

UNION DIGITAL CENTRES

Reaching the Unreached through an Innovative Public Private Entrepreneurship Model



In Bangladesh, citizens, 70% of whom resided and worked in rural areas, typically had to travel long distances, often multiple times, to urban or semi-urban locations to access government services leading to high cost, long delays and considerable hassle.

PROLOGUE

Salma, a poor woman with a month old baby girl living in the remote rural sub-district of Bhurungamari in northern Bangladesh was eligible for maternity allowance that was provided by the government as part of its social safety net. Her husband was killed in a tragic road accident a few months ago; he never got to see his daughter. Salma lived with her in-laws who could barely afford to shelter her with a tiny mud-walled room. She worked as a domestic help earning a paltry thousand taka (approximately USD 13) per month.

To receive the allowance, Salma had to first travel close to 20 km to the sub-district government office just to collect the application form. Over the next few visits, she had to toil for hours in queues not really sure of what the next step was or who to talk to for getting information. She had to endure all that before confronting overworked, intimidating government employees. By the time she finally completed the application process, Salma had spent a couple of weeks, close to a thousand taka in conveyance fares alone and visited the sub-district office several times. She lost her employment in the process.

Like many developing countries, in Bangladesh, government offices at the district and sub-district levels provided a wide range of public services which were time consuming and labor intensive for both the service provider and recipient. This created frequent delays and had an adverse impact on the poor's livelihood. Citizens, a majority of whom resided and worked in rural areas, typically had to travel long distances to government offices in urban or semi-urban areas. Lack of information regarding the processes and the lengthy timelines involved meant that citizens had to forego income and incur additional costs such as transportation, accommodation and food to access even basic services.



THE SOLUTION: UNION DIGITAL CENTRES

To decentralize the delivery of public services and take them to the doorsteps of millions of underserved citizens like Salma, the Access to Information (a2i) Programme of the Prime Minister's Office – with technical assistance from UNDP and USAID – established 4,554 one-stop information and service delivery outlets known as Union Digital Centres (UDCs) in all union councils, the lowest tier of the Bangladesh government.

UDCs ensure that the underserved such as rural women, people with disabilities and the elderly – regardless of their literacy and ICT literacy – can access vital information and services. A typical UDC is about 4 km from the average rural citizen's home whereas a government sub-district office is about 20 km and a district office over 35 km. These one-stop service centers are essentially micro-enterprises run by 'citizen entrepreneurs' – 1 male and 1 female in tandem with elected local government representatives. They leverage modern technology to provide citizens both free and fee-based access to public services (land records, birth registration, telemedicine, passport and overseas job application as well as application to various other government services) and private services (mobile financial services, insurance, various types of computer and vocational training, etc.).

One of the most innovative aspects of the UDCs is their public - private entrepreneurship model. The UDC model was designed to bring the mandate and infrastructure of the public sector together with the entrepreneurial zeal and efficiency of the private sector. The UDCs are hosted in local government institutions. 1% of the government's total Annual Development Programme budget is directed towards these enterprises. Everyday expenses – like utility charges, internet bills, computer maintenance costs, etc. – are borne by the entrepreneurs who generate revenues by selling certain public and private services.

The UDCs represent a novel approach to strengthening local government. By bringing in the private sector - in the form of the entrepreneurs and numerous agreements with corporate entities – the UDC model adopted a very citizen-centric, bottom-up strategy. Thus, instead of making it relevant to the government alone, market relevance and sensitivity to citizens' demands were embedded into the model. In practice, this meant that if working women and men could only make time after 5, over the weekend or on public holidays to come to the centre, the entrepreneurs would still serve them. Given that entrepreneurs are not salaried government employees, failing to do so would only harm their business. This enabled citizens to receive efficient, customized services and increased foot traffic to the union council offices.

A study to evaluate the impact of the UDCs (see Table 1) on reducing time, costs and visits (TCV) for availing public services found that, for instance, while it previously took rural citizens 7 to 8 days to acquire birth registration certificates, the number was brought down to less than 8 hours after the advent of the UDCs. Similarly, for receiving death registration certificates, while it previously took citizens nearly 2 days, it now takes less than 5 hours.



