INTERFACE BETWEEN SOCIAL INNOVATORS AND GOVERNMENT: CHALLENGES AND RECOMMENDATIONS

ACTION FOR INDIA

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Concept

India, today, is witnessing a number of social innovations across sectors and at various levels. The incredible solutions that social innovations offer, and the energy that they bring to the 'traditional' market are being felt. However, we as a country still have a long way to go in embracing social innovation and providing it the impetus that it needs. There exist substantial challenges that need to be addressed, in order to take cognizance of innovation. This document has been drafted drawing from responses elicited through conversations with social innovators. A total of 9 social innovators, from the education, energy and agriculture sectors were spoken to, in a semi-structured interview to retain the focus of the conversation while allowing them to bring in their own additional perspectives, all the same. This exercise has resulted in the detailed discussion that follows, on challenges and roadblocks that social innovators face in dealing with the government, in a pointed manner. The aim is to emphasise the on-ground practicalities with the aim to provoke thought-processes to address these issues. The respondents have also made recommendations drawing from their own experiences, in their respective sectors of operation. The idea is to identify areas inherent with the scope to implement these recommendations in order to establish an ecosystem that is conducive to and appreciative of social innovation and entrepreneurship.

KEY CONCERNS

1.POLICY ENVIRONMENT

The policy environment often decides the extent to which a venture can make inroads into its objectives. Most respondents believed that the policy environment is not conducive to the idea of social enterprise. Largely characterized by unpredictable policy, the lack of infrastructure coupled with social problems only render the situation riskier. A respondent believed that even if the policy accords greater role for the government, it should be spelt out clearly. Deregulation is important in the sphere of social innovation that cuts across sectors, the respondent said. With respect to tax holidays and subsidies across sectors, while many respondents welcomed such policies, they also felt that the government must award such subsidies to the right innovators. Lack of standards or accreditation to measure innovation and its impact only accentuate this challenge further. For instance, the lack for formal recognition (like the B Corp certification in the US), is detrimental to the social innovation scheme, a respondent shared.

Policy frameworks with respect to solar light specifications are extremely archaic in nature. While international bodies have global standards that are upgraded, we haven't taken those standards on board. While the government is in possession of a lot of funds and is also rolling out lots of subsidies in this sector, the policy guidelines are archaic and let enterprises get away with producing products of low quality, for much higher prices when superior quality products could be produced for much lesser than the government's price. Policies with respect to subsidies are definitely beneficial and allows affordability. However, the problem lies with the implementation of the policies, not with the subsidy policy frameworks themselves. While subsidies and low taxes are great, it is important that the government subsidises the right solar light manufacturers drawing on international standards that are better thought out and drafted.

Respondents also felt that the government must have a policy for lending for the manufacturing of renewable energy products. Intra-sectorally, solar energy is given the priority over the other forms. The government must understand that it is not about the product, but the people who need to be serviced. Taxation policies are extremely skewed, with subsidies being allocated for petrol, diesel and LPG, while even firewood is not exempted from taxes. It is also important to understand that policies in the other sectors have ramifications on the energy sector. For instance, a respondent quoted the *nirantarjyoti*scheme of the Karnataka government, and felt that the government must provide electricity to the MSME sector. There also exists confusion about the mandates of the various ministries. For example, for the cooking gas for the midday meal scheme or in creating awareness about health and sanitation, two different ministries have to come together, but they do not. The schemes of different ministries are also in direct conflict with each other, many a time. Lack of communication between ministries and their mandates is disruptive.

Policies in the education sector are often aimed at primary education and at the level of employment. There are very few programmes aimed at the levels in between them. In addition to this, education encouraging entrepreneurship is missing. A respondent said state governments are very hesitant in allowing private entities like NGOs work with government schools, to improve education. While accessing government infrastructure and using it as part of engagement with government schools is easy, the resistance is palpable when it comes to working on quality improvement. As long as one does not talk about improving teaching methods and classroom education, the government approves. Moreover, the government is resistant to parting with funds when such private entities want to bring in these changes.

