

From pilot to scale: strategies and tactics to achieve systemic change

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Pilot to Scale: HUB 387

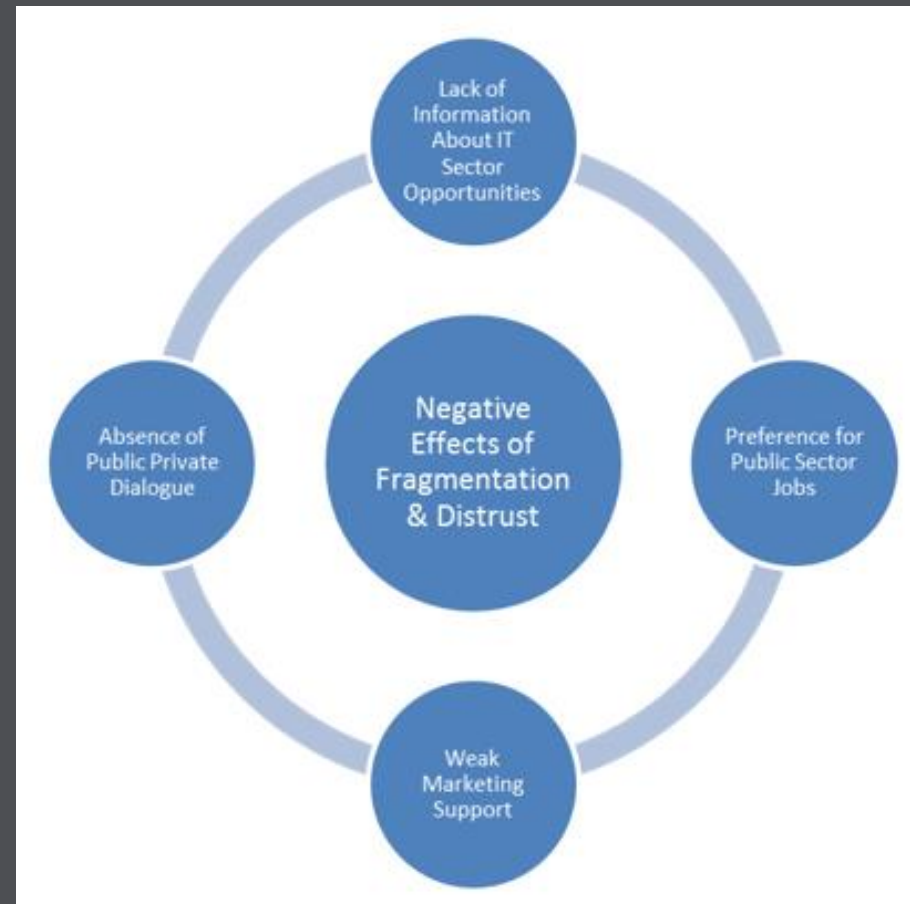
Why Pilot?

- Sustainable change at scale is tough
- Sometimes need to conduct a pilot to learn something or prove a concept, mitigate risk or initiate a process
- Piloting also costs money and time, adds step(s) that may fail and may not fit the structure of a sector
- Look at an intervention that skipped the pilot, and went directly for scale
- Define scale relative to the size of the country and sector

Pilot to Scale: HUB 387

IT Sector Constrained By

- Lack of public-private dialogue
- Weak support for international marketing
- Little information about IT sector opportunities
- Preference for public sector jobs
- **Fragmentation and distrust** between firms was the “keystone” problem linking all the key constraints



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Pilot to Scale: HUB 387

The Opportunity

- Bosnian-American IT entrepreneur Edin Saracevic was interested to start an IT hub
- The hub would house IT companies, an IT academy and an incubator/co-working space under one roof
- *Coordination through co-location* would develop the IT workforce, market the IT sector and stimulate productive public-private dialogue



Pilot to Scale: HUB 387

What the Project Did

- Helped crystalize the concept by assisting with business plans
- Lent credibility to the initiative, giving companies confidence to join
- Limited financial support of 50,000 EUR rent support to companies to cost/risk of moving
- Other donors (SIDA, USAID) invested as well



