it often requires significant investments. Government and international donors, often in collaboration, provide seed capital for setting up the project and pay the physicians for their time.¹³ The project Telemedicine Support to Promote Maternal and Newborn Health in Remote Provinces of Mongolia was paid for by the Mongolian government's Mother and Child Health Research Centre (MCHRC) in Ulaanbaatar, the Government of Luxembourg (Lux-Development Agency), and the United Nations Population Fund (UNFPA).

Energy: Installation of energy solutions such as solar home systems or mini grids is very capital intensive and requires low-cost consumer finance solutions. In 1997, the Bangladeshi government established the Infrastructure Development Company Limited (IDCOL), a government owned non-banking financial institution. IDCOL provides financing for the Bangladeshi Solar Home System Programme that financed installation of more than three million solar home systems in rural Bangladesh. IDCOL catalyzed the development of a local supply chain with more than three Bangladeshi-based solar panel producers, more than five local battery producers, and several local LED producers. Together with the quality standards set by the government, this led the way for the successful expansion of Grameen Shakti.

C. Infrastructure

Government investment in infrastructure creates a supportive ecosystem for SEs and reduces their cost of access. Setting up a wide telecommunication infrastructure, for instance, improves the market penetration for several new SEs, including mobile health and mobile money, and also brings new technologies within the reach of low-income groups. Good roads facilitate access to remote areas. Reliable electricity supply allows for continued operation of facilities, such as hospitals or offices.

Infrastructure has rarely been mentioned as a key role of governments to facilitate individual service delivery models, but can be seen as a generic enabler across the spectrum. Some models build on close collaboration with the public sector, such as teacher training or telemedicine. Here, SEs usually enter into dialogue with governments about the necessary infrastructure prerequisites for collaborating with specific institutions.

Policy Instrument: Public-Private Collaboration

Governments and SEs often need to collaborate to close service delivery gaps

Governments have a mandate to provide essential goods and services to the whole population. It can leverage the creativity of SEs to reach currently underserved communities. At the same time, SEs can build on existing public structures to reach out to their target group, and work with public institutions to improve the quality of provision. Public-private collaboration can thus be a recipe for broad-based scale-up, especially where SE and public programs are aligned.

Even though the boundaries between them can be blurry, three instruments can be distinguished: development partnerships, public procurement of SE services, and aligning SEs and government programs.

A. Development Partnerships

In development partnerships, public and private sector partners each contribute complementary capabilities in the implementation of a project that creates benefits for both parties. This can include classic public-private partnership models and policies.

Education: SEs have been able to build on public sector outreach and resources and enhance the quality of education. In the contract schooling model, government-funded schools are managed by private sector education enterprises. This is an established public-private partnership model in Latin America. Governments also partner with SEs to evaluate school performance. Here, Memorandums of Understanding define expectations, goals, and cancellation terms, and may mandate participation of education officials. The government acts as regulator and enforcer but also in some cases, such as the SEs Link and JET, provides in-kind support that covers some project expenses. Teacher training is another area where collaboration between public and private sector is beginning to emerge. In India, the STIR education model is partly embedded into the public teacher training system. In the Philippines, Bridge IT trains education officers to implement and mainstream its teacher training program.

Energy: In the energy sector, development partnerships have been employed in particular to connect urban slums to the main grid. The initiatives have largely originated after privatization of the erstwhile public electricity distribution companies. The privatized providers sometimes undertake slum electrification programs voluntarily to reduce power theft, and sometimes due to a public mandate for inclusion of low-income groups. The success of the partnership also rests on back-end infrastructure upgrades—power generation, electricity transmission and distribution infrastructure—which typically rely on some degree of government financing.

Financial services: Public-private partnership models have been used for agri-insurance, such as in India and Mexico. Government subsidizes a significant part of the premiums while a private insurer underwrites the risk.

Water and sanitation: Several small and grassroots level initiatives have entered into partnerships with governments to deliver water and sanitation goods and services. Ecotact in Kenya offers sanitation services with its IkoToilets: it enters into long-term contracts with municipalities that provide public land to build facilities. Ecotact covers the cost of constructing the facilities on municipal land, runs them on a commercial basis for five years to recover the investment, and then turns the facilities over to the municipal council to run or leases them back to a private sector partner. Similar models exist for bringing safe and affordable drinking water to urban households without access to piped utility water supplies. In Antananarivo, Madagascar, the cost of building water kiosks in areas without access to utilities are shared by the government and the kiosks are subsequently managed by local organizations.

