

BROKERING TRUST TO ACCELERATE DIGITAL INNOVATIONS

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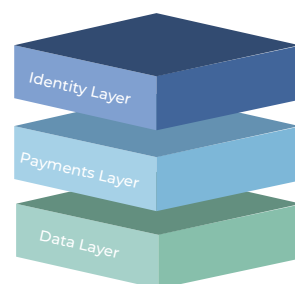
INTRODUCTION

Digital innovation brings prosperity to lower and middle-income countries. It can strengthen productivity and banking services for remote agricultural farmers, the government's capacity to deliver in all areas, and access to services for citizens. Many countries have, therefore, sought to leverage the benefits of significant public and private investment in telecommunications and broadband infrastructure in increasing the supply of digital products and services. Governments have introduced legal and regulatory frameworks that ensure a level playing field and foster private-sector response.

In six years, India Stack digital infrastructure has been able to make a gain equivalent to 46 years in the expansion of banking services. Nevertheless, while global experience shows that regulatory certainty is an important and necessary condition, it does not guarantee a private-sector response.

A private-sector response may not be forthcoming for several reasons including:

- uncertainty about commercial viability or market size/demand for new products and services;
- shortcomings in the regulatory framework and/or lack of a track record of regulatory decisions;
- an underdeveloped technology ecosystem.



Identity Layer

To prove "I am who I claim to be"

Payment Layer

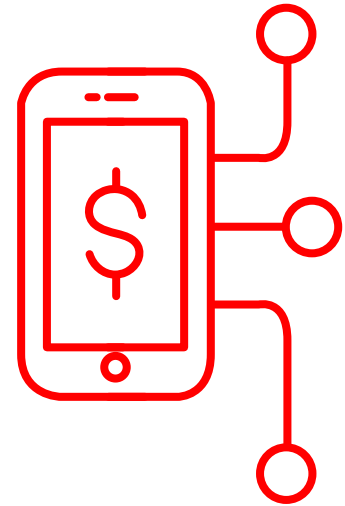
To allow anyone to pay anyone else

Data Empowerment

To enable secure sharing and data

THE INDIA STACK MODEL

To address these other causes, countries have funded pilots, provided regulatory exceptions (e.g., sandboxes) and taken actions to incentivise private companies. The key challenge in implementing such initiatives relates to the costs of ‘discovery’ associated with designing non-competing projects i.e., ensuring that suitable partners are selected, the design of initiatives allows for learning by all interested parties and the incentives provided for the project, if any, are phased out in a timely manner.



This note proposes that the presence of a credible and neutral institution, which acts as an honest broker between governments and the private sector and brings global experience, can help to ensure better outcomes.

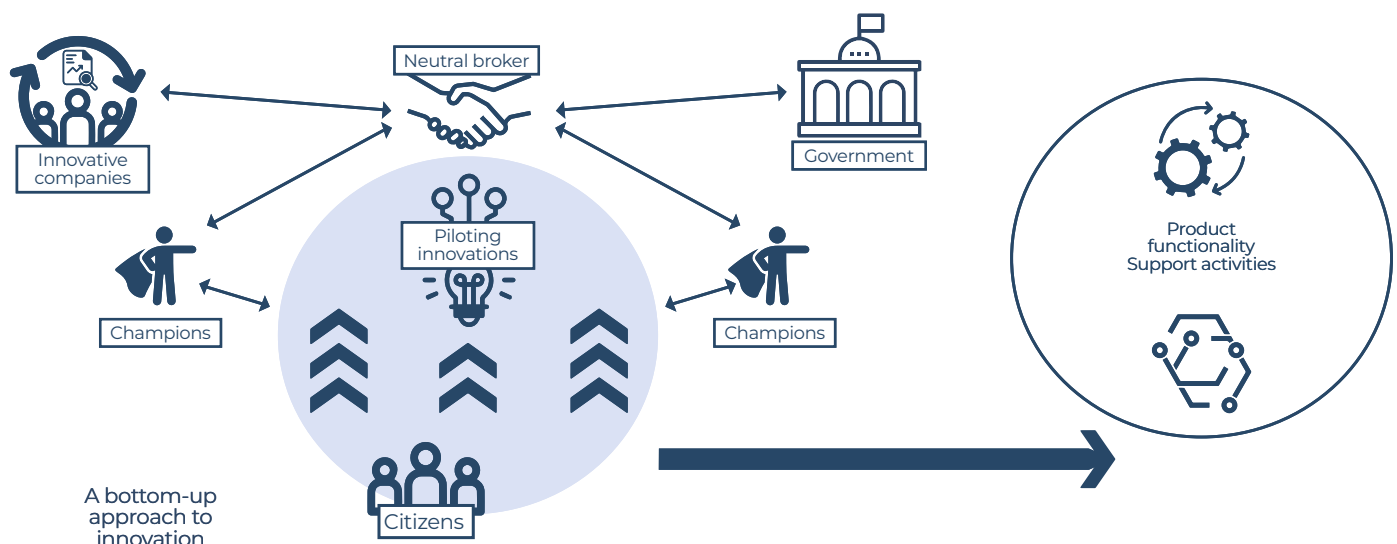
The remainder of this note highlights key aspects of the Brokering Trust to Accelerate Innovations model, piloted in Peru (Cajamarca Region) and Ethiopia (supporting the implementation of Ethiopia’s Digital Strategy 2025).