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Pilot to Scale: HUB 387

What Happened

- HUB 387 was full in less than 1 year, looking to build (over 300 IT workers currently in the building)
- Almost 1000 trained and 160 internships
- Students report greater awareness of IT as a career choice, which companies link to HUB 387
- Clever use of media caught the attention of politicians, leading to IT being declared a strategic sector (**2 levels of gov't**) and **15 concrete legislative proposals** (in process)
- Increased technology employment 5% (so far)
- The model was replicated... *in neighbouring countries*

Pilot to Scale: HUB 387

Why No Pilot?

- The IT hub concept needs to be large in order to offer value to companies
- The right person came with the right idea at the right time
- We knew enough about the sector for an informed decision
- We were willing to take a risk when opportunity knocked



Pilot to Scale: ICT in Bosnia and Herzegovina

In Hindsight... AAER

- Organic growth of HUB 387 is important, and can continue to upscale (*adopt/adapt*)
- **Expansion** was never a likely path to scale (small market, few cities have enough companies, visionary leadership lacking)
- The intervention was attractive to media, supporting a strong social and government **response**, which caused most important changes



Pilot to Scale: ICT in Bosnia and Herzegovina

Lessons

- Initial interventions do not need to be small scale
- Don't focus excessively on specific partners or reproduction of business models
- Also seek scale in the *response*, not only through *expansion*
- Stay tuned-in to a range of actors in the wider market system



Further information

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When **Response** is more likely to lead to scale than **Expansion**, consider intervening without a pilot



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M-Shwari (FSD Kenya)

From Pilot to Scale: unpacking the M-Shwari experience through the AAER systemic change lens



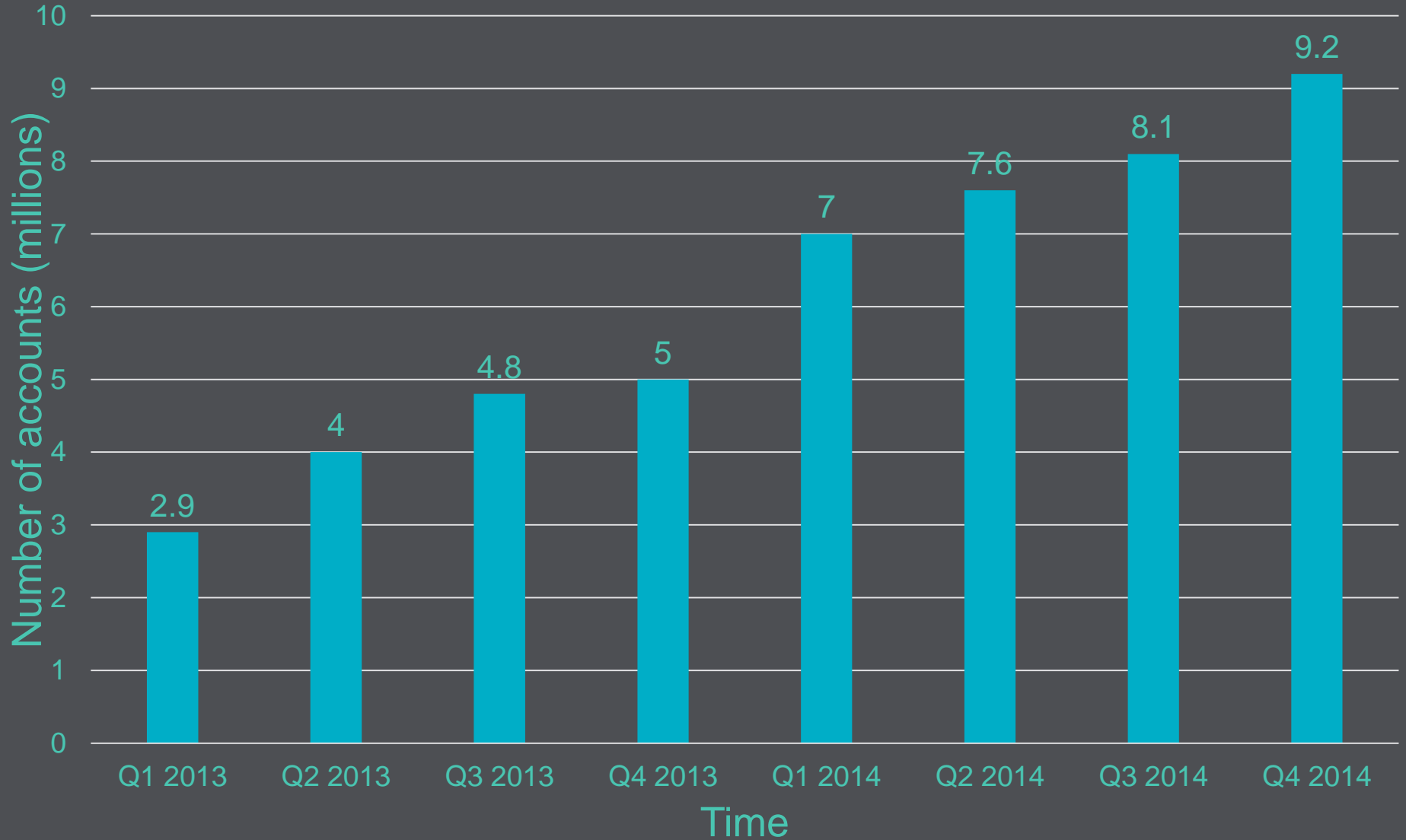
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> M-Shwari

