Development Marketplace Winners

On the path to replication and sustainability

BY TOM GRUBISICH

Even before Panos Varangis and his team of World Bank staff, insurance practitioners, and academics competed for a US$117,000 grant in Development Marketplace 2000, they were, like chess players, already planning how to fund and test their concept in countries beyond the scope of their DM application.

The team thought ahead because their project—bringing weather-based index insurance to farmers at the mercy of the vagaries of weather—was 100 percent innovative. Since weather insurance was untested, particularly in emerging economies, Varangis—then a senior economist at the World Bank—and his team sought to test various approaches of channeling weather insurance to farmers and rural entrepreneurs in a number of countries with diverse climatic conditions.

Shortly after they won their DM grant to test weather insurance in three African countries—Morocco, Tunisia, Ethiopia—and Nicaragua, they won a US$200,000 grant from an Italian Trust Fund, while at the same time they managed to leverage World Bank projects in the field of agricultural insurance in countries such as India, Mexico, Mongolia, and Ukraine.

The feasibility of piloting the concept was tested in Morocco, but concerns over declining trends in the rainfall in the test region made the premium of rainfall insurance relatively high and perhaps beyond the means of farmers. In Tunisia, climatic conditions in the selected areas and government policies related to drought compensation for farmers did not enable piloting the concept of weather insurance. But the concept was piloted in the other countries, and farmers there were able to protect their income against severe weather events that drove many of them to ruin and left them mired in subsistence poverty.

The combination of enabling factors included: (a) climatic conditions and availability of good meteorological data, (b) a positive institutional, policy, and regulatory environment, (c) local stakeholders recognizing they had a problem that needed a solution, and (d) ability to provide effective capacity building to these stakeholders.

But those conditions didn’t mean piloting the concept came easy in Ethiopia, Mexico, Mongolia, India, Nicaragua, and Ukraine.

“What really made the difference was the local champion,” said Varangis, now a principal banking specialist at the International Finance Corporation (IFC), the private sector arm of the World Bank Group. “It was finding someone who dived into the idea, who believed in it, and who put in their own resources…. Our local champions, insurance companies, have relationships with the customers—farmers. We needed these champions because, unlike them, we were there today, but we cannot stay forever.”

In 2009, with €24.5 million assistance from the European Commission and additional help from the Netherlands Ministry of Foreign Affairs, the IFC has
established a Global Index Insurance Facility to help farmers and SME agribusinesses survive drought and other weather-related disasters. “You can’t draw a bright line from the original grant by Development Marketplace to this and other weather index insurance funding, but the connection’s there,” Varangis said.

The water-harvesting project

While financing is the No. 1 ingredient for any development project, it is only one key element for achieving sustainability, i.e. taking an idea beyond pilot demonstration to widespread replication, emphasizes Development Marketplace 2006 winner B.P. Agrawal.

“The project has to be holistically sustainable—culturally, societally, institutionally, technologically, and politically,” Agrawal says, pointing to his innovative water-harvesting project that benefitted six villages in the perennially arid state of Rajasthan in western India. The project is called, in Hindi, Aakash Ganga (River from Sky).

Today, four years after he won a US$200,000 award in the Development Marketplace 2006 competition, Agrawal is on the cusp of getting a contract from the Indian government that could be worth US$12 to 14 million, and bring water harvesting to 40 to 100 villages that would benefit 100,000 to 250,000 people.

But getting to that point of replication was a steep climb around and over governmental procedures and skepticism. In 2007, Agrawal sought to get endorsement from the Indian Prime Minister’s Office, but, he said, officials there didn’t believe that villagers would be willing to help pay for the infrastructure costs of water harvesting. Fortunately, he had the bank passbooks with him showing the community contributions of as much as 30 to 40 percent of the costs of harvesting. “When they saw these numbers, they started believing in Aakash Ganga,” he said. “The PMO [Prime Minister’s Office] told me to go to the State Government.” He did, “but I got nowhere in two years.” The administration, he said, is averse to taking up development projects with “the slightest risk and humongous potential.”

Agrawal wouldn’t give up. In April 2009, he saw a new opportunity when the Indian Supreme Court ordered the national government to use science and technology to solve the country’s worsening water problem. He went to the national Department of Science and Technology, which had been tasked with the responsibility of finding ways to bring water to 2,000 communities. “In five minutes, the department official I saw said, ‘The social enterprise model is amazing. It’s a wonderful idea. I’m going to support it.’”

