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# 1 Editorial



India has a new government, a new Ministry of Entrepreneurship and skill development, maybe soon a new definition of what constitutes the Micro, Small and Medium Enterprise Sector and a new MSME Policy. With the new government we feel a new enthusiasm and hope that India will soon return on its growth path, and on this journey take the MSME sector along.

We from GIZ and with our partners are observing these new developments, providing inputs where needed and supporting partners in making changes happen. We share the vision: Strengthening India's MSME sector as a backbone for the economic development of the country. Coming from a country, where 95% of the business sector consists of MSMEs, we as a German organisation are excited about the new emphasis on Entrepreneurship Promotion and MSME Development. The new government stresses the need for providing international linkages for exports, increasing the access to finance, strengthening supply chains, fostering IT use in the sector, supporting R&D and innovation. Our regular readers might realize that these are the focus areas of Indo-German MSME Cooperation with the Ministry of Micro, Small and Medium Enterprises and the Small Industries Development Bank of India as our bilateral partners and a large network of partner institutions, thought leaders, business associations, financial institutions and eco-system players.

With this edition, we want to contribute to the current discussion on new trends in MSME development and draw attention to some recent initiatives by us and our partners which we feel

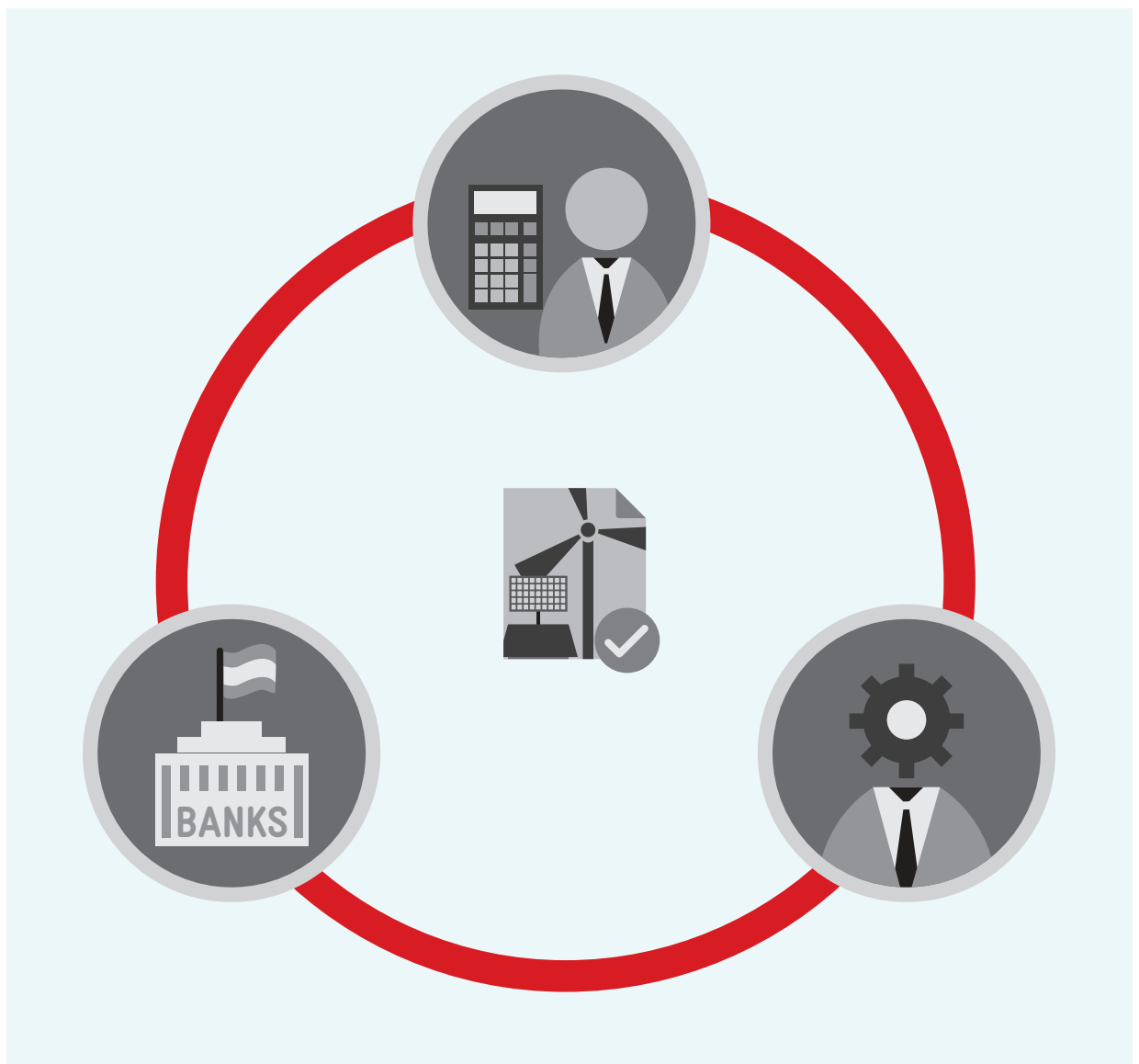
# 1 Editorial

have the potential to contribute to a systemic change. In this newsletter you will hence read about our vision on Indo-German MSME Collaboration and how we make collaboration between Indian and German enterprises and institutions happen. In going further an overview will be provided about our work with the financial sector on financial instruments for start-ups and early stage ventures. You will also read about ways to climate-proof your business and mitigate risks from climate change through calculating the cost and benefits of adaptation activities. In our efforts to foster an innovation ecosystem, our programme is currently experimenting different approaches on enhanced collaboration between MSMEs, applied research and large buyers and corporates. About these activities you will also find information in this edition. Similarly, our experiences and conversations with businesses, financial institutions, chartered accountants, auditors and technology experts have shown that “green innovation” and energy efficiency initiatives in MSME are more likely to happen, if collaboration and exchange on the business benefits of such initiatives is happening. We will announce upcoming events and launch new initiatives. Let us know your feedback. We are keen to be a partner for catalyzing change in the MSME sector and look forward to work with you towards reaching the vision of a MSME driven economic growth in India.