1. Partnership between CBA and Safaricom
2. Banking product integrated on M-Pesa platform
3. Offers interest bearing savings accounts (protected)
4. Offers short term (30 days) loans on fixed fee basis
5. Launched in 2013...when only 700,000 Kenyans had formal bank access

Growth in M-Shwari Savings Accounts



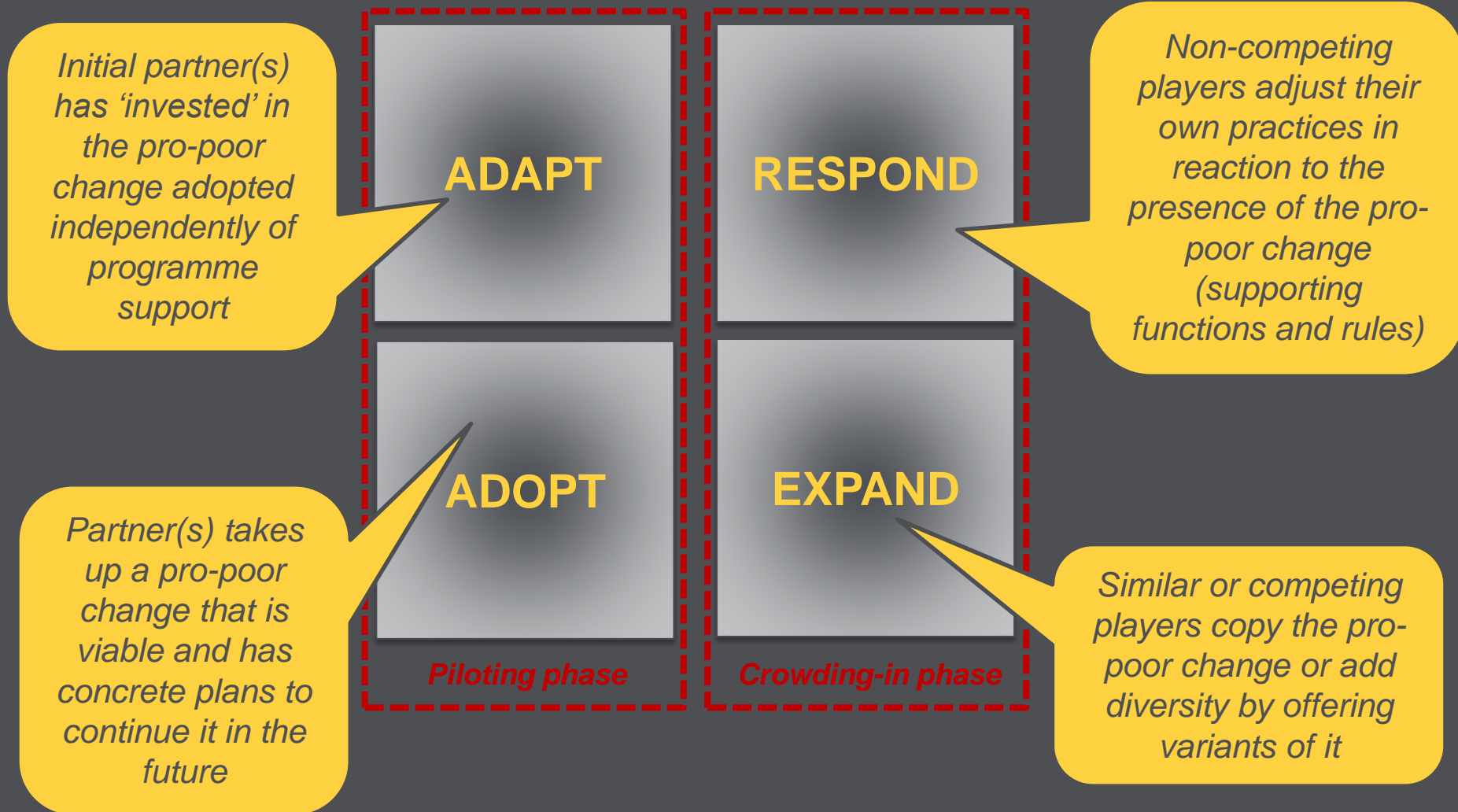
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M-Shwari...cont.