In December, Agrawal won a planning grant for his envisioned expansion from the U.N. Development Programme and the Indian Ministry of Rural Development. He expects to close on a contract with the Indian Government by March 31, finally taking his 2006 pilot project to the circuitous goal of replication.

The EpiSurveyor

DATADYNE, which began development of its now widely used EpiSurveyor mobile electronic data collection system with an initial US$50,000 DM grant in 2003 for a pilot project in Zambia, has won succeeding grants totaling US$1 million for its now web-based EpiSurveyor.org and expanded the pioneering system to more than 120 countries worldwide. But company co-founder Joel Selanikio, a pediatrician turned social entrepreneur, thinks it’s time for DataDyne to build future sustainability and expansion with profits, not just more grants.

“Grant funders have their own priorities, and it is nearly certain that one day they will tell you they are cutting funding because they want to focus on something else,” he said. “That decision on their part does not necessarily have anything to do with the quality of what you are doing. That is clearly not sustainable.”

Selanikio says DataDyne is currently charging a self-selected group of its clients—about 20 of 1,300—for premium services, and using that revenue to fund free basic service for everyone else.

This “freemium” hybrid, he says, will also help DataDyne stay innovative. “Paying users give urgent and demanding feedback,” he said. “Paying users expect you to quickly fix problems. A pay-based model always exerts an upward pressure on quality—in some cases by eliminating bad software projects—while an entirely grant-supported model does not necessarily do so.”

The UV water bucket

Like Datadyne’s Selanikio, Flor Cassassuce, whose “UV water bucket” was a US$170,000 DM 2006 winner, thinks her project needs to become profitable to achieve sustainability and reach her target of bringing clean water to 1 million rural households in Mexico over 10 years.
“We learned we couldn’t rely on development donors and the government, which is always changing,” she said. “We had to start a social company that’s built on a self-supporting economic model.” A parallel nonprofit company—EOZ Institute of Rural Technology—will oversee distribution of the water purifier in rural areas.

As a bridge to that goal, Cassassuce and her two partners in their new for-profit GRUPO EOZ enterprise are seeking funding from the Mexican government for a pilot that, if successful, would create a network of microfranchise operations. City dwellers would be able to purchase an improved UV water purifier at their local supermarket, and then earmark profits from those sales to help families in rural communities of their choice obtain the purifier. “Many city dwellers come from the country, where they still have many relatives, so this ‘solidarity movement’ concept will work,” Cassassuce said.

The basic UV water bucket that Cassassuce and her team brought to 1,500 families in La Paz, Baja California, has been transformed into a sleek piece of hardware. “It’s beautiful,” she said.

The Pump Aid project

PUMP AID, A LOW-TECH BUT HIGHLY EFFECTIVE, easily maintained clean-water project that won a US$120,000 award in the DM2006 competition, has grown from a group of pilot villages in Zimbabwe to locations throughout the country and also expanded to Malawi. Expansion has included installation of low-technology (bamboo) “Elephant Pumps” that deliver water for US$400 and sanitation systems in both countries. Founder Ian Thorpe has received funding or pledges covering US$32 million of a US$89 million five-year plan—launching in April 2010—that would bring clean water to 10 million people in Sub-Saharan Africa, improved sanitation to 4 million in the region, and increased food security.

VillageReach vaccine-delivery programs

“EVERY PROJECT TELLS YOU They’re building a model, but what clearly separated us was that both donors and investors always understood what we were working to achieve,” said Craig Nakagawa, Social Business Director of VillageReach, whose first of a series of grants began with its US$250,000 award in the DM2003 competition to deliver vaccines to remote areas of rural Mozambique.

“Because of our work in last mile logistics and distribution we generate a lot of data, and people were impressed with the high degree of transparency we provide as a result.” From its initial pilot success launched by the DM grant—which brought vaccine coverage of the population to over 95 percent—VillageReach has received a commitment from the Mozambique Government to expand its vaccine project nationwide over the next five years. At the same time, VillageReach has expanded its work to programs in India, Malawi, Nigeria, and Senegal. The financial underpinnings of this replication came from a succession of grants, including one from the Bill and Melinda Gates Foundation worth US$3.3 million.

“Donors and investors return to us to provide additional support because they have confidence that our model is replicable other countries,” VillageReach Strategic Development Director John Beale says. But it all began with that first DM award, Beale and Nakagawa said. “Winning that award was a huge endorsement of our model,” Nakagawa said.