Those operating in other sectors felt that in the tangential field of using mobile phone and SMS services, the TRAI regulations make it difficult for them to interact with their target customers. Organisations cannot send SMSes directly to the potential customer, but must route it through non-numeric systems. This means that with one regulation, the element of interactivity that comes with mobile technology is lost. Customers/recipients of messages cannot reply directly to the organisations and hence, invalidates any form of interactive SMS services. In addition to this,

the regulations deems that with three complaints of sending out wrong SMSes, the service gateway provider loses the license to operate. Hence, service gateway providers are very hesitant when social enterprises want to use their services. They ensure that all SMSes sent out through their gateway are reviewed and checked. This not only breaches privacy of information relayed by the organisation, but also makes it very difficult to operate in an environment characterized by lack of trust. A respondent observed that all kinds of people like banks, social networking sites, etc. have exemptions to these regulations, while social enterprises like his have to struggle it out. Lack of political clout leads to no exemptions. The worst offenders are often the telecom companies, but nothing is ever directed against them, he shared. Similarly, making mobile payments and collecting micro payments is difficult, since the RBI does not allow auto debits. Therefore, the onus is on the social innovators to build the infrastructure that can then be conducive to social innovation. Erratic policies are also characteristic of the agriculture and milk sectors, with certain goods and products given preference over the others. Only large companies with political clout can cater to those policies, leaving the smaller innovators behind, the respondents felt.

Making inroads into using digital spaces to offer services is extremely difficult, thanks to the government interventions in the form of restrictive policies, a respondent felt. Better digital formats are often not allowed or supported. The scenario is, of course, different for those dealing with e-commerce, since they have better regulations. He also gave the example of interacting with the UID to identify possible scope for linkages, which only banks or telcos are allowed to do. The social enterprise sector is not a priority and that is very evident, he stated.

2.FUNDING

Most respondents shared experiences of difficulty in procuring information on government schemes and funds. Many also pointed out gaps between available funding and the manner in which it is administered. The system of calling for tenders is extremely problematic, most felt. They were quick to point out that the government mostly went with the lowest bid, in handing out projects. However, in the social innovation sphere, this rule does not hold water. When one aspires to provide quality output in any sector, it comes at a certain price. There is also no system of appraising quality, in the process of inviting tenders. By going for the lowest bid, the tender process is only eliminating innovation at its roots. The eligibility criteria in inviting tenders are also skewed. The prescription of requirements on the number of years of a company's existence and operation, and benchmarks for turnover are all aimed at big players. The terms and conditions governing these tenders are not conducive for social innovators. Start-ups can definitely not pitch for them, respondents felt.

With reference to the energy sector, a respondent pointed to issues of financial inclusion, consumer finance, risk coverage for consumers, money lending rates and the like. When one

talks about last mile banking connectivity, one cannot overlook the lack of a policy for lending for renewable energy products. Loans for small enterprises must be subsidized, at least in the renewable energy sector which can very efficiency bring down reliance on energy imports. The respondent also pointed the need to bring banks and KrishiVignan Kendra norms. Most of the times, those involved in innovation or small enterprises on ground are extremely apprehensive of going to banks. Banks should have business correspondents who cater to the needs of such people, and go beyond looking at the big players alone. A respondent from the dairy sector alluded to bank debt as well, often decapitating young entrepreneurs and farmers.

A respondent from the education sector indicated that procuring funding is the toughest. While there is acknowledgement from the government that innovation is a good thing, nothing much happens beyond that. The recognition does not bring funding support, and the government is happy as long as innovators want to use government schools and the surrounding infrastructure to do something on their own. A respondent spoke about how the local area development funds that the Members of Parliament are allocated, is often only aimed at infrastructure development. There is no recognition of the 'soft areas' like human resource development or soft skills training, etc.

Some respondents indicated that despite the existence of various schemes, finding the right scheme is difficult. A respondent quoted an initiative wherein social innovators were provided with funding platform, with IIM faculty evaluating proposals and the government then handing out funding through those evaluations. This was a good model, the respondent felt. However, the lengthy process of accessing government funds is a hurdle. It could take more than six months, a respondent shared, and that is not the kind of timeframe a start-up or a small level innovator has at hand. Moreover, with the amount of money not in the right range (either too little for a social entrepreneur to bring about discernable usage or too high with too many strings attached), lack of middle range funding is problematic, they felt. Funding delays also impact procurement of goods for the daily functioning the social enterprise, and often has a crippling effect on day-to-day work.

