

# What social sector needs to learn from the private sector?



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Poverty is still a major global concern despite science and technology's significant contribution to the mind kind. Considering the widespread poverty that exist today, social sector led poverty projects could at best be termed pilots as the combined impact of these on a national economy is miniscule. Also, any up-scaling efforts to mainstream them have not met with desired results because of lack of right approach, and inadequate business and management capacities of those managing them. Private sector players, though having requisite capacities and management skills, would never compromise profitability to engage with poor. It's clear that neither social nor private sector alone can address complex poverty challenges. Both sectors need to work jointly and engage government actively in pro-poor reforms based on their field experiences to achieve scalability and sustainability. However, if government takes lead in bringing pro poor reforms based on experiences of social and private sector, poverty challenges could be addressed much cheaper and faster.

Government is the main player of leading and promoting poverty alleviation initiatives. However, these initiatives are not demand driven. There exists a gap between what poor actually need or want to pursue an economic activity and what is provided to them.

Therefore, these efforts have remained largely ineffective in building capacities of poor in dealing with market forces and service providers to manage their economic activities profitably or get gainful employment in the growing service sector. It is for this reason these resource intensive and supply driven initiatives never get scaled up and replicated. Invariably, in all these projects instead of providing relevant enabling environment, business development services, and making delivery process efficient and effective, focus normally get shifted to an alternate and easier approach of organising poor and making them available pre determined financial and other services.

Tackling poverty needs business solutions and not the social sector's welfare approach alone. The inability of social sector in addressing poverty is as good as vision of people at the helm of development funding agencies and government that have followed welfare approach. However, it's also to be acknowledged that social sector, mainly civil societies; by virtue of their field presence felt strong community pull to work on poverty issues as well. This happened because state efforts failed continuously for too long and post reforms private sector led growth, though lifted many out poverty, resulted in inequitable distribution of wealth making poor poorer.

In absence of any significant achievement on poverty reduction front, social sector is beginning to appreciate terms like 'marketing' and 'result based management' borrowed from the corporate sector, which even a few years back, were not considered pro-poor by them. Social sector hasn't fully realize even today that addressing poverty issues would require business

solutions and therefore acquiring marketing and management skills are of paramount importance which they are not equipped with currently, and these need to be acquired and appreciated.

Social sector has good intentions but it lacks requisite entrepreneurial skills to promote economic activities of poor. Its compassionate heart approach has not been able to bring poor out of poverty trap and even huge investments in poverty projects have made little impact. A compassionate heart can provide the much needed psychological healing to the poor but it cannot sustainably raise their incomes. Blending compassionate-heart approach of social sector with commercial-mind approach of private sector is required to effectively deal with poverty issues. Compassionate-heart commercial-mind approach looks for market based solutions and treats poor, doing an economic activity, as an entrepreneur needing enabling policies and business development services. It is most likely to bring sustainable change to poverty challenges.

The principles of managing an economic activity remain the same irrespective of your economic strata and scale of the activity. A poor entrepreneur doing an economic activity is poor because of his or her inability to negotiate profitably with market forces. A simple look at private sector tells that business of any scale, including formal sector, is mainly an individual driven initiative. Therefore, group managed economic activities promoted under various poverty projects are unlikely to succeed and sustain without external support. A pro-poor entrepreneurial enabling policy could go a long way in engaging them fairly with market

opportunities. Ultra poor, of-course, will require a totally different policy support around asset and confidence building through grants and social protection support.

Private sector is the engine of growth and it breeds entrepreneurship. There are many successful private stories of starting very small and becoming transnational over a period of time. Private sector adopts technology quickly, innovate products and services continuously to meet consumer needs and wants, and evolve efficient and cost-effective processes to scale up businesses. Social sector needs to quickly shift from welfare based approach to market based approach to tackle poverty effectively else its role is likely to be questioned in the near future. To make that shift happen quickly social sector needs to adopt and imbibe few following private sector strategies:

Market based interventions: Poverty challenges require market solutions. Poor entrepreneurs could be helped well in poverty projects if the focus is more on demand or market side than prevalent supply side practices of mainly organizing poor and providing various inputs to them. Present pool of social sector staffs are inadequately equipped to deal with market dynamics and therefore, to facilitate economic activities of poor. In order to make it happen it is important to recruit personnel with market exposure in leadership positions.

Long term planning: Most poverty projects are designed for 3-5 years. Pre project activities in most cases don't

get completed in time and these eat into the project implementation time period. The staffs' productivity gets reduced at the project end and therefore, most poverty projects under achieves the targets set at the project inception. Therefore, most projects end up getting extensions. It would be prudent to design poverty projects for 12-15 years that provide scope for piloting of 4-5 years in the beginning and ensuring 4-5 activity cycles support to poor entrepreneurs. This would require putting robust monitoring mechanism in place with flexibility to change the course based on the ground reality. At the project end learning should feed into improving and designing new set of pro poor entrepreneurial policies and doing away with ineffective existing ones.

Pilot to up-scaling strategy: Poverty projects start and remain in the same geography, and hardly get scaled up. Poverty projects should be designed with an inbuilt up-scaling clause subject to successful pilot. Pilots should be used as a testing ground to thrash out all process related challenges. Pilot learning should be carefully analysed to come up with standard operating procedures including improved products and services to be offered and standardized processes achieving significant efficiency to upscale them with much less resources. Project learning gained could be converted into broad guidelines for project decision makers and implementation phase be converted into a step by step manual for project staffs at the ground level.

**Views expressed are personal.**

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