Happy reading!

**Stefanie Bauer**

**Deputy Programme Director**





## 2 Articles

### Indo-German Cooperation: Discovering New Paths

Indo-German Cooperation has a long-standing history which started evolving already 500 years ago. Today it stands on a solid foundation and as of 2010, was at an all-time high of 15 Billion Euro through Indo-German trade relations. Currently, Germany is India's largest European trading partner. Exports to Germany include cotton and textile as well as leather products, chemicals & pharmaceuticals and metal products while India imports machinery, electro-technical goods, aircrafts, chemicals and other control systems from Germany. The Micro, Small and Medium Enterprises (MSMEs) of both countries drive this success story. Here there is enormous potential for collaboration and a continuous knowledge exchange. Germany and its "Mittelstand" in many terms serve as a role model for India. Nonetheless, roles have been changing in recent years. Today, more and more German companies seek learning opportunities from India. However, new innovative approaches have to be found for a regular, systemized knowledge exchange to pave the way for enhanced collaboration.

In order to discover new cooperation paths and foster Indo-German exchange, the first Indo-German SME Forum was conducted on May 31st – June 1st 2013. It provided a platform for public authorities, cluster/industry associations and service providers from India and Germany to share knowledge on topics like "Role of Business Membership Organisation in SME Development", "Investment & Cooperation Opportunities for SMEs in India and Germany" among others. The first Indo-German SME Forum laid the foundation for a mutual partnership between German and Indian SME's. To foster this partnership, the second SME Forum is already planned for the 22nd-23rd September 2014 (see Announcement) and will focus on "Cluster Internationalisation". Furthermore, it is envisioned to develop an agreement at the government-to-

government level, form working groups and set up a professional secretariat. Many upcoming events, publications, workshops and exposure visits will all fall under the umbrella of this forum.

During the forum 39 one-to-one meetings were held on areas of mutual interest. To further foster a dialogue on specific areas for long-term cooperation with German chambers, associations and cluster organizations and to enhance the knowledge of Indian BMOs about the German BMO System and their services to SMEs, 10 selected representatives of Indian BMOs visited during a one-week programme various chambers of industry and commerce, research institutes and cluster management organisations.

Prior to the BMO exposure visit, GIZ supported the Foundation for MSME Clusters (FMC), United Nations Industrial Development Organisation (UNIDO), TCI Network and Confederation of Indian Industry (CII) organize a conference entitled "Changing Paradigm of Cluster Development – Learning from Global Experiences" which was held in New Delhi on the 20th-22nd February 2014. During the conference GIZ hosted a session on "Global Champion Clusters". Mr. Christoph Reiss-Schmidt of Clusterland Oberösterreich GmbH, Mrs. Simone Hagenauer of the Lower Austrian business agency and Mr. Neelabh Singh of the Copenhagen Cleantech Cluster told the audience success stories from their respective clusters. As part of the conference the dignitaries also visited the auto component cluster in Aurangabad, the food processing cluster in Pune and the electronics cluster in Bangalore. During the cluster visits, future cooperation opportunities were discussed with individual Indian cluster management organisations. These discussions were also part of the later BMO exposure visit where counter visits were paid to Clusterland and the Lower

Austrian business agency which represents the Food Processing Cluster in Austria. The relationship developed during the exposure visit will be deepened during the 2nd Indo-German SME Forum in September. Efforts will be made to develop concrete joint projects.

Side by side with these efforts, India has also been providing many knowledge exchange opportunities for German SMEs on new emerging approaches. In cooperation with CII-ITC, a Value Innovation framework has been developed that enables companies to innovatively create value across the value chain of their businesses in a manner that provides companies with distinct competitive advantages. Interest in this framework from German SMEs had led to the introduction of the concept to

German SMEs in March 2014. The framework has been tested in many countries such as South Africa, Zimbabwe, Israel and Nepal. Besides the workshop with enterprises, a pool of German trainers to provide workshops on the framework has been developed.

Discovering new ways of collaboration and allowing learning opportunities of new emerging approaches from both countries opens up many new advantages for SMEs. A regular exchange should be fostered which would result in an enhanced competitiveness of SMEs in both countries. It has been GIZ's constant effort to set the milestones to achieve this objective in the long-run.

For further questions, please contact Eileen Trenkmann ([Eileen.Trenkmann@giz.de](mailto:Eileen.Trenkmann@giz.de)).

## Debt Financing for Early Stage Enterprises

Have you ever heard about SELCO, Aravind Eyecare or Husk Power? If yes then you are most probably familiar with the concept of social enterprises. While there is no legal definition for social enterprises in India, they are commonly described as businesses that do strive for profit but also aim to generate positive social and environmental impact by creating innovative solutions in underserved markets, for low income populations and decreasing inequalities by contributing to economic empowerment.

Given this, it is estimated that there are around 7500 social enterprises all across India – many of them with a need of finance for fulfilling their working capital needs. While early-seed stage enterprises are more inclined towards raising equity or grants for fulfilling their needs, mature growth

stage enterprises are looking for debt to fund their day-to-day operations. According to a recent study conducted by Intellectap in cooperation with GIZ, it is estimated that the social enterprise sector needs INR 53 billion (approx. USD 880 million) as debt in the immediate future. Reasons for this gap are many: Social enterprises often lack collateral in terms of physical assets. Additionally, bankers often find it difficult to assess risks and their appraisal process often does not allow for flexibility. Hence, new approaches have to be found to close the gap between social enterprises and the banking sector. With the objective to close this gap, GIZ and SIDBI under the new Responsible Enterprise Financing Programme work with banks to provide finance to this new segment. A first round-table was organized in March in cooperation with Yes Bank and Intellegrow,



which sought to bring together financial institutions, investors, thought leaders and Development Finance Institutions to explore how financial and process innovations could look like and what capacities are needed in the banking sector. The results were compiled in a discussion paper and presented to a wider group of actors during the Sankalp Forum 2014 to define a concrete action plan of the industry. As a first step towards action, GIZ and Intellegrow hosted a matchmaking session during this year's Sankalp Forum, allowing enterprises to get connected to bankers (e.g. Small B Branches, NBFCs, etc.). The social enterprises that participated in the session had been pre-selected by GIZ and its partners according to the most promising business case and their readiness to receive debt financing. As a result

several conversations between social enterprises and bankers could be initiated. Additionally, based on the success of the session SIDBI has committed to start a focused activity to match banks with social enterprises. As part of this initiative, SIDBI is planning to set-up a social enterprise recognition award which will ensure venture debt financing from SIDBI. Discovering new ways of closing the gap between social enterprises and banks is opening up many opportunities for India to shape the way in becoming a hub for social and environmental innovations and at the same time tackling some of their most pressing challenges at the bottom of the pyramid.