THE BROKERING TRUST MODEL

The overall goal of any initiative under the Brokering Trust to Accelerate Innovations model is to jump-start the process of development in a bottom-up way, potentially leading to more widespread prosperity. The underlying assumption is that service delivery is not constrained by lack of knowledge but rather by deficiencies in political or economic governance or resistance from vested interests. Hence, the focus is not on broader policy reforms, which can be undertaken on paper but ignored in practice, but on practical and specific ‘deals’ that pilot good practices in service delivery.

Such pilots help to demonstrate the feasibility of system-wide improvements and accelerate demand for change. The ‘deals’ can be in the commercial sector (e.g., a mining company introducing best practices to contribute to local economic development) or in the non-profit sector (e.g., an NGO contributing to delivery of health and education services).



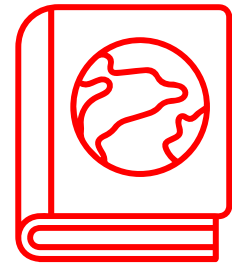
Developed by Professor Jaideep Prabhu and Carlos Montes, University of Cambridge, 2022

KEY PLAYERS

1 Credible and neutral broker

The credibility of the brokering institution is rooted in three main characteristics:

- institutional credibility;
- long-standing professional and personal relationships with both the private sector and the government;
- global knowledge.



These characteristics provide reassurance to the other two participants in the process i.e., the private sector and the government.

Specifically, the broker uses its local and global knowledge, reputation and trust to attract world-class companies that would not normally operate in a country where they lack adequate information and relationships, leading to concerns about the transparent nature of government decision-making, reputational risks for the company, etc. The presence of the broker reassures companies that there is a third party involved, which has good knowledge of the government and acts as an informal monitor of the 'deal' between the government and the company.

2 Private-sector partner

The private-sector partner will in most cases be the originator of the 'deal' or pilot. Consequently, the private-sector partner would generally be selected through a non-competitive or sole-source selection process. Even if the private sector brings its own financing for the deal (or provides the financing as a grant), this is likely to raise questions about the deal's transparency. These may be genuine questions or countermeasures by vested interests opposed to changes in the status quo.

Regardless of the motivation, three key mitigating measures are required:

- The private-sector partner must have a strong global reputation in general and have demonstrated prior experience and track record in the technologies being piloted. Where lesser-known global companies or regional players are chosen as the private-sector partner, demonstrated success in other countries must be clearly documented to avoid the perception of preferential treatment.
- The broker must provide support in undertaking a technical review of the transaction, highlighting its benefits and risks.
- Lessons from the pilot should be publicly disseminated to interested industry participants so that potential scaling up is not restricted to the original private-sector company conducting the pilot.

3 Government champion

A responsive counterpart institution and political and technical 'champions' in national or regional governments are required.

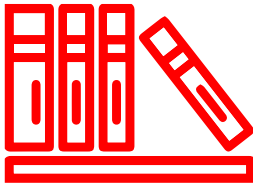
Governments are not monolithic and, at both political and technical levels, there are reformers who see the bigger development picture and may be willing to act strategically even if the incentives for reform are not present or are unclear.

Often, the champions may not be the first point of contact for external private-sector partners; they may be in other structures within the relevant ministry or even outside the ministry with which the private sector is required to interact. Here, the broker's role is crucial in identifying the right counterpart; the team within the broker must have long-term relationships within the country and tacit knowledge of domestic political economy and the key players within the government.



