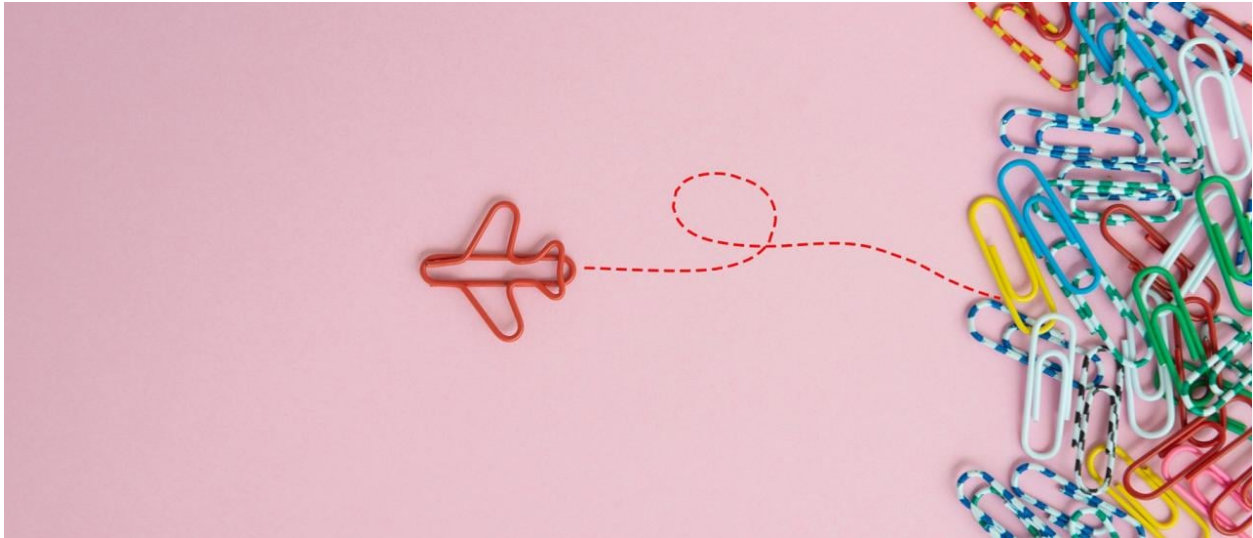

How Local Innovation Can Drive the Global Development Agenda



By Prashant Yadav , INSEAD

To achieve critical development goals, we need to champion local, innovative solutions to social problems.

Entrepreneurship is rapidly evolving in many low- and middle-income countries in Africa, where local entrepreneurs are solving social sector problems through a clever combination of business models, new technology and fast feedback loops.

Aid agencies around the world have been struggling to keep up with the fast pace of change in recipient countries. They continue to focus on channelling development monies through large, international NGOs and this often makes development assistance less effective.

In a recent [testimony](#) before the US House Foreign Affairs Subcommittee on International Development, International Organizations and Global Corporate Social Impact, I argued that local social enterprises and non-profits can play an outsized role in attaining development goals. They thus need steadfast – and not one-off – development finance support.

Local social enterprises are agile and able to quickly respond to the needs and pain points of their customers and beneficiaries. In some instances, these businesses are better positioned to leverage underutilised labour, capital and fixed assets in the local economy, rendering them more cost-effective.

Local solutions to social sector problems

To improve access to medicine and healthcare products, several aid programmes in Africa have focused on providing capacity-building support and technical solutions to retail pharmacies with limited success. Ghanaian social enterprise **mPharma** experimented and identified the main problem – a lack of working capital. To address this, the company provides healthcare products on consignment to pharmacies along with user-friendly technology for inventory management, ordering and payment.

In addition to making medicines more accessible across retail pharmacies, the company has also significantly increased revenue and profitability for pharmacy owners. mPharma now works with 120 hospitals and 280 community pharmacies in Ghana, Nigeria, Kenya, Rwanda, Zambia and Zimbabwe.

Aid agencies and their implementing partners have spent the last two decades trying to introduce electronic stock and inventory management systems into government clinics across a number of countries in Africa, with very limited systematic uptake. Kenya's **Maisha Meds** provided a technological solution – point-of-sale ordering and inventory management software – not for government clinics but for private pharmacies. As an increasing number of private pharmacies in Kisumu County in Kenya adopted Maisha Meds' software and its technology achieved greater social diffusion, government clinics in the region voiced interest.

The social enterprise has since introduced its productivity-enhancing technology to over 105 government clinics in Kisumu County, with plans to expand its services to 200 clinics in neighbouring counties. The company's experience demonstrates the potential of social enterprises not just in introducing game-changing technology but also in acting as powerful agents to diffuse it even beyond their direct target customer segments.

These examples underscore how supporting local innovators through modest financing can be a cost-effective way to achieve critical development goals

and advance development agencies' commitment to localisation at the same time.

In our previous research, we studied some of the obstacles impacting **retail pharmacies** and **government clinics, new product diffusion** in retail pharmacies and opportunities to improve **access to working capital**. These innovative and entrepreneurial solutions were developed by leveraging state-of-the-art academic research, whereas many traditional aid agency implementers are still working with more conventional models.

While there is strong momentum behind social enterprise-led models of development, it is still not common practice for bilateral and multilateral development assistance portfolios to fund them.

Investing in Innovation

Even if funds are starting to flow to local social enterprises and non-profits, entrepreneurs still face other challenges to scale. Many aid agencies and large capital providers don't always embed local innovators in their programmes – but things are changing.

A new pan-African initiative I am involved with, **Investing in Innovation** (i3), provides funding and market access to selected start-ups in Africa that solve healthcare supply chain problems. i3 first systematically analyses the landscape of healthcare supply chain social enterprises and supports 60 promising ones with small grants and access to markets support.

While many think money is the main constraint, we find that connecting start-ups to potential enterprise customers early is equally, if not more, important. Similar initiatives can be developed for other social development sectors where social innovators can play an important role in achieving social development outcomes. Private philanthropies such as the Gates Foundation are becoming more interested in this area and more funding is starting to flow. USAID and EU Aid are also slowly starting to take notice.

Large multinationals with footprints in African markets can't turn a blind eye to how quickly the landscape of local solutions is changing. An innovation scouting function is vitally important to stay connected with local solution providers and new start-ups. Finding new local innovators in emerging markets, funding them and, when successful, integrating them into the company's core business processes is a rapidly emerging innovation model

in mainstream markets. The opportunity to use such a corporate venturing approach is even greater in emerging markets in Africa such as Nigeria, Kenya, Ghana and South Africa.

Local innovation, which truly leverages local knowledge, social norms, cultural characteristics and local political economy, is booming in countries across Africa, and the pace will only increase. Aid agencies, private philanthropies and global multinationals operating in Africa need to look beyond their trusted walls in order to meaningfully benefit from local innovation.

Read Prashant's [Financial Times](#) article on how mPharma is bidding to shake up healthcare in Africa's public sector.

Find article at

<https://knowledge.insead.edu/entrepreneurship/how-local-innovation-can-drive-global-development-agenda>

About the author(s)

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About the research

This article is based on Prashant Yadav's testimony before the US House Foreign Affairs Subcommittee on International Development, International Organizations and Global Corporate Social Impact, at a hearing titled "[Modernizing International Development Assistance: Opportunities and Challenges](#)".

About the series

Healthcare Management

The [Healthcare Management Initiative](#) at INSEAD was founded on the belief that many of the systemic challenges of the healthcare industry globally can benefit from the application of principles that stem from rigorous, evidence-based thought leadership.