Scaling

*From simple models to rich strategies*

PPPLab Day, November 30th
Scaling: recent publications

Insight Series 06
Scaling through PPPs

The Scaling Scan

Draft November 2017

Tool

Animation
As the SDGs require transformational change, scaling can provide:

- Reaching more people
- Higher efficiencies
- Achieving system change
I.  Delivery mechanism
II. Horizontal and vertical strategies
III. How: ten ‘ingredients’
IV. Two types of stages
V. Financing scaling
I. Delivery mechanism
What is scaled is not so much the technical solution (only) but rather **delivery mechanism(s)** for a range of elements* that enable the adoption and sustainability of the improved solution or practice.

* Technology, finance, (support) services, knowledge etc.
Delivery mechanisms: options

- Commercial firms and outlets (shops, agro-dealers)
- Public or collective infrastructure (markets, warehouses)
- Organisations of users/producers
- Intermediary actors, such as NGOs
- Local govt. mechanisms (incl. extension services etc.)
- Brokering, facilitation, advisory services, hubs
- Phone/web-based outreach (sites, apps, sms services)
A strong delivery mechanism

- Delivers combination of elements for sustainable use*
- Connects to optimum number of users
- Acts as motor, driven by lead actor or lead collaboration
- Balances standardization and responsiveness to context
- Enables horizontal replication & vertical linkages

* Technology, finance, (support) services, knowledge, etc.
II. Horizontal and vertical scaling
Horizontal and vertical

System levels

Number of people reached

MACRO
MESO
MICRO

Rules of the game
Organizations
Solution

PPP
Scaling barriers

- Weak business model
- Weak proposition
- Weak management
- Lack of capital

- Lack of labour/inputs
- Weak sourcing channels from BoP
- Weak distribution channels
- Lack of service providers

- Lack of market information and industry knowhow
- Absence of standards
- Lack of hard infrastructure

- Inhibitory laws and regulations
- Inhibitory taxes and subsidies
- Adverse intervention by politicians
## Horizontal and vertical scaling

<table>
<thead>
<tr>
<th>Primary orientation</th>
<th>HORIZONTAL</th>
<th>VERTICAL</th>
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</thead>
<tbody>
<tr>
<td>Increasing numbers and business growth</td>
<td>Improving the enabling environment and institutions</td>
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<table>
<thead>
<tr>
<th>Related areas of action</th>
<th>HORIZONTAL</th>
<th>VERTICAL</th>
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<tbody>
<tr>
<td>Demand, awareness</td>
<td>• Demand, awareness</td>
<td>• Value chain governance</td>
</tr>
<tr>
<td>Quality of the solution</td>
<td>• Quality of the solution</td>
<td>• Sector platforms</td>
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<tr>
<td>Attractive and efficient business</td>
<td>• Attractive and efficient business</td>
<td>• Public policies and regulations</td>
</tr>
<tr>
<td>Value chain development</td>
<td>• Value chain development</td>
<td>• Tertiary chain/sector functions</td>
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</tbody>
</table>
III. How do you scale?

10 ingredients
The ten scaling ingredients
## How: scaling ingredients

<table>
<thead>
<tr>
<th>SCALING INGREDIENT</th>
<th>WHAT IT PROVIDES TO SUPPORT SCALING</th>
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<tbody>
<tr>
<td>Technology</td>
<td>An effective and efficient solution for the issue at stake</td>
</tr>
<tr>
<td>Business case</td>
<td>An attractive financial/economic proposition for users and others</td>
</tr>
<tr>
<td>Awareness and demand</td>
<td>A wish and readiness for the consumer or producer to use the solution</td>
</tr>
<tr>
<td>Finance</td>
<td>Effective financing options for users and providers or buyers</td>
</tr>
<tr>
<td>Value chain development</td>
<td>Effective input and supply provision and other support services</td>
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</tbody>
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<tr>
<td>Platforms and collaboration</td>
<td>Strategic and operational collaboration between key stakeholders</td>
</tr>
<tr>
<td>Public sector governance</td>
<td>Enabling policies, regulations and mechanisms</td>
</tr>
<tr>
<td>Lobby and advocacy</td>
<td>A ‘change coalition’ that pursues scaling and influences others</td>
</tr>
<tr>
<td>Knowledge and skills</td>
<td>The required knowledge and professional capacity and recognition</td>
</tr>
<tr>
<td>Data and ICT</td>
<td>Evidence and facts that underpin and communicate the scaling ambition</td>
</tr>
</tbody>
</table>
The ten scaling ingredients and four domains of work