A respondent also indicated that finding seed funds are not as problematic as finding money to continue the run. This often leads to social enterprises going bust or running into trouble with debt. Low risk appetite and the gap in possessing the knowledge in appraising a proposal, are also impediments. Some felt that the larger funding scenario has improved from what it was. However, when the government terms angel investment as income, small enterprises that are supported by angel investments have to right away contribute 30% of that funding to taxes, even before going to the market or making income. In addition to this, the investment climate is turning non-conducive, with even big players being dropped off. This has a chilling effect on smaller enterprises. At the macro level, companies are pulling out. The bigger the digital enterprise, the stronger the regulation gets, a respondent observed.

A respondent summed up the funding scenario by saying that no lay person can aspire to procure government funding, unless one is well connected or has networked with the right people, diagonally across the hierarchy. The social innovation ecosystem is plagued by the big gap between availability of huge amounts of funds and lack of access to them.

3. COMMUNICATION AND INTERACTION

The only tangible stream to bridge this gap comes is communication. Those outside of the government system obtain information on the various activities, schemes and processes only when there is an open communication channel in place. However, this solution holds no water since there is lack of **appropriate** information dissemination despite the presence of such an architecture. A respondent indicated the lack of a unified central information source on schemes available to social innovators. A respondent operating in the education sector spoke about how even to gather all the Principals and teachers of schools and colleges in a district it is an uphill task, despite having made the right connections. The official government district websites do not have a central database of such kind. Lack of first-hand information despite having an official website is deeply problematic. It speaks volumes of how the outer infrastructure has been made available, but the central content only nullifies such efforts. A respondent spoke of how the websites of most Central Government ministries and departments are exhaustive and up-to-date. It was easy to comprehensively assess the Cluster Development Scheme from the Ministry of Industries with detailed information being available on their website. He said, the same could not be said of the State Government. Government circulars are not freely available. He also pointed out that the NABARD website, which is so critical for Agriculture, needed to be updated as well. A respondent said that even at the district level there is no awareness of who the right officials are, and how one could approach them for an appointment.

Another respondent operating in the digital space also wrote to a senior and respected authority about 20 months ago, on the effect of TRAI regulations on social enterprises like his, but has not received any response thus far. A respondent operating in the energy sector spoke about how there is no list of those working with biogas. Indicating the necessity for communication in the social innovation ecosystem, a respondent was vociferous about how the government needs to ensure that internal communication happens first. The manner in which no one knows where a file is, when it is on the next table, is appalling, the respondent stated. When it comes to contacting officials and communicating with them, it is an opaque system. A respondent said that he works on trial and error basis and employ multiple approaches, form the bottom and the top. How one can enter the system and interact is also not defined, the respondent shared. As long as we do not tread too much into the government's territory, they are fine. The minute we talk about funding, there is no response or taking of responsibility, he stated.

Importantly, the system of putting up centralised databases, policy shifts and not just policy documents, case studies of successful social entrepreneurship programmes in a district, etc. needs to be worked upon immediately, many felt. In terms of the government's dissemination of information, it is often directed to customer and not companies, a respondent felt. When questioned about how the government fares in reaching out to the customers, many respondents stated that many government officials are unaware of innovations in the sectors they operate. However, many also agreed that there are a few officials who understand innovation and engage even on social networking platforms. They also spoke of how the government itself does innovative things, but even that is not disseminated properly. For instance, the Haryana Innovation Council called for proposals from innovators across India. However, it was published in newspapers in Haryana alone, and it is obvious that the purpose is defeated right away.

4. PERCEPTIONS, PROCESSES AND PROCEDURES

Most respondents felt that the government was still living up to the stigma of government processes being very bureaucratic. Young innovators, often out of college, are not tuned in to the manner in which the bureaucratic procedures operate, they observed. A respondent said that in dealing with various Ministry departments, what is consistent is that people are somewhat clueless. The authorities involved need a better understanding on the on-ground realities, and they are disconnected from it. They are disconnected with what technology provides today and what the end customers want.