6. End of YR1: 19% clients under national poverty line
7. End of YR2: 30% clients under national poverty line
8. 57% of clients have credit access...2% default rate
9. New competitors have emerged
10. New products are targeted to M-Shwari users
11. M-Shwari expands beyond Kenya
12. From pilot to scale: is this “systemic change”...????

AAER: unpacking systemic change



ADAPT

RESPOND

ADOPT

EXPAND

Investment

CBA = USD 14.5mn

FSDK = USD 650k

Return

CBA: B/E 11mths; [19% net profits]

FSDK: 19% poorest have access; 1mn people in first week!

Iterative Partnership Approach

- Seconded FSDK staff / advisers
- CBA led teams
- Regular joint decision points



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ADAPT

RESPOND

ADOPT

EXPAND

Improved scorecard:

- Transitioning from ‘*anticipated*’ scores based on telco data, to ‘*observed*’ scores of actual clients
- Significant *reduction in default rate*; continued client growth

Segmentation project:

- *Behavioural economics* applied to stimulate responses from various client groups (eg those who borrowed once, but not again)
- Response rates *95% higher* than control group



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ADAPT

RESPOND

ADOPT

EXPAND

CBA expands access:

- Targeted the rejected 60% majority; 1mn more poor; credit assignment from 42-57% of clients; reduced default rate by 50%

KCB enters the market:

- KCB-M-Pesa launched 03/15
- 1.4mn users in first 6 mths
- Others primed...

CBA takes M-Shwari overseas:

- Tanzania launched
- Planned for Rwanda, Uganda and Cote D'Ivoire

ADAPT

RESPOND

ADOPT

EXPAND

'Hello Doctor':

- MMI Holdings South Africa
- Medical subscription service (phone diagnostics, SMS prescriptions, in-patient cash)
- Targeting smaller towns
- Target: 200k clients in YR1

'Lock' Savings:

- Promoting longer term savings
- Interest premiums
- >100k clients in first 6 mths

Systemic Change: sustainable impact at scale?

Sustainable: ADOPT & ADAPT



Scale: EXPAND & RESPOND



Impact: Access

>10mn clients; 30% below pov line (increasing);
but 53% rejection rate still.