For further information, please contact Stefanie Bauer ([Stefanie.Bauer@giz.de](mailto:Stefanie.Bauer@giz.de)).

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### **Advantages of Adaptation: New Approaches to Seize Opportunities**

It is no secret that India will face severe water problems in the coming decade. The reasons for this are manifold, with the changing climate and the extensive use of water being only two. Increasing temperatures will make water security even more difficult and costly in the future. Indian businesses, especially Micro, Small and Medium Enterprises (MSMEs), play an immense role in this predicament. Every year huge amounts of recoverable water go waste due to outdated technologies, used particularly by water-intensive industries like textile, chemical, etc. The time has come to dispense

with the "business-as-usual" attitude, especially given increasingly rigid government regulations and unpredictable weather events like droughts, floods, etc. Adapting to the "expected unexpected" will determine the future and survival of many businesses. However, adapting to climate change and its subsequent impacts has not yet reached the strategic planning stage for many MSMEs. Struggling for daily survival with stiff competition is dominating the business reality for numerous MSMEs. It is hence important to bring the topic of climate change adaptation closer to the MSMEs' reality by introducing



new emerging approaches which demonstrate the advantages of adapting to a changing climate. In order to demonstrate the monetary value MSMEs can gain from adapting to Climate Change, GIZ India together with GIZ headquarters' sector project on innovative approaches to private sector development has commissioned the development of economic quantification and assessment tools, namely a Cost-Benefit Analysis (CBA) and a Cost-Effectiveness Analysis (CEA). The purpose of such instruments is to prioritise formerly identified adaptation measures by assessing their possible costs and benefits, using economic criteria or criteria that can be included in economic analyses. The quantification steps thus complement the already available tools and material for developing an adaptation strategy which can be accessed on [www.climate-expert.in](http://www.climate-expert.in). The tools were tested in two companies from the chemical and dye sector. In the course of the assessment, it became evident that the latter could gain enormous competitive advantages by introducing new machinery which would significantly reduce the current water use of 600.000 litre water every day. Introducing this measure doesn't just help the company adapt to the predicted water scarcity – partly caused by climate change – but also guarantees a return of investment within five years.

Besides new methodologies, also new ways have to be found to establish a self-sustained service provider market that offers climate change

adaptation services to MSMEs. In order to support the development of such a market that sees a business case in offering CCA services for MSMEs, GIZ India organised a competition for those service providers trained on the topic to submit proposals with innovative business model ideas to conduct innovative activities. The best model would then be subsidised by 12 Lakh Rupees by GIZ. The winner was decided on a number of key criteria such as best business model on how to conduct innovative activities, allocation of additional 12 Lakh Rupees from other sources, biggest impact and previous activities in the area of CCA among others. The proposal submitted by Gujarat Institute of Competitiveness was declared winner for its best and most promising business model. Their proposal held plans to conduct a series of trainings for MSMEs, Service Providers and academic institutes across India in the upcoming month. They will further partner with the National Skill Development Corporation to offer government certified green technology courses to students and professionals, thereby leveraging additional 12 lakh Rupees. This way a sustainable development of a market for climate change adaptation services for MSMEs is ensured which, in the long run, will increase awareness amongst MSMEs for the need to adapt to climate change and ensure business continuity.

For further questions, please contact Eileen Trenkmann ([Eileen.Trenkmann@giz.de](mailto:Eileen.Trenkmann@giz.de)).

## CLIMATECH – CONCLAVE & DISPLAY

**Ahmedabad:** 28Th June 2014

**Chennai:** 25Th July 2014

**Mumbai:** 19Th September 2014

**Ludhiana:** 22Nd November 2014

**CLIMATECH** – The conclave and display is an idea to gather SMEs, Technology providers, Consultants, Educational Institutes, Students & Climate Change Communication Centers on a common platform to discuss solutions, display new technologies and ideas on how to adapt to the climate change that is bound to happen. Global Warming has been of utmost concern to every nation. SMEs are among the most effected by climate change and its impacts as unexpected weather events can drastically effect their processes. Adapting to the consequences of climate change is of utmost importance for SMEs

to ensure business survival and seize new business opportunities emerging from Climate Change.

**CLIMATECH CONCLAVE** will be held at the venue from 3pm to 6pm for SMEs and visitors. SMEs will learn about new methods on how to adapt to a changing climate.

**CLIMATECH DISPLAY** will be open for a day where participants will display tools, solutions and technologies for fighting Climate Change effects.

SME, Service Providers, Consultants, etc. interested in the conclave can find further information at: [www.gic.net.in/clima-tech-event](http://www.gic.net.in/clima-tech-event)

Organisations interested in sponsoring or participating in the event can directly contact: Jagat Shah ([Jagat@globaljagat.com](mailto:Jagat@globaljagat.com))

## Fostering an Innovation Eco-System: Experimenting with Different Approaches to Enhance Collaboration

The ways in which to build a successful innovation eco-system have been hotly debated in the past years by various leading researchers. Although there are many eco-systems that successfully foster innovation, Silicon Valley is often cited as the most unique. However, experts agree that building another Silicon Valley is simply not possible since underlying conditions in every country vary. Nevertheless, experts who have been trying to understand the reason for Silicon Valley's success, believe that it is the unique interplay between various actors - consisting of academic and research institutes, service providers and enterprises - that makes Silicon Valley one of the best examples for a successful innovation eco-system.