Knowledge institutes
Technology
Finance
Data and ICT
Value chain development
Platforms and collaboration
Knowledge and Skills
Public sector governance
Awareness and demand
Lobby and advocacy
Civil society
Government
IV. Two types of scaling stages

- *Stages of horizontal scaling*
- *Stages of vertical scaling*
Horizontal: stages of scaling a business proposition

1. **Blueprint**
   - Developing the blueprint for the future business

2. **Validate**
   - Testing and refining the business model

3. **Prepare**
   - Enhancing the conditions required for scaling

4. **Scale**
   - Rolling out the model to reach large numbers of customers and suppliers

(after Koh et al. 2012)
Vertical: stages of sector transformation

1. Inception
2. First movers
3. Critical Mass
4. Institutionalization

(after NewForesight Consultancy B.V.)
V. Financing scaling

Graduation - ‘from aid to trade’
What is funded by whom and why?

Develop your finance strategy connecting all phases

- Technology transfer
- Product launch
- Valley of death
- Success as new product
- Success as business

Cumulative profit/loss

Time

1. Blueprint
2. Validate
3. Prepare
4. Scale
Finance – graduation

Social return on Investment

Financial Return on investment

Just Impact

Impact first/Impact & Profit

Profit first/Just profit

Public Sector/Charity

PPP/Social Enterprise

Traditional Business

Philanthropist, Government, NGO

Government, Impact Investor,

Traditional Bank and Investor

Priority of Funder

Receiver of Funding

Possible Funders
Financing across vertical stages

- From public/grant to commercial money
- Think about financing of next stages!
- 1st movers create (new) financing arrangements
- Financing environment critical for real scale
- Options very specific for (sub-)sectors
Case(s)
Roles of PPPs in scaling

- Make new solutions operational
- Compose mix of ingredients
- Shape sustainable finance solutions
- Join forces for vertical scaling
Case 1: Aquaculture, Kenya

Larive – FoodTech Africa
FDOV: *Africa Sustainable Food Production*
Kenya / East Africa
Case 2: Sugar, India

“INCREASING WATER USE EFFICIENCY IN SUGARCANE CULTIVATION IN INDIA”

€ 4,828,774 (50% NL MoFA) (2014-2019)

Lead actors: * Solidaridad (NGO), * 3 sugar mills, * Vasantdada Sugar Institute, * Osmania University, * eLEAF (tech firm) * Hindustan Unilever Foundation

Results: 35,000 farmers trained, 300 micro-entrepreneurs trained in support services, renewed extension services of 3 mills.

Water consumption per acre reduced by 16%, water productivity increased 33%, viable business cases for farmers, mills and micro-entrepreneurs.

Scaling and system change: Strong business case, empowers ‘first movers’, effective vehicle (firms+NGOs), produces proof of concept, pursues a sub-sector platform, used to influence policy issues, builds knowledge institutes.

Vertical scaling stage: first movers.
Case 3: Coffee, Colombia

“INTELLIGENT WATER MANAGEMENT IN COLOMBIA” (2012-2017)
€ 20.500.000 - 50% NL ODA, 35% business, 15% Col. Ministries

Lead actors: * Federacion National de Cafetores de Colombia (FNC) (NGO/PO),
* Nestlé, Nespresso (firms), 2 Colombian ministries, Wageningen UR (K)

Results: Water & Coffee Platform, learning network operating, covering 5 depts, 25 muni.
Realised: 25 basin mgt plans, 75,000 producers + 1000 profs trained, 4700 on-farm impr. plans,
300 waste water systems, 25 measurement stations. Positive ec. returns for farmers, coffee firms and tech providers.

Scaling and system change: Cross-sector platforms are scaling mechanisms in themselves, building on historical politics and platforms. Revitalises IWRM (public good & task). 33 additional partners joined. Govt. shifts funding. Interests in replication to other regions, countries.
Vertical scaling stage: first movers to critical mass.
Questions?
The Scaling Scan
The three steps of the Scaling Scan

- Define the scaling ambition and delivery mechanism
- Assess the ingredients of your scaling strategy
- Formulate implications
Scoring the ingredients

Interpretation of the scores:

1 = Very poor, uncertain, unknown
2 = Major challenges, major risk for failure
3 = Some grip, significant improvements needed
4 = Good grip, some improvements desirable
5 = More or less under control / up to standards
Questions and discussion
Some key takeaways

→ Don’t overestimate the stage you are in
→ Competitive analysis: are you a 1st mover?
→ Scaling and system change need many ingredients
→ How strong and replicable is the delivery mechanism?
→ Have a vision on financing the next phase
End

Thank you