

# Exclusion, Service Delivery and Segmentation: a partial framework to assess MDG implementation

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# Motivation

- In all development endeavors over last two decades, be those in the guise of PRSP, MDGs, or for concerns with equity and inclusive growth, the general concern was one of reaching out to those who are left out – **excluded**.
- MDGs, 2 and 4 to 7 in particular, aim at extending the coverage under various social services. And much of the SSNs finding rationale in MDG 1, deal with extending supports to those excluded from regular market-based exchanges.
- In some cases, we talk of ‘inclusion’ in the very process of generating/producing the goods & services from which some people are excluded (employment-intensive growth). In others, one needs independent effort to deliver/extend the goods & services that are already produced (SSNs). Failures to ensure ‘inclusiveness’ in growth is found to be associated with increasing divisiveness of local society.

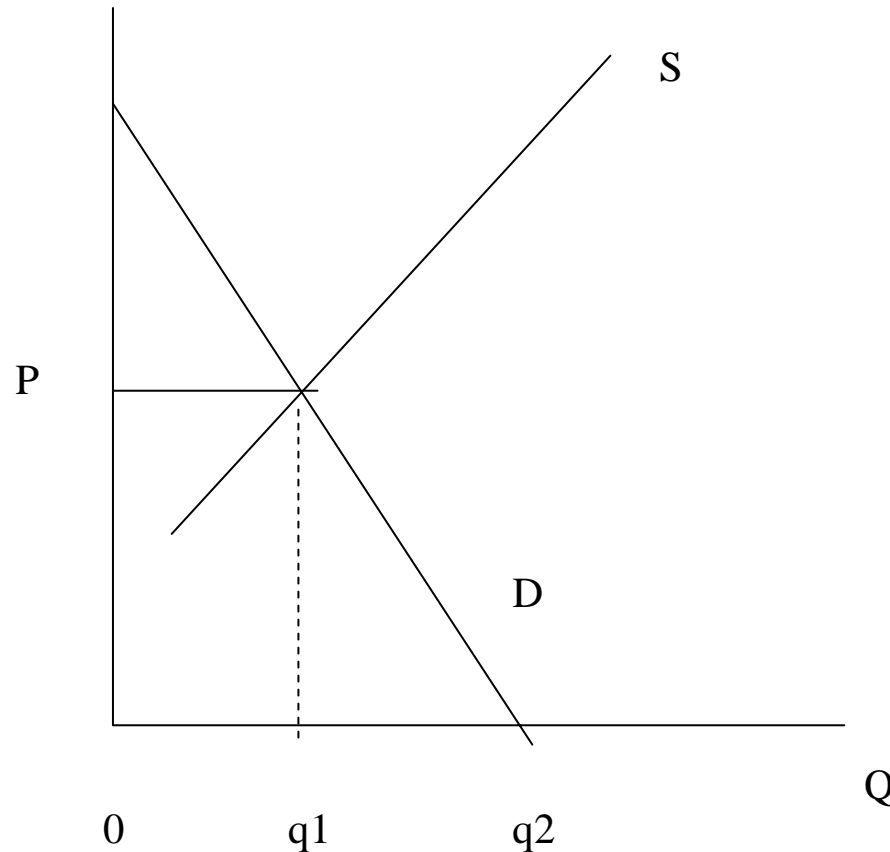
## Motivation (continued)

- Often, development practitioners put the blame on market failures; and pretend to be the supra-agency immune from all market vices (and merits!) to circumvent the problems markets often create. But, can we?
- There is increasing concern with social instability arising from inequity, segmentations in education, and even those arising in the spheres of SSN services received. Need to reflect on the approach we use in understanding reality.
- Exclusion has long been considered a subject in the domain of the sociologists. Even the best of the economists tried to explain exclusion using 'languages' alien to economics. Can the basic economics give us new insights?
- Can we classify the external interventions *ex ante* in terms their implications for faster realization of MDGs?

# Outline

- A demand-supply framework to identify various types of exclusion. For a review on current perspectives, see, [http://www.ergonline.org/documents/Exclusion\\_and\\_Poverty%20.pdf](http://www.ergonline.org/documents/Exclusion_and_Poverty%20.pdf).
- Where does service delivery come in? In some other exercises, the focus had been on interlinked services and the 'club good' characteristics of services. Here, the discussion follows from the classification of 'exclusion' and the major types of service delivery that are called for.
- Segmentation, a natural corollary of some interventions (in the spheres of service delivery); and their implications.
- Concluding observations – lessons for MDG implementation.

# Exclusion 1: lack of effective demand



## Assumption

Prices received by the suppliers in main market are equal to those paid by end consumers. Implies zero additional cost to avail from market & no social exclusion.

**Of** those with effective demand at non-negative prices,  $q_1$  to  $q_2$  are unable to avail the service at going market price of P.