Indian entrepreneurs are renowned for being creative with scant resources. However, the Indian eco-system is currently characterized by highly fragmented efforts and low levels of collaboration between SMEs, research, technology and academic institutions and the respective service providers. Although Indian enterprises are often organized into clusters, these clusters typically consist of homogenous enterprises with no inter-linkages to existing academic institutes or bigger Original Equipment Manufacturers (OEMs). They have generally been established for advocacy purposes, or to access public sector funds earmarked to support collective action.

The Indian Government acknowledges the importance of clusters for innovation eco-system development and is therefore partnering with GIZ to implement a joint bilateral project on "Innovation Promotion in MSMEs", which will start in October 2014. Three pilot clusters have been chosen for the implementation of the project - Aurangabad Automobile Cluster, the Electronic System Design and Manufacturing

Cluster in Bangalore and the Pune Food Processing Cluster. The first order of business was to initiate an innovation mapping in all three clusters which seeks the development of joint projects among the various stakeholders in the cluster. To foster the development of an innovation eco-system a slightly different approach has been chosen. 100 companies in the Food Processing Cluster in Pune and the Electronics Cluster in Bangalore were interviewed in order to understand common problems faced by those enterprises and at the same time academic institutes who could tackle these issues were pinpointed. In the Automobile Cluster in Aurangabad, academic institutes were trained in a two-day workshop on how to identify and tackle issues related to the development of the innovative capacity of MSMEs in order to establish mechanisms of cooperation. Based on the findings, the companies in all three clusters were bundled into groups with similar problems. Institutes that expressed willingness and capability to solve the identified problems were then assigned to the groups. At the same time discussions with bigger OEMs were initiated and the ways in which they could take part in the respective projects was outlined. The projects created from the discussion and the clustering of companies, academic institutes and bigger OEMs will be implemented in the new "Innovation Promotion Programme in MSMEs" in the coming month.

By bringing together the various stakeholders to work on common problems it is not only envisioned to set up common innovation projects but also to foster mechanisms of constant collaboration so as to develop an eco-system which enables regular innovation.

For further questions, please contact  
Eileen Trenkmann ([Eileen.Trenkmann@giz.de](mailto:Eileen.Trenkmann@giz.de)).





## 3 Interview with Kunal Upadhyay



**Kunal Upadhyay**  
Chief Executive  
Centre for Innovation Incubation and Entrepreneurship

**Over the past years, India has been fast emerging as an innovation hub due to the strong entrepreneurial spirit of the country. What opportunities does India present to its innovators?**

India presents a wide variety of challenges and thus opportunities. Firstly, India has a large and growing population – with improving development indicators, most importantly consumer spending. The Indian lower-middle class and middle class are fast increasing and so are their aspirations – which together provide an enormous opportunity for innovators and entrepreneurs. The proverbial “bottom of the pyramid” continues to be large as well. Development sectors like healthcare, education, livelihood, skill development, energy, water and sanitation are areas requiring maximum innovation at this critical juncture of the growth of the country and entrepreneurs are well poised to make the best of this opportunity. Just like the Indian consumer, Indian industry has also crossed the inflection point and now actively embracing modern information technology and clean-technologies to make their processes more efficient. For an Indian entrepreneur, there is no dearth of problems to be solved.

**Could you shed some light on the key barriers to entrepreneurship support ecosystem in India?**

While India, like most developing countries, presents huge opportunities the scaling of these solutions is not easy and obvious. The two largest barriers faced by the Indian entrepreneur – especially those solving developmental problems – are capital and diversity. Being a large and multi-ethnic country, needs of every region of the country are different. A solution that may work in north may be completely irrelevant down south. This diversity makes the need for creating local solutions critical. The entrepreneurs need to balance “standardization” and “localization” delicately while addressing some of these problems. Early stage capital continues to be a missing link, especially in the social sector. More importantly, the usual equity-investment approach may not be the most feasible instrument for catalyzing social innovations. Unlike the technology and technology-enabled sectors, social sector ventures are likely to scale much more slowly and may therefore be able to offer returns which may be comparable to the traditional “debt investments” rather than super-normal tech-equity investments. It is important that new classes of investment instruments are designed to meet the needs of India’s growing social entrepreneurs.



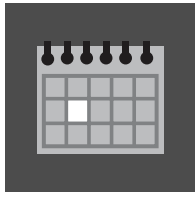
### 3

Interview  
with Kunal  
Upadhyay

**The start-up space is changing rapidly in India. There has been a lot of innovation in business models happening over the past 5 years. What are differences in business models now as compared to earlier? What are emerging trends?**

Indian needs can best be met through optimal blending of technology and business models. Enabled by technology, new business models have emerged many of which are peculiar to India and Indian needs. Areas like bus-ticketing or models like cash-on-delivery are peculiar and overcome the existing systemic or mind-set challenges of Indian consumer well. On the other hand, interesting business models like mini-grids are emerging fast to overcome the “capital-investment challenge” of rural Indian consumers. Increased penetration of mobile phones and internet has made Indian consumer more aware and savvy in general – willing to experiment with newer solutions being offered by entrepreneurs.





# 4 Events

## BMO Accreditation

Business Membership Organisations (BMOs) serve as a critical link between entrepreneurs and the government. They also play a key role as service providers for their member MSMEs, hence supporting the overall MSME development. However, the Indian landscape is scattered in terms of individual capacity and outreach of these BMOs, making it difficult to engage and involve them in a transparent manner. To tackle this challenge, GIZ, the National Accreditation Board for Education and Training (NABET) and the Quality Council of India (QCI) have joined hands under the MSME Umbrella Programme to develop an accreditation mechanism for Business Member Organizations in line with international guidelines. In the process of developing the accreditation system, several rounds of consultations were held with different stakeholders such as BMOs, MSME service providers and government departments among others. Based on the findings an accreditation standard & assessment methodology was developed, taking into consideration various factors while assessing BMOs.

