



## Contents

- 1 From the Director's Desk
- 2 The Changing Role of Cooperation: From Development Assistance to International Cooperation
- 3 Cooperation Matters: India Backbone Implementation Network
- 4 Interview with Arun Maira
- 5 Unlocking Value for Start-up Incubation through Corporate Engagement
- 6 Building tomorrows Responsible Business Leaders: Cooperation with Business Schools
- 7 A Think Tank Alliance for High Quality Growth
- 8 Enhanced Awareness and Improved Collaboration Essential for Effective Implementation of MSE Public Procurement Policy 2012
- 9 Energy Efficiency: Need for Coordination and Collaboration
- 10 Events
- 11 Announcement
- 12 Studies

# 1

## From the Director's Desk



First and foremost, I wish all our partners a Happy New Year. A year of outstanding work within the MSME Umbrella Programme to the development of the Indian private sector has been completed. Together with our partners, the Ministry of Micro, Small and Medium Enterprises (MoMSME) and the Small Industries Development Bank of India (SIDBI), GIZ has initiated many activities in the past year that seek to foster cooperation among various stakeholders. It is their dedication that has made the MSME Umbrella Programme a unique initiative of the Indo-German Development Cooperation.

Indeed cooperation has become the most important keyword in our work. It is our constant goal to bring together a large set of varied actors, embrace their diversity and strengthen their capacity to work with each other. New modes of partnership have established in the last years – built on mutual respect and accountability.

Having said that "Cooperation Matters", we would like to use this edition to shed light on some of our activities that seek to foster cooperation. Some of the activities in that direction, about which you will read in this newsletter, include the formation of the "India Backbone Implementation Network" which seeks to convert "contention to collaboration", "confusion to coordination" & "intentions to implementation" by fostering stakeholder alignment. As you read further, you will get an overview of GIZ efforts to unlock the value of the recently introduced company's bill and corporates' CSR-funds by bringing together various stakeholders to create

## 1 From the Director's Desk

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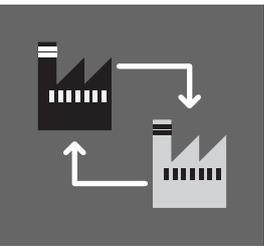
a meaningful debate around this issue. We would also like to take the opportunity to describe the importance of GIZ transformation from Development Cooperation to International Cooperation in this edition. We hope the newsletter enables you to gain a better understanding of our efforts to promote cooperation and collaboration, and encourages you to engage with us!

I would also like to take this opportunity to say goodbye to you. My journey in India is coming to an end. It has been six years of outstanding work with diverse settings and with exceptional people. I would like to thank all the partners, colleagues and friends I had the opportunity to work and interact with in the last years and hope I will see you again in one or the other context!

Happy Reading and Goodbye!

**Manfred Haebig**  
Director Private Sector Development  
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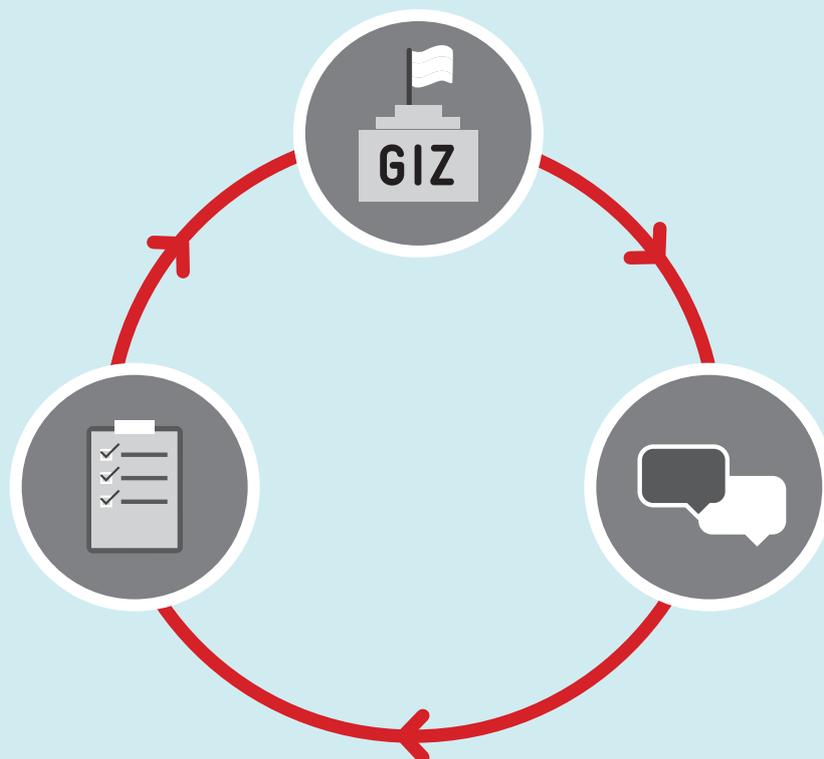
## 2 The Changing Role of Cooperation: From Development Assistance to International Cooperation



The development sector has always been surrounded by myths. Although the role of development organisations has changed drastically in recent years, one misconception that has lingered on is that development cooperation is synonymous with giving aid through grants. Jumping on that bandwagon, we would like to start our deliberations with the provoking question whether organisations with the largest budget also have the biggest impact? It has been one of the criticisms that development agencies seek to push economic activity by closing the financing gap, however, unable to measure the impact. At the same time, critics haven't got tired to highlight that traditional modes of providing aid were inefficient and some even speak of "Dead Aid" (Moyo 2010).