SERVICE WISE REDUCTION IN TCV

Service	Before	
	Time (in HRS)	
Birth Registration	211.52	
Citizen Certificate	24.9	
Exam Registration	6.27	
Death Registration	39.39	
Photocopy	5.55	
Computer Compose	16.84	
Photography	39.7	
Internet Browsing	3.02	
Electricity Bill Payment	4.31	
Job Search	12.47	



CHALLENGES

THE RIGHT MIX BETWEEN FINANCIAL AND SOCIAL SUSTAINABILITY:

The increasing trust of citizens in UDCs as a decentralized government desk has been a key driving factor behind the acceptance and popularity that they have accumulated over time. However, they need to be made financially sustainable as well - otherwise, they will cease to function. But it will need to be a fine balance because if the commercial aspect takes over too strongly then the social mission may be compromised.

QUALITY OF THE ENTREPRENEURS:

The quality of entrepreneurs determines, to a large extent, both the financial and social sustainability of the centres. But, it is hard to assess potential recruits for the management in Dhaka. Standard criteria may need to be developed and a franchisee system - to serve as a meta business model for the entire chain of UDCs - could be explored.

RETAINING AND DEVELOPING WOMEN ENTREPRENEURS:

Many of the female entrepreneurs either merely allow their male counterparts to lead or dropout after getting married or giving birth. It is an issue that is deep-seated in a multitude of social barriers. They need to be effectively addressed for improving the existing state of affairs.

TABLE 1

UDC		After UDC		
Cost (USD)	Visit	Time (in HRS)	Cost (USD)	Visit
1.6	2.19	7.58	0.9	1.23
0.7	1.71	2.97	0.5	1.07
1.2	1.07	2.3	0.2	1.03
1.9	2.5	4.52	0.6	1.09
0.9	1.14	0.49	0.2	1.01
1.5	1.44	0.63	0.5	1.02
1.6	1.82	1.36	0.4	1.04
1.7	1.28	0.53	0.4	1.02
0.9	1.21	0.343	0.2	1
2.6	1.5	0.75	0.7	1

WAY FORWARD

The Digital Centres collectively represent an important nexus for service delivery decentralization, local government strengthening and community empowerment. The service basket has grown from a handful in the early years to over 50 in 2014, 116 in 2016 and 150+ in 2017. The Service Process Simplification (SPS) process introduced by a2i and mandated by Cabinet Division in 2015 continues to nudge scores of government agencies to use the Digital Centres as the last mile delivery point for hundreds of services. Private sector companies are also starting to make their services available to millions at the bottom of the pyramid through these centres which present potentially the most cost-effective avenue for rapidly achieving nationwide reach. For example, Salma can now collect her maternity allowance from the local UDC which is an agent of a private commercial bank. This means she is also covered by the formal banking system and thus benefits from a full range of savings, credit and insurance products.

The network of these centres across the country, along with thousands of post offices and innovative digital payment options, has emerged as a viable platform for e-commerce transactions including the movement of goods in rural areas. Pilots have already been completed by a2i in partnership with e-commerce platforms which had hitherto operated only in urban areas but were eager to utilize the large nationwide network to find rural customers for urban products and vice versa. Rural e-commerce, riding on the backbone of the Digital Centres, shows great potential that needs to be properly utilized.

In the future, a central institutional structure driven by a business model beyond the cradle of a2i and the Local Government Division will have to be constructed. The business model will be driven by revenues earned by the centres with some measure of viability gap financing from the government to ensure sustainable universal coverage across the country.

AT A GLANCE



4,554+UDCs

PROVIDING 150+PUBLIC
AND PRIVATE SERVICES

2.1MILLION+

ONLINE REGISTRATION OF
PROSPECTIVE MIGRANT WORKERS*

367+MILLION

SERVICES PROVIDED

4 MILLION+

CITIZENS IN M-BANKING*

\$ 32.95 MILLION

EARNED BY ENTREPRENEURS*

0.29 MILLION +

CITIZENS COVERED BY
LIFE INSURANCE*

75 MILLION

BIRTH REGISTRATIONS FROM UDCs*

*TILL JAN, 2017



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