In order to effectively roll out the accreditation system, various stakeholders felt the need for

trained professionals to conduct the accreditation. Against this background, GIZ together with QCI organized a two-day training programme to create a pool of 'potential assessors' on the 17th and 18th February 2014 in New Delhi. As part of the training programme, 31 assessors were introduced to BMO accreditation standards, various methodologies as well as qualitative assessment and reporting techniques. Thomas Laemmer-Gamp, Director European Secretariat for Cluster Analysis, VDI/VDE Innovation + Technik GmbH, and Christoph Matthias Reiss-Schmidt, Clusterland and member of the European Cluster Collaboration Platform, both involved with the European Cluster Excellence initiative, were part of the training faculty. They brought a combination of learning and experience on issues related to the labeling and accreditation of BMOs from Europe. The training was well received by the trainees. The accreditation system is set to roll out in the coming month.

For further information, please contact Shankar Kumar ([Shankar.Kumar@giz.de](mailto:Shankar.Kumar@giz.de)).

## Financing Energy Efficient Technology for MSMEs – Opportunities and Challenges

Energy efficiency and therefore energy efficiency finance has been put high on the political agenda. Although there have been a number of activities in this domain, MSMEs still face challenges in understanding the importance of the topic and are taking limited action in response to proposals by the numerous energy audits, awareness campaigns and capacity buildings conducted. A first round of stakeholder consultations suggests that the presentation of best-practices by MSMEs will convince other entrepreneurs who have already been

exposed to energy efficiency awareness campaigns. It has been observed that MSMEs often lack trust and hence should be the first one to start such a project.

Against this background, GIZ and the Ministry of Micro Small and Medium Enterprises jointly held a workshop on Financing Energy Efficient Technology for MSME – Opportunities and Challenges, in New Delhi on 3rd March 2014. Madhav Lal, Secretary, Ministry of MSME delivered an insightful keynote address. The goal of the workshop was to address

## 4 Events

MSMEs by showcasing best practices already undertaken in the MSME sector. The workshop also aimed to provide

- a networking platform for relevant stakeholders such as MSMEs, bankers, Chartered Accountants, Energy Auditors and Consultants and
- information on relevant subsidies, loan schemes and trainings.

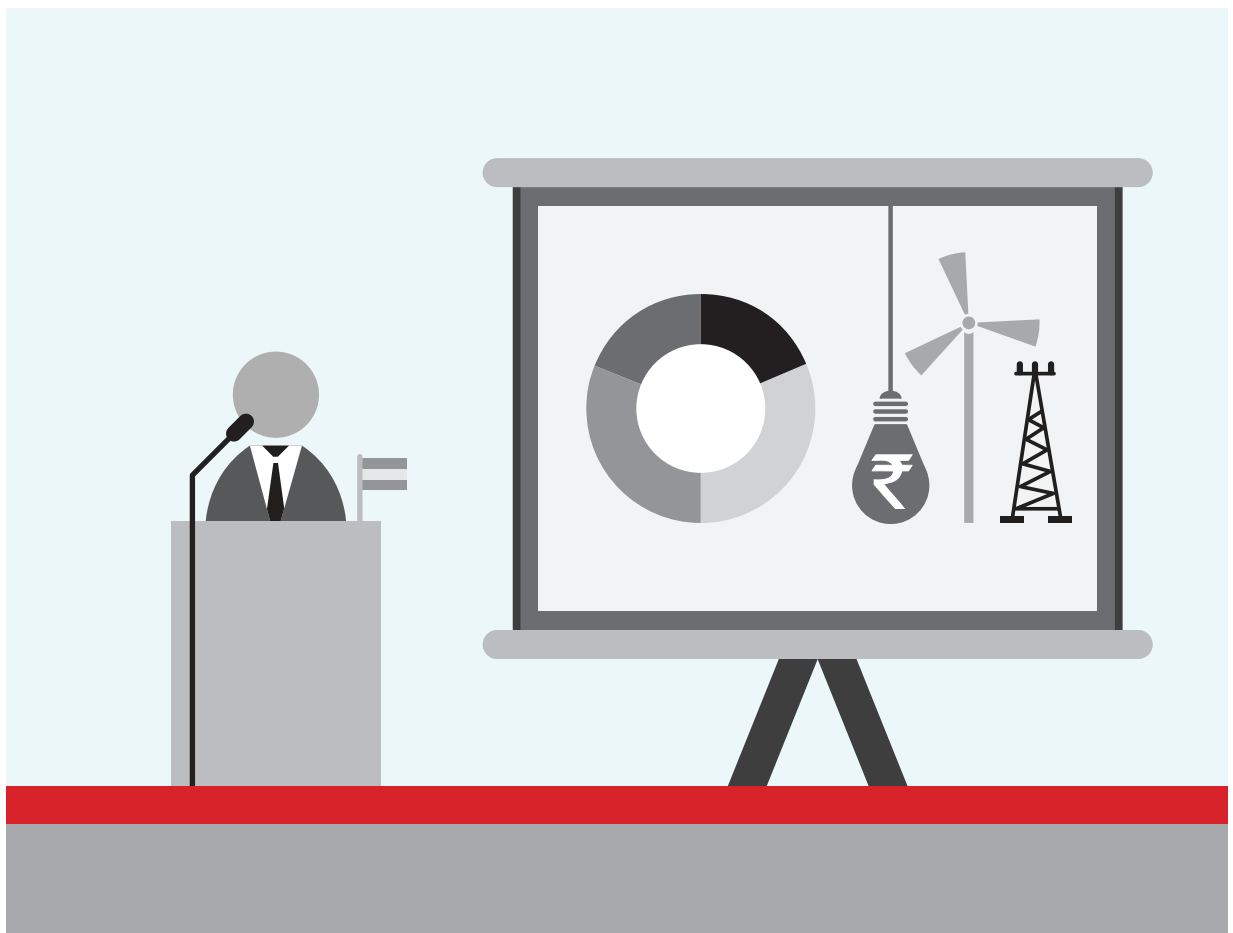
The Ministry of MSME presented details of the Technology and Quality Upgradation Support to MSME (TEQUP). Though the key support provided by the scheme was underlined, the emphasis was on the objective of the scheme - sensitizing Indian MSMEs to upgrade their manufacturing processes to include energy efficient technologies so as to reduce the cost of production and the emission of Green House Gases.