B. Procuring from SEs

Governments can also procure services from SEs, paying them directly for service provision. This approach is often used to expand provision of health and water and sanitation services. Government procurement can create a boost for new SE models. Close alignment with existing public guidelines and regulations is a must.

Healthcare: Governments can source innovations from SEs. The Kenyan government has contracted the NGO Mary Stopes International to set up AMUA. AMUA is a SE that consists of more than 270 privately owned and operated clinics that focus primarily on providing reproductive health and family planning programs and maternal and child health services. In India, the Ministry of Labor and Employment launched RSBY as a public health insurance scheme to provide social protection to low-income households. It works with private risk carriers, insurance administrators, and hospitals to implement the program.

Water and sanitation: Market facilitator organizations have also been contracted to implement government sanitation programs. Gramayala in India is one of 14 NGOs that implement the government's Total Sanitation Campaign while also acting as implementation partner for the NGO WaterAid India.

C. Aligning with Government Programs

Collaboration also happens where SEs and government programs align their activities. Governments may take up innovations by SEs and mainstream them through their own programming. Or, vice versa, SEs may harmonize their procedures with public programs, and this enables close collaboration. Alignment can, but does not need to be, formalized by Memorandums of Understanding or other partnership documentation.

Education: Governments have adopted SE innovations and mainstreamed them across the system. Some governments have replicated learning center models and methods. AIL's pre-school program is now the model for Afghanistan and AIL has trained over 21,000 teachers reaching 3.5 million students.¹⁴ Escuela Nueva's learning circles program, which educates displaced children who are officially enrolled in public schools, was adopted as a national policy by the Colombian government.

Governments have also adopted school evaluation and improvement solutions. The Ugandan government's Monitoring Learner Assessment is an adaptation of Link's School Performance Review. Malawi is also developing its own version. GMSA Foundation's school self-evaluation instrument and database have been adopted by the South African authorities and piloted in over 350 schools. Fundación Chile's online self-evaluation tool has been adopted by the Chilean government and used by 37 percent of urban Chilean schools as of 2013.

Healthcare: Alignment and harmonization with the national health system is often a prerequisite for scale. For example, Tunza's clinical guidelines and protocols employed are firmly based on Kenyan government and WHO protocols, and Tunza regularly shares data with the government. Marie Stopes International has assisted the governments of Vietnam and China in applying franchising principles to the public sector, standardizing services, refurbishing facilities, and training employees.

Community health worker (CHW) programs must be aligned with national health systems and ensure feedback loops between CHWs and local health facilities. Links between CHWs and higher levels of the health system are therefore key. These links include mentoring and supervision of CHWs by doctors and nurses at local health facilities. In Uganda, Living Goods works closely with District Health Teams who engage in recruitment and interviews, quarterly supervision exercises, and oversight of the Living Goods' CHWs. Living Goods has also made an effort to conscript and support pre-trained government CHWs where they are available, interested, and meet its standards. As a result, in Uganda, more than a third of Living Goods' existing CHWs are government-trained.

Case 1: Providing Banking to the Unbanked in Kenya through Mobile Phones

Location: Kenya

Impact Sector: Financial inclusion

Policy Instrument Type: Rules

Policy Tools: Regulatory framework

Key actors: Mobile network operators, banks, Central Bank of Kenya (CBK), Communications Commission of Kenya



Source: www.guardian.com

Many of the products and services offered by traditional financial institutions are ill adapted to the needs and conditions of the low-income population. In Kenya, this meant that only 26.4 percent of the adult population had access to financial services in 2006. However, by 2013 the proportion increased to over 65 percent.¹⁵ This has been made possible in part due to the evolution of mobile money, which has enabled anyone with a mobile phone to perform basic financial transactions without having to use a bank account or rely on riskier, less efficient methods, such as delivering cash in person.

In 2007, Safaricom started offering its mobile money service M-PESA in Kenya. The Central Bank of Kenya (CBK) assembled a cross-functional team of experts from various departments, including Banking and National Payments, Bank Supervision, and Legal, to review the application for M-PESA. After being convinced about the safeguarding mechanism for customer funds, CBK authorized M-PESA.

CBK considered mobile money not as a banking service, but as a low-value retail money transfer service meeting CBK's internal legal and risk criteria. CBK also distinguished between the conversion of cash into mobile money (and vice versa) and the acceptance of deposits from the public, emphasizing that mobile money providers were not accepting deposits from the public or contravening the Banking Act. This "legalized" mobile money, reaffirmed the government's strong support for financial inclusion, and gave the industry a much-needed boost of confidence. Subsequently, several other mobile operators were allowed to offer mobile money services.