Impact: Benefits

- M-Pesa: evidence on consumption impact
- M-Shwari: anecdotal, but following M-Pesa trajectory



➤ FSD Kenya – summary facilitation points

1. Diagnostics: demand side “poor and their money”
2. Vision: mutuality of purpose and clarity of vision
3. Partnership: clarity of roles, iterative, partner led
4. Modalities: legal framework, but relationship driven
5. Instruments: suit purpose, flexibility, adapted, sized
6. Measurement: access and penetration (not impact)

> FSD Africa: market facilitation case studies

1. FSD Kenya: Ten Years of M4P in the Kenyan finance market
2. FSD Kenya: M-Shwari – going digital and getting to scale
3. FSD Kenya: SACCOs – a technical solution to a political economy problem: round pegs and square holes
4. FSD Kenya: Savings Groups - formalising informality: extending outreach and access to financial services for poor rural women
5. FSD Tanzania: Enterprise Growth - catalysing investment finance for SMEs
6. FSD Zambia: Inclusive insurance - catalysing the market through industry leadership
7. FinMark Trust (RSA): FinScope – information as a driver of change

> THANK YOU (and for further information...)

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- > **From pilot to scale**
Multiple, progressive, adaptive interventions ... and very little money

Collins Apuoyo, Palladium
Team Leader, Propcom Mai-Karfi



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How many tractors are we short by?

➤ Massive shortfall in supply of tractor services in Nigeria

- Average number of tractors per 100 km² of arable land in Nigeria is 6.8 compared to 26.9 in Kenya 195.3 across the world (WB)
- Potential market for over 70,000 tractors
- Over 16 million potential smallholder customers across Nigeria with over 30 million ha of land under cultivation

➤ History of Propcom's tractor interventions

Propcom 1 (2011)

- Pilot with one bank (First Bank)
- Propcom provides Cash-backed guarantee to First Bank
- Springfield-Agro (Vendor) joined pilot to test private sale channel
- Attempts to secure government backed loan guarantees from NIRSAL

Propcom 2 (2014 – 2016)

- Another Pilot with a different Bank
- Approached other banks
- Additional risk reducing mechanisms (e.g. Buffer Account, power of repossession by the association, vendor buy back guarantee, etc.)
- Focus on crowding in
- Complementary interventions:
 - Enhanced service models - GPS trackers on tractors
 - Paper guarantee to support vendors
 - Association capacity building
 - Facilitated NIRSAL to improve guarantee



> Results and impact (2011 – 2016)

2011	2014	2015
50 tractor loans	27 tractor loans	67 tractor loans
Repayment 100%	Repayment 100%	Repayment 100%
Bank had a cash-backed guarantee as incentive	NIRSAL reversed its guarantee to 75%, and joined the pilot	NIRSAL provided guarantee and another bank joins the scheme
NIRSAL reduced its guarantee – no interest from bank	Interest from corporate operators	2 corporate operators join scheme
Pilot stalled	Pilot successful	Scheme expands to include tillers
		70 (+50) more tractors to be financed in 2016

> Other results

- Total investment by FCMB has grown from \$1.3m in 2014 to \$4m in 2016
- 107 Tillers financed to date. 250 more to be financed in 2016
- Government has appointed one of the Associations to manage 500 tractors
- AfDB request to help design strategy for mechanisation policy in Africa
- GoN currently seeking to adopt strategy
- Total investment by Private sector \$3.4m



➤ Using Aid differently – Adapt quickly

- NIRSAL's policy change dealt a blow to the first intervention.
- Failure of First Bank Plc to scale despite successful repayment
- Grants to tractor owners created division and almost collapsed the tractor association
- Our recommendations
 - How you use Aid influences the outcome/result of the pilot
 - Invest in TA and underwrite major risks during the early stages