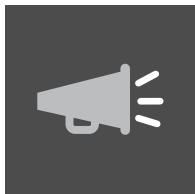
In the course of the event, it was also demonstrated that Energy Efficiency Projects are an effective business model for MSMEs as well as for banks. Further, the role of bankers and Chartered Accounts in paving the way for a more energy efficient MSME sector was recognized. Efforts by the Ministry of MSME to create benchmarking documents for interventions related to awareness-raising for

MSMEs, energy audit preparation and capacity building of bankers was well received.

During the event, participants agreed that there is a need for increased collaboration and coordination of interventions in the field of energy efficiency for MSMEs. In order to address this need, GIZ and SIDBI jointly organized a workshop on "Financing Energy Efficient Technology for SMEs - Knowledge Dissemination and Matchmaking" which was held at Hotel Mayfair Lagoon, Bhubaneswar on 9th May 2014. The goal of this matchmaking session was to allow MSMEs to showcase best practices from their respective cluster and to interact in industry specific working groups consisting of SMEs, Chartered Accounts and bankers to explore opportunities of joint energy efficiency projects in their units. In the course of the event it was demonstrated that Energy Efficiency Projects are an effective business proposition for all stakeholders as they directly impact SMEs in terms of profitability. Further, energy efficiency projects help banks to mitigate their portfolio risk and seize new business opportunities.

For further information please contact:  
Anja Shivhare ([Anja.Shivhare1@giz.de](mailto:Anja.Shivhare1@giz.de)).





# 5 Announcement: 2nd Indo-German SME Forum

## Save the Date:

2nd Indo-German SME Forum Planned  
on the 22nd-23rd September 2014

The Indian private sector, particularly industrial small and medium enterprises (SMEs), is the key driver of economic activity and plays an important role in the growth story of the country. Germany and its "Mittelstand" in many terms serve as a role model for India. Over the last years, Indo-German economic relations have evolved into a strong strategic partnership with benefits for both countries. The scope of Indo-German SME cooperation is immense. In order to intensify this cooperation and provide a platform to foster linkages between public authorities, cluster/industry associations and other service providers from India and Germany, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) jointly with the Office of DC MSME, the Ministry of MSME, SIDBI, the Indo-German Chamber of Commerce and Sequa organized the first Indo-German SME Forum in 2013. The Forum laid the foundation for a mutual partnership between German and Indian SME and was the first step in the journey of creating a regular institutional

mechanism / platform for linkages and networks amongst SME support institutions including policy makers. To continue this dialogue and to foster the development of an institutional mechanism the second Indo-German SME Forum is planned for the end of September 2014 (22nd-23rd September 2014) and will revolve around the theme of "cluster internationalization". It is envisioned to develop an agreement at the Government-to-Government level, form working groups at sectoral / thematic level - involving stakeholders from India and Germany - and set up a professional secretariat in due course. Many upcoming future research, publications, conferences, workshops and exposure visits will be under the umbrella of this forum.

Organisations interested in becoming a partner of the event and to institutionalize the forum in the long-run, can contact Eileen Trenkmann ([Eileen.Trenkmann@giz.de](mailto:Eileen.Trenkmann@giz.de)).





# 6 Launch

## Responsible Business India Portal

Within the scope of India's efforts to foster the private sector and promote its integration into the global economy, while also playing a pivotal role in long-term equitable and accelerated growth, responsible business behaviour assumes considerable significance. The 12th Five-Year Plan which envisions "faster, sustainable and more inclusive growth" underlines these efforts. In this context, it has become increasingly relevant to expand the understanding of Responsible Business to include social, environmental and stakeholder aspects and address it as integral to business functioning.

Businesses do not work in isolation. They are embedded in an eco-system of various stakeholders, including employees, suppliers, collaborators/ investors, local communities, and customers. These players are affected by social, environmental and economic impacts of those enterprises and in turn affect the businesses ability to meet its objectives. Balancing the interests of these stakeholders and operating in an economically, socially and environmentally manner is the key task of an enterprise and defines its attitude towards business responsibility. To enhance the ability of enterprises to function responsibly, Ministry of Corporate Affairs released the National Voluntary Guidelines on Social, Environmental & Economic Responsibilities

of Business in July, 2011. These guidelines lay down the basic principles for businesses to act responsibly urging them to embrace the "triple bottom line" approach, thereby ensuring a wholesome and inclusive process of economic growth.

To encourage businesses in India to adopt these principles, enable them with right information and tools and contribute towards building an environment that is congruent to Responsible Business Practices, GIZ in cooperation with the Indian Institute of Corporate Affairs has set up the ResponsibleBusinessIndia.com portal. The portal will:

- Build a community of thought leaders / experts / practitioners to share perspectives / ideas etc.
- Share knowledge and expertise (studies, papers, articles, news etc.)
- Build capacities by making tools and advisory services available
- Offer insights on innovative ideas and other thrust areas (e.g. MSMEs, financial community etc.)
- Ensure outreach through discussion forums, events, conferences, policy dialogues etc.

The portal serves as a knowledge base featuring various tools, articles & news, events, publications, etc. on the topic. For regular updates please visit [www.responsiblebusinessindia.com](http://www.responsiblebusinessindia.com)

## Launch of Startup Wave: Democratizing Incubation!

Over the past years, India has seen a growth of innovative start-ups, especially those that aim to address some of India's biggest challenges by providing basic services to the poor, for instance. While there are more and more entrepreneurs with great ideas, the start-up support system is still at a nascent stage. India needs more service providers

and incubators who help innovators to turn great ideas into viable business models.