In 2014, the CBK issued the National Payment System (NPS) Regulations, which have codified many of the regulatory practices developed since the introduction of mobile money. CBK adopted an entrepreneurial regulatory approach, avoiding burdensome requirements for non-bank players to participate in the market. It spurred innovation and growth while also maintaining the stability and robustness of the financial sector.

By contrast, despite having 15 mobile money¹⁶ service providers, India lags far behind other developing countries in terms of market penetration of the service. This is mainly due to the unfavorable regulatory framework that requires mobile operators to work with banks to provide the services. However, banks do not reach into remote and rural areas, and mobile networks are not allowed to use their own network of sales agents for mobile money services. As a result, less than one percent¹⁷ of Vodafone's 173 million customers in India used the M-PESA service.

Case 2: Offering Incentives for Re-energizing Low-income Groups

Location: India

Policy Instrument Type: Financial resources

Policy Tools: Subsidies, Tax breaks

Key actors: National and sub-national level governments, CSOs, NGOs, Private entrepreneurs



Source: www.thinkindia.net.in

The energy shortage in India is most acute among its rural poor. The majority of the rural population relies on relatively inefficient, polluting and health-threatening fuels such as kerosene and firewood. More than 45 percent of poor households in rural areas lack reliable access to electricity, and almost 85 percent still use conventional fuels for cooking.¹⁸ This population spends a large amount of household income on energy from poorer quality energy services. Further, the electrification of rural India has been extremely uneven, leaving poorer states disproportionately in the dark. A large majority of households in states like Bihar, Uttar Pradesh, and Orissa remain without reliable access to electricity. Some SEs have developed innovative approaches to address these energy needs. Several different approaches have been undertaken such as solar home systems, mini-grids, and cooking and lighting products.

A supportive policy environment has played a catalytic role in the process and led to a fast growing clean-technology market. The Indian government formed the Ministry of New and Renewable Energy (MNRE, erstwhile Ministry of Non-Conventional Energy Sources) in 1992. MNRE has been at the forefront of many programs to increase the adoption of renewable energies in India. MNRE provides subsidies to Indian mini-grid players such as Husk Power, DESI Power and Saran Renewable Energy for deploying renewable energy utilities in villages, thus enabling affordability. Subsidies have also been helpful for Claro Energy, whose customers receive support to finance the upfront investment required for solar pumps for irrigation.

On the other hand, subsidies for traditional fuels, such as diesel and kerosene, distort the market and dissuade BoP consumers from switching to better energy sources. There is a need for a well targeted policy framework which not only incentivizes solar home systems or the mini-grids but also encourages low-income consumers to shift to new energy sources.

Case 3: Providing a Nationwide Health Insurance Scheme for the BoP in India

Location: India

Impact Sector: Healthcare

Policy Instrument Type: Structure and capacity, Financial resources, Information

Policy Tools: Development partnerships, subsidies, awareness building

Key actors: Ministry of Labour and Employment, state governments, insurance companies, public and private hospitals, third-party administrators, civil society organizations and donors



Source: www.india.gov.in

Almost 59.2 percent of the Indian population earns less than USD 2 per day¹⁹. The existing health insurance schemes cover only a miniscule proportion of the Indian population, mainly from the economically well-off sections. Traditionally, private insurers have not considered the low-income population as a potential market. Private hospitals have been too expensive and the services at public hospitals are often insufficient or of poor quality.

Launched in 2008, Rashtriya Swasthya Bima Yojana (RSBY) is one of the largest health insurance schemes in the world. It aims at providing access to healthcare to 300 million people living below the poverty line in India. It covers health costs up to approximately USD 460 per year for diseases that require hospitalizations.

The rollout of RSBY has seen the involvement of several policy tools and actors working in tandem. Both public sector and private insurance players have joined forces to protect the poor from high hospital expenditures. The premiums, ranging from USD 10–18, are subsidized up to 75 percent by the national and state governments. Multilateral institutions such as the World Bank and GIZ offer technical advice. New technology allowing on-the-spot photos and documentation has been deployed for quick and easy enrollment. Insurers act to raise awareness of RSBY's offers and enroll beneficiaries at the village level. Utilization rates increased when RSBY membership cards were issued immediately and clients were informed about how to file claims.

RSBY currently has a membership base of almost 37 million families,²⁰ or almost 188 million individuals. It has paid for 6.3 million hospitalization cases since it started in 2008, with an annual average of 26 hospitalizations per 1,000 members. RSBY has also incentivized hospitals to extend their service portfolio and add capacities to treat poor beneficiaries.

Endnotes

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