A respondent cited the FDI in multi-brand retail example to substantiate how the tussle between coalition partners has had an adverse impact -- policy is now neither here nor there, he said. Similarly, talking about power struggles and the desperate need to create alignments in functioning, a respondent from the energy sector spoke about inconsistencies between the central and state governments and their respective policies. For instance, when the Central government announces subsidies and gets the state governments to sanction them, a lot of inconsistencies creep in, and policy gets lost somewhere along the way. Similarly, the approach of every state towards a sector is varying, and when this is coupled with differential/varying amounts of taxes, it accentuates the lack of harmony. This leaves social entrepreneurs in the doldrums, since they need to formulate various approaches to deal with each state policy and pay varying amounts as taxes.

Social entrepreneurs are a new breed, and are often challenging the status quo in various ways, a respondent said. The challenges are to do with getting the government to understand that we are working with cheaper, innovative options. Typifying the origin and flow of interactions further, the respondent said that the government is used to dealing with three kinds of people --- those who are at the receiving end of policy, NGOs that are idealistic in their outlook, and Corporates that are out there to submit tenders proposals and make money. Social enterprises are a new

entrant, and the government is yet to take cognizance of this group. Social entrepreneurs, probably, are a mix of an NGO and a Corporate, and the government needs to see it from that viewpoint, he stated.

Moreover, support is very people-centric, most respondents felt. If the bureaucrat one interacts with is dynamic and sympathetic to social innovations, things get done well. Otherwise, there are umpteen number of roadblocks and challenges. If a bureaucrat doesn't want to support an idea, he will go to any extent to thwart it, many felt. While they thought it was good to have some refined, progressive and dynamic bureaucrats who were adept at getting things done the right way for the right reasons, they were wary of the power that an official has in thwarting projects from the purview of working in collaboration the government. Similarly, most respondents stated that transfers of officials affected their work deeply, since it often takes considerable time to build that rapport required to gain the trust and credibility of officers. One has to start work ground up, all over again, when transfers occur.

Some respondents also felt that there was a trust deficit between social entrepreneurs and the government, which was averse to handing out mega projects to innovators, for reasons of mitigating risks. Working with innovators on small solutions seemed alright to the government, they said. However, sometimes, the solutions brought out by the innovators could be a mega solution, that would require a national scale of operation. This is when it gets very difficult to get that kind of a buy in from the government.

In the education sector, a social innovator said he couldn't work with the government since he deals with assessment and recruitment, and the latter is a very touchy issue with the government. They would not want to outsource government recruitments, since it has severe political ramifications. In the energy sector, a respondent felt that procedures, especially for small loans, could be made significantly simpler. A respondent from the dairy sector shared his experience of how Government officials simply look to work through the local co-operatives and have not seen the benefit of working with the private sector. Reaching the right official, he says, is not a problem but getting them to move away from the beaten path is difficult. The respondent cited the example of the NDDB's training college that trains Artificial Insemination Technicians (AI Technicians). Only candidates referred by the local co-op are entertained, even though the end beneficiary of the services of an AI Technician is a small & marginal farmer. This is a tangible impact that one can assess, and it has its own in the manner in which the government approaches social innovators.

Few respondents also shared some great experiences of working with the government. While one spoke about how the government was the one that approached him, showcasing interest in his work. With a parliamentarian and central-level buy in on board, it was easy to work the modalities out. Since the ministry he deals with has strong linkages with certain state governments, he has also been able to make inroads into those states and now operates across the

central, state, district and block levels, he said. However, political turmoil, agitations and strikes often disrupt work, he said. Similarly, another respondent spoke about how the lower levels of the government were very excited about her work and stated that while she has faced challenges that are not abnormal, they are not insurmountable. Both social innovators here also have international tie-ups and funding, which they identified as a factor in helping garner the government's interest. One of them also stated that it is all about finding the right scheme, the right approach and being in the right place at the right time, since not all schemes are for everyone.

RECOMMENDATIONS

Through the semi-structured interviews, we have also been able to compile recommendations emanating from social innovators themselves, both generic and sector-specific.