It is against this background that StartUp Wave was set-up - a virtual incubation platform that has been built as an infrastructure for the Indian start-up incubation eco-system. Conceptualized by Intellectap

## 6 Launch

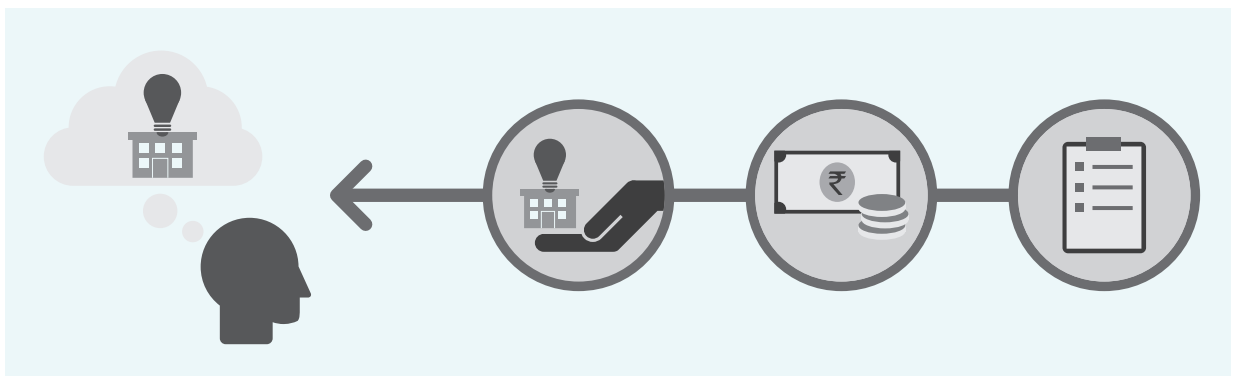
in partnership with Government of UK's Department for International Development in India and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Ministry of Economic Cooperation and Development (BMZ), this collaborative platform aims to "democratize incubation". It is a one-stop service that provides a blend of virtual and in-person support to take start-up enterprises from idea to investment stage. StartUp Wave has been designed in consultation with incubators, corporates, investors and start-ups – the very players who will use it. Among the content partners are Villgro and 10.000 Start-ups. The formal launch happened at this year's Sankalp Forum in April 2014. Since then, 67 entrepreneurs are enrolled in the pre-incubation programme, which provides entrepreneurs with feedback on their business model.

StartUp Wave addresses the current gap in the eco-system for early stage ventures, especially those which are not located in metropolitan cities like Delhi, Mumbai, Bangalore or Chennai and that provide solutions in underserved markets in India. StartUp Wave will complement physical incubation support; online support can be used where self-

learning is possible. 23 incubators have already partnered with StartUp Wave, including TREC-STEP, RTBI, UnLtd Hyderabad, ATMA, GSF and Startup Oasis.

StartUp Wave contributes to the Indian start-up and social enterprise eco-system by providing a new delivery channel for services that are targeted at enterprises at different stages. It presents incubators and service providers the opportunity to identify parts of their workflow that require less physical handholding and offer them cost-effective solutions in an online format, thereby reaching a larger amount of entrepreneurs. This gives space and resources for physical support where more face to face interaction and "high touch" is required – e.g. mentoring support. When the pipeline for enterprises to be incubated improves, more investable enterprises will be the result. Over time, StartUp Wave can evolve into a knowledge repository for incubators to share tools and best practices of successful incubation. It could be used beyond India, as a platform for social enterprises and start-ups from African countries, for instance.

For further information refer to [www.startupwave.co](http://www.startupwave.co)



### ➔ **New Industry Tool PRISM provides Indian Impact Investing Industry with more Transparency**

In our effort to increase market transparency and accountability in the Indian impact investing industry and help the market develop and attract more capital, GIZ has partnered with IFC and Intellectap to create a new impact fund performance measurement framework that has been tested by pioneer funds Unitus, Omvino Partners, Intellectap and Aavishkaar.

PRISM (Portfolio Risk, Impact, and Sustainability Measurement) looks at a fund's performance in a

holistic, contextual and locally relevant manner. As more and more funds include the creation of social, economic and environmental impacts in their core philosophy and seek to drive financial returns without compromising developmental returns, a holistic performance measurement becomes important. PRISM addresses this need and captures several dimensions of impact such as the fund manager's contribution and inputs to the success of the portfolio companies, investee firms' outputs and the

## 6 Launch

local investment context. What makes PRISM distinct from other global frameworks is that it includes locally relevant metrics; to capture changes on the ground, it deploys robust, high quality geography based business intelligence. PRISM was launched at this year's Sankalp Forum in April 2014 in Mumbai

and was well received by the industry. More funds are currently testing the tool. The vision is to make this tool usable in other geographies, helping other impact investing markets grow.

More information <http://www.prismforimpact.com/>

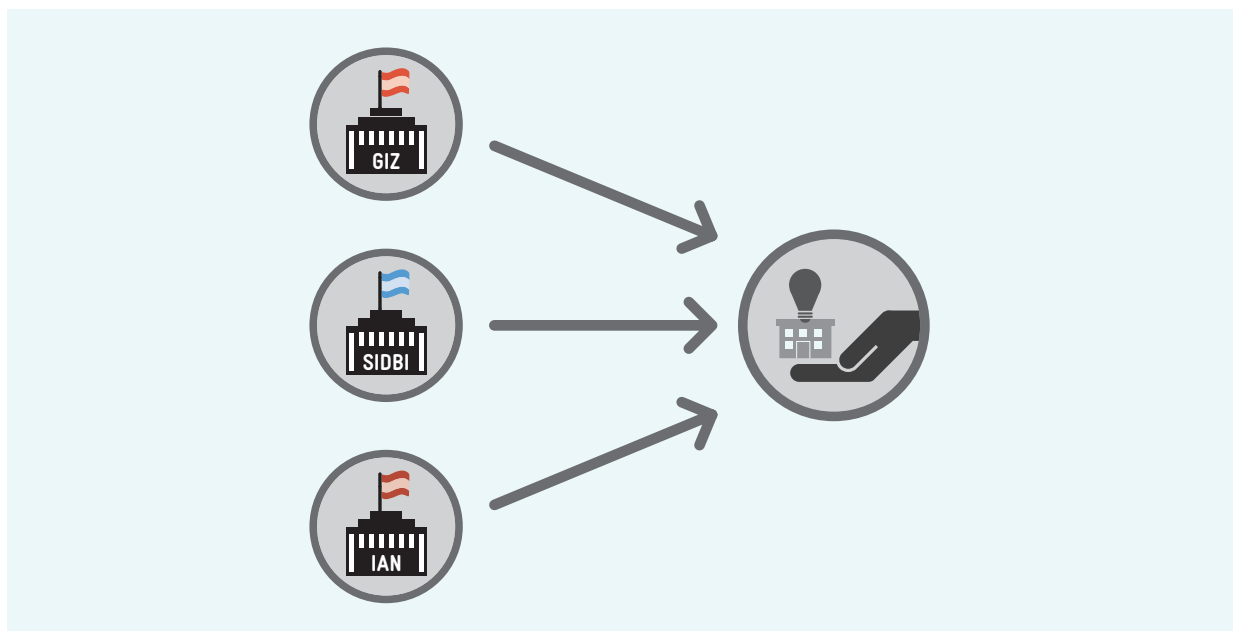
### **GIZ partners with Indian Angel Network and SIDBI to Launch Incubation Programme**