CRITERIA FOR SELECTING PILOTS

Off-the Shelf



The pilot should not be 'new to the world' but should have been tested and have demonstrated results, even if in a different country. It should be an "off-the-shelf" solution that is being tested in a new context. This ought to minimise the costs of learning though it would not be a guarantee against failure.

Scalable

The pilot should be appropriately scaled; it should be large enough to demonstrate results but still be restricted in scope to a limited part of the economy or geographical area. This would allow for learning from failures without jeopardising the larger system.

Strong learning and dissemination



The private-sector partner must have an incentive to learn and get it right in order to be able to scale up in other parts of the nation's economy. The pilot must have built-in monitoring and evaluation, not just of financial outcomes (which the private sector would usually be interested in) but also of development or social outcomes. Moreover, there should be an upfront agreement that these results are a public good to be shared with all industry participants. If any public or donor resources are to be involved in supporting the pilot, they should be largely targeted towards ensuring a robust M&E system.

Leverage existing infrastructure

Pilots should leverage existing digital infrastructure or infrastructure expected to be available in the near future (i.e. within the next three to six months).

PERU AND ETHIOPIA

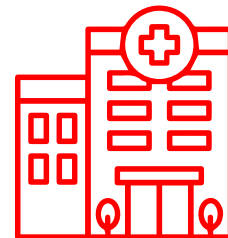
Peru (Cajamarca Region)

This pilot was initiated as part of a programme to support Peru in the celebration of 200 years of independence (www.dialogoperu200.pe). It includes two projects with the Regional Government of Cajamarca:

The Peruvian Bank Association (ASBANC) is providing digital education for 150,000 schoolchildren and their parents.



Delivery Associates (founded by Sir Michael Barber) is providing supporting External Consultations and Emergency units in the Cajamarca Hospital Emergency Unit.











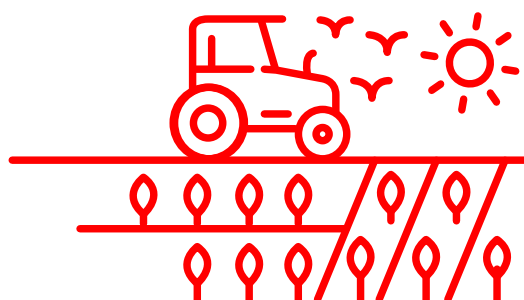
Achievements:

- ✓ chronic patients attended directly in the hospital: waiting for these patients has been reduced by four hours (-75%);
- ✓ waiting times for other patients reduced by one hour, queues outside the hospital reduced by half;
- ✓ external consultations distributed more evenly, avoiding agglomerations at the beginning of the month.

Ethiopia

This pilot is implemented with the Legatum Institute (www.li.com) and is funded by the Bill & Melinda Gates Foundation. It brings together eight innovative companies and the Prime Minister’s Digital Advisor, Myriam Said, to support the implementation of Ethiopia’s Digital Strategy 2025. For example, Hello Tractor provides the “uberisation” of tractors for Ethiopian farmers who cannot afford to buy their own trucks, thus increasing mechanisation and the incomes of small rural farmers.

PARTICIPATING COMPANIES	2022 RESULTS
Hello Tractor 	50 tractors fitted with HT App
M-pesa Africa/Safaricom 	Specialty coffee pilot and agricultural extension pilot discussed
CGIAR 	Beta National Agricultural Data Hub
Precision Development 	Increase in digital advisory services to 40,000 dairy farmers
Digital Green 	120 self-help group leaders (women farmers) use digital financial book
Amazon Web Services 	Cloud Policy executive training programme requested for 2023
Africa 118 for Google 	New programme
Simprints 	New programme



CONCLUSION

This model takes a bottom-up, experimental, development-by-demonstration approach and the broker, therefore, plays a crucial role in ensuring its success and replication. Since this approach does not delay actions until the entire legal and regulatory framework is in place, it is likely to be faster than the more top-down development approaches championed by larger donors and multilaterals.

However, these two approaches have the potential to be complementary as the bottom-up Brokering Trust pilots help provide real data which can sharpen the thinking about the larger regulatory framework.



The initial results of implementing “Brokering Trust to Accelerate Innovations” pilots in Peru and Ethiopia suggest that ‘neutral brokers’ can play a key role in supporting innovations.