1. Iron out inconsistencies across policy areas, and attempt to harmonise policy implementation between centre-state, state-state and intra-sectoral transactions.
2. Changes in policy, to help identify social innovations in specific sectors, and widespread dissemination of this information to social innovators through centralised messages.
3. Maintenance and updating of central databases incorporating information on those operating in public life, policies and shifts, schemes with information of their relevance to specific areas and kinds of innovators.
4. Use of the SMS alert system for opportunities in the field of social innovations, including but not limited to details of funding opportunities.
5. A respondent stated that the best place to introduce the change was to educate and imbibe the culture of innovation among government employees in order to inspire and equip them to identify true social innovations.
6. In the education sector, a district-level call for application for social innovations in the area akin to the 'One Idea, One MP' scheme could be implemented further. The latter has not reached the public yet. Invite pitch-ins by innovators at least where the district administration operates.
7. Create an engagement platform that allows social enterprises to communicate with the right people in the government is much needed. This would help interact directly, eliminate miscommunication or lack of communication, provide the right information to both sides and also help social entrepreneurs know when stakeholder meetings happen and what processes are in place.
8. It is important that the officials are in touch with on-ground realities, and respondents said they were happy to facilitate this -- field visits, interactions with stakeholders as well as producers to help bridge the gap.
9. Devise mechanisms to ensure that subsidies are disbursed to the right people and are spent the right way, focusing on quality and the right product.
10. Government should generate demand for the right goods, and create awareness about how the public can appraise quality.

11. The government should set up a system of ratings, following international standards. Money should be invested in creating awareness, and not wasted in subsidies alone. The demand for better quality goods will come only if there is better awareness.

12. VAT, Tax cannot be abolished, but should be made uniform across states to help material movement.

13. Create a social enterprise certification agency along the lines of B Corp.

14. Make rules to create an environment conducive to nurturing these social enterprises.

15. Provide incentives for organizations that invest in the community

CONCLUSION & WAY FORWARD

While the above recommendations reflect the desire for a change and a clear shift towards a conducive ecosystem for social innovation among social innovators themselves, it is imperative to distill some recommendations to take home from the key concerns outlined through the document.

1. The creation of the 'hard area' of infrastructure should go hand-in-hand with focus on the 'soft area' of skill development and human resource development. Social innovators should be allowed to play a role in the latter process as well.

2. Accreditation mechanisms and the setting of quality standards would not only help social innovators reach the ideal, but also help the government exercise its discretion in handing out tenders to not the lowest bidder, but an innovator who has low bids and better accreditation combined. This would also address the issue of handing out subsidies to any and every social innovator, and enable the government to exercise discretion in deciding whom they could offer subsidies. It may be noted that the 'discretion' spoken of, here, is to allow a balanced blend of quality standards and low bids, to help hand out subsidies or tender in a democratic manner.

3. A re-look at angel investments being categorised as income under the tax policy, is essential.

4. Promotion of renewable energy products, and propagating the use of renewable energy is the need of the hour. Subsidies and uninterrupted supply of electricity to facilitate this sector is crucial.

5. An evaluation of the perceptions in the government, with respect to inviting social innovators to enrich classroom teaching and learning in government schools is needed. A great way to take this forward would be Training of Trainer (ToTs) organised for government school and college teachers, to equip with the latest teaching methodologies, and allowing them the opportunity to be on par with private schools.

6. An inter-ministerial setup is crucial to address concerns of inter-sectoral or tangential issues. A body, with nominees from ministries concerned, could meet from time to time to harmonise conflicting policies with respect to various sectors. This would provide the much-needed consistency in policy implementation.

7. People-centricity, while being a great asset if it leads to dynamism in enabling innovation, can also cripple the same if it is unfavourable. Similarly, there is a need to infuse among government employees the need to embrace change and innovation. Working on building a 'culture of innovation' in the government is crucial.

8. The latest announcement of the launch of the Social Media Division of the Ministry of Information and Broadcasting could serve as a great starting point to engaging better with social innovators in the country, and providing a platform for interaction between the government and the innovators. This could also tangentially incorporate the publicising of schemes, funds, tender announcements, policy shifts and other aspects impacting social innovators across sectors. Marrying social media with social innovation could be a great step forward in addressing the challenges in communication between the government and social innovators!

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