With an immense growth rate of new start-ups, India is also in urgent need of new incubators. In order to fill this gap, more and more angel investors are also providing incubation support to start-ups to make them investment-ready.

Against this background GIZ, Small Industries Development Bank of India (SIDBI) and Indian Angel Network (IAN), India's first and Asia's largest network of angel investors investing in start-ups and early stage ventures, have come together to launch an incubation program. This initiative is in alignment with the current focus of the Indian government to create more entrepreneurs and seed start-ups. The programme seeks to empower entrepreneurs to build sustainable and scalable businesses in the social impact space, by incubating and nurturing over a 100 social enterprises serving the base of the economic pyramid. The focus of this incubation programme is to help create and breed sustainable enterprises which will create a positive impact on the lives of our citizens and also create wealth for

promoters and returns for investors. Mohit Goyal, co-founder, Indian Angel Network said, "In a country of the size and scale of India, socially relevant start-ups which can make difference to the society, are of great importance. Often we see passionate impact-inclined entrepreneurs create local centres of excellence, but they do not have the experience and vision to scale those ventures nationally. IAN's intention is to create a significant difference in creating social impact by helping and guiding passionate entrepreneurs scale up their ventures so that the good work done in pockets is extended over a larger population and geography. IAN is delighted to partner with GIZ and SIDBI."

Read more about the initiative here: [http://www.business-standard.com/article/markets/ian-partners-with-giz-sidbi-to-launch-incubation-programme-for-social-enterprises-114060400971\\_1.html](http://www.business-standard.com/article/markets/ian-partners-with-giz-sidbi-to-launch-incubation-programme-for-social-enterprises-114060400971_1.html) and here: <http://www.thehindubusinessline.com/companies/indian-angel-network-launches-incubation-programme-for-social-enterprises/article6082040.ece>





# 7 Studies

## Invest. Catalyze. Mainstream: The Indian Impact Investing Story

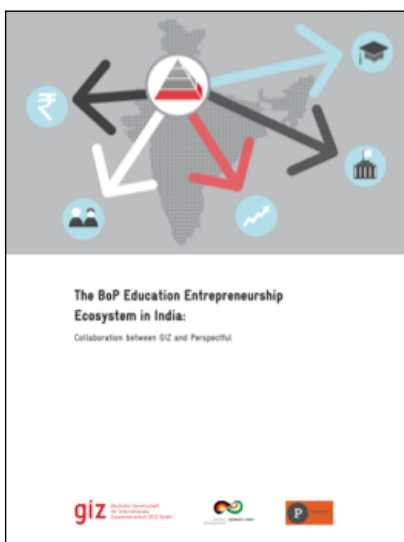
While efforts are undertaken by investors, donors, Development Finance Institutions, foundations and others to make the Indian impact investing industry grow, there is little consolidated information available on the Indian market and its development over the last years as well as forward-looking trends. To address this gap and create a baseline for its new Responsible Enterprise Finance Project but also provide information to the industry as a whole, GIZ has partnered with Intellectap to create the first of its kind Impact Investing Report for India. India is globally seen as the largest market for impact investments, yet there is little transparency on the market. India's unique eco-system with investors, service providers, and enterprise enablers is seen as best practice for other countries and regions, and there is an interest to replicate the Indian model in other geographies. This report

provides a view on the development of the impact-investing industry and its eco-system. It also draws out some of the main influences around the sector's emergence and characteristics, the approaches as well as key areas of focus for the future growth of the sector.

The analysis of impact investment trends from the year 2000 shows that USD 1.6 billion of capital has been invested in 220+ impact enterprises across India. It also reveals that around 60% of total impact investments have been made in just 15 enterprises, and that healthcare, agri-business and clean energy are the leading sectors outside of financial inclusion, attracting investments of USD \$ 341 million.

You can find the report [here](#).

## The BoP Education Entrepreneurship Ecosystem in India



One of India's biggest challenges is an education that gives a better future to its fast growing population. Various sources suggest that education needs to be provided by public actors (ensuring access and quality for all) as well as private actors (ensuring constant innovation). Given the rapid growth of the private education sector in India, the study concentrates on private entrepreneurs attempting to improve the quality of education provided to the Bottom of the Pyramid (BoP) by delivering innovative solutions. Furthermore, it showcases examples on what they are doing, what is working and what challenges they face at the BoP in India. The ultimate aim is to improve children's learning outcomes and scale up despite the challenge of their customers having limited



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purchasing power. While conducting the study three main insights were gained:

- **Networks:** There is an evident lack of well-organized collaborative networks available to enable education enterprises to access new customers and capital.
- **Impact:** It has proven to be difficult for entrepreneurs and investors to measure the impact of their products and services. However, in order for large bodies like the government to adopt emerging solutions coming from the education sector enterprises, proof of impact will be absolutely necessary.

- **Perspective:** BoP customers often judge the quality of an education through tangible characteristics that do not necessarily improve learning – such as uniforms, painted classrooms, etc. This asks for new innovative approaches and marketing strategies employed by early stage education companies.

By uncovering these challenges and providing solutions that have proven successful, we hope to enable entrepreneurs with a toolkit towards sustained success while supporting investors with a framework for viable business models.