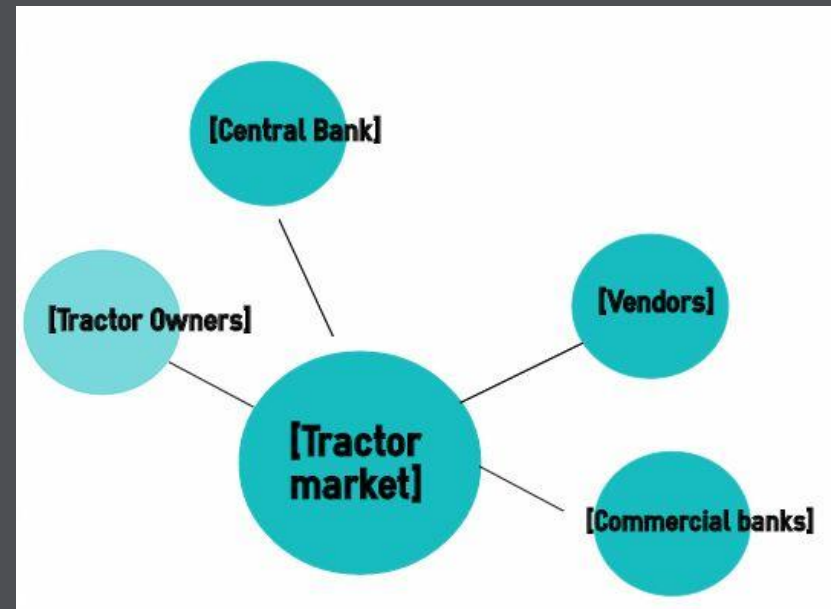
> Using Aid differently – Re-price risk

- Loan guarantees – using grants without spending any money
- Demonstrate to key stakeholders that risk is much lower than expected
- Co-invest if necessary to subsidize business model discovery
- Results must show that risk exposure is actually very low
- Actively monitor feedback from stakeholders on their results
- Communicate those results



➤ Using Aid differently – Intervene at multiple entry points

- Facilitated banks to design appropriate interest rates and incentives
- Facilitated vendors to increase efficiency of after sales services
- Supported tractor owners association to increase utilisation of tractors and improve repayment rates
- Engage at multiple points in the chain to enhance both efficiency and depth of impact
- **Our experience**
 - Use different but appropriate instruments to stimulate adoption/adaptation/uptake.
 - Design clear exit points
 - Grants should be given based on performance



> “To scale” Strategies – Build on existing structures

- Build on existing business models and strategies of partners
- Partners have their own strategies – do not impose your own ‘innovative strategy’
- Listen to your partners – they are risking their own money
- **Our recommendation:**
 - If you cannot invest your own money in your innovative idea, do not expect others to!
 - Your partners will see the business sense almost immediately. Listen and learn
 - Existing model



> “To Scale” Strategies – Actively co-create with partners

- Recognize that there are others seeing opportunities within the same space
- Utilize industry knowledge to capitalize on unmet needs.
- Solve a common problem to all and create space for all to gain
- Our recommendation
 - “Crowding in” does not mean investing more or rolling out.
 - Voluntary crowding in is more sustainable and less resource intensive.



➤ “To Scale” Strategies – Look for linkages in the broader market place

- Recognise that you are working within an ecosystem
- Solution may be hidden far away from your chosen path
- Keep eye on the bigger picture and weave your way through the maze
- **Our recommendation**
 - Spend more time with and listening to the real actors
 - Too much research only tells you what you already know.



> Strategies for Scale

Upfront Analysis

- Improves understanding of the bigger picture
- Not likely to highlight the insider information
- Our recommendation – *Action Research/Learn by doing*

Small bets Vs Big bets

- Situational/contextual
- Big bets have higher risk
- Consider capacity issues
- Our Recommendation - *It is not about you. Let momentum build. Help steer the momentum*

When to Scale?

- Depends very much on your definition of scale
- Markets scale when participants see opportunity for benefits
- Our recommendation – *Scale when model makes perfect sense to final consumer/the poor.*



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> Random thoughts!



- Define scale appropriately
- Enrich your enquiry language - Use “why?” and more of “What if.....?”
- Use Aid money to stimulate and reward business performance



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> Further information

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