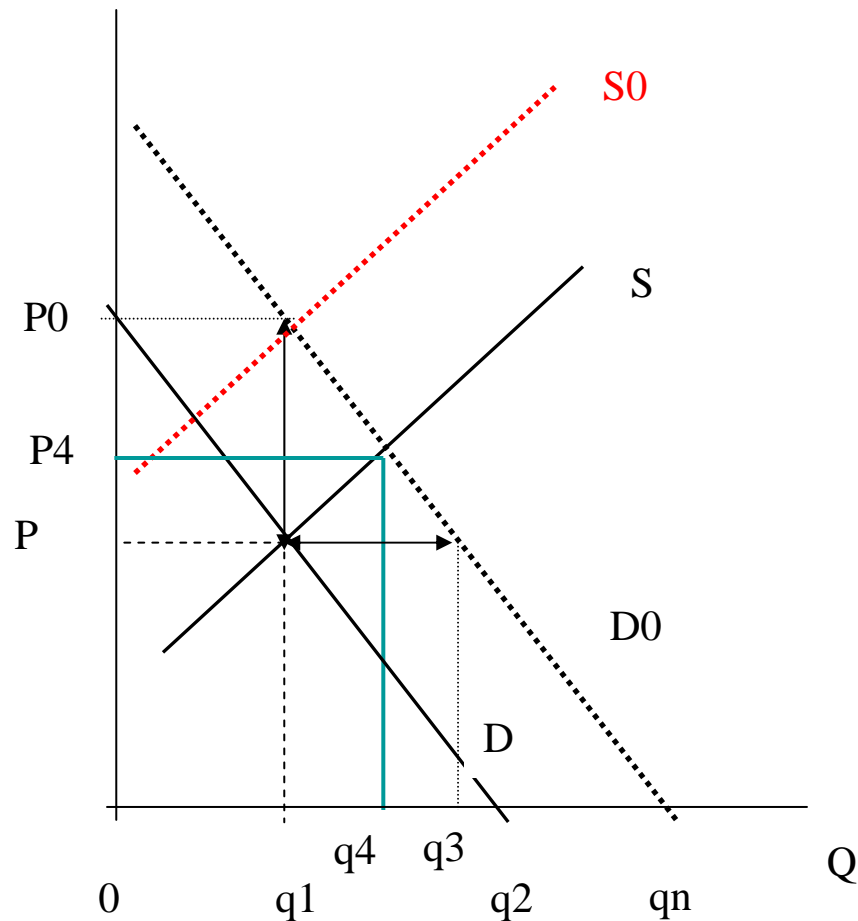
## Options to include them

1. Reduce production cost, S shifts down
2. Subsidize price –  $P=0$  is the extreme,
3. Introduce a differentiated product that can be afforded by some of the left outs
4. Increase income to shift D to right – tied transfer is an option

## Note

Say,  $N$  ( $>0$  to  $q_2$ ) is the number of people. There will be  $q_2 - N$  not interested in the service even at zero price. Discussed later.

# Exclusion 2: Positive transaction cost



## Assumption

Prices received by the supplier is less (by  $P_0 - P$ ) than those paid by end consumers.

Absence of market to enable zero transaction cost. Social exclusion is a special case.

With single source of supply, many of those with positive 'transaction' cost are excluded, and those included derive extra benefits.

## Options (in addition to earlier ones)

1. Cost-reducing innovation in service delivery
2. Improvements in connectivity and/or growth in market size attracting providers
3. Positive synergy from 'network good'

## Exclusion 3

Lack of awareness or presence of competing factors – no demand even at zero price

## Remark on Social Exclusion

- By reducing the concepts of exclusion (including that of social exclusion) to tractable cost equivalence does not undermine the importance of the processes that generate exclusion. Yet, it is important to note that the subject of exclusion is of interest to development practitioners since they believe that one can ‘include’ the ‘excluded’ ones; and that there are costs involved for all such efforts towards inclusion.
- ‘Transaction’ cost of availing goods & services from the main market may be substituted, in the figures used for illustration, by the cost of ‘inclusion’.



[https://www.yunbaogao.cn/report/index/report?reportId=5\\_8051](https://www.yunbaogao.cn/report/index/report?reportId=5_8051)

预览已结束，完整报告链接和二维码如下：

Is ways to exclusion		Innovation reducing production cost (1)	Price subsidy (2)	Innovation introducing differentiated product (3)	Innovation in delivery reducing ‘Transaction’ cost (4)	Improve connectivity (5)	Promote/ avail agencies with network capital (6)	Social awareness/campaign (7)	Increase income/transfers (8)	Address competing factors (9)
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erspective, availing a good or service is not always a binary choice. Thus, ns may underlie a given choice.

# Summary