However, as a reaction to the criticism development agencies in recent years have shifted their approaches. With emerging economies like India now

becoming donor countries themselves, the traditional role of development agencies has transformed and new modes of collaboration have emerged. The development sector today is increasingly operating in a multifaceted ecosystem, combining market and charitable elements, various stakeholders as well as new modes of finance. Today, development agencies provide more than funding, but facilitate cooperation and dialogue among different players and stakeholder groups to achieve the desired change. They implement pilot projects on ground and provide capacity building support to relevant stakeholders to ensure ownership, anchorage, sustainability and scaling up of joint efforts. In addition, they are establishing mechanism of policy dialogue and support partners with independent evaluation and assessment systems. In this changed scenario, advising on processes often becomes more important than providing technical expertise.



## 2 The Changing Role of Cooperation

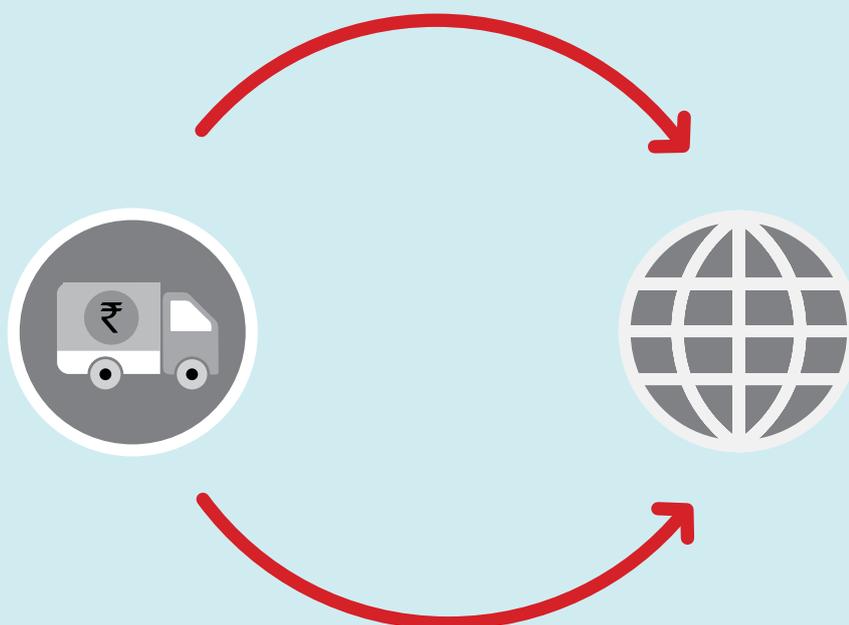
As a federal enterprise, GIZ supports the German Government in achieving its objectives in the field of international cooperation for sustainable development. In the changing scenario, GIZ is increasingly implementing projects for other actors as well, including other German ministries but also governments in partner countries. In India, GIZ is working in areas in which demand is high and in which Germany is particularly strong. As an emerging trend, GIZ is advising Indian federal states in the field of vocational training based on the German model. More than ever, establishing collaboration between Indian and German stakeholders has become a key pillar of our work.

One example of establishing an institutionalized dialogue in the field of MSME Development is the Indo-German SME-Forum that was organized for the first time jointly with the Indo-German Chamber of Commerce in May 2013 with the objective to provide a platform to foster linkages between public authorities, cluster and industry associations as well as other service providers from India and Germany. The next Forum is already planned for fall 2014. To deepen the exchange with Germany, an exposure visit to Germany for selected associations is planned to take place in March. This would not only help to institutionalize the Indo-German SME Forum but will also support further dialogue on specific areas for

long-term cooperation with various German actors. GIZ's MSME Umbrella Programme has been recognized by partners and stakeholders as a neutral facilitator for enabling dialogue and the development of common action plans. To fulfill that role, the programme is further organizing multi-stakeholder round tables which seek to foster dialogue between varied stakeholders to identify areas of cooperation; hence bridging the gap in the service environment for MSMEs. In the previous year, many such events were held, addressing for example the eco-system challenges for social enterprises and impact investing or defining gaps in the current innovation system.

Having recognized that cooperation is the key to creating an environment that enables transition and change, many more such activities are planned for the next year. However, it is important that the fundament for any cooperation is mutual respect and accountability. An honest and open dialogue needs to be fostered amongst and with GIZ's partners. In order to enhance the impact of our work the various stakeholders integrated in the process are encouraged to take ownership to guarantee long-term sustainability.

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# 3 Cooperation Matters: India Backbone Implementation Network



Of late India has witnessed a stronger demand for decentralization and the centre has responded duly. That policies need to be context based and cannot merely be replicated across states has been understood, compounded by the widespread demand for participative democracy. This development is reflected in the approach of India's 12th five year plan where central schemes allow for some degree of fiscal flexibility to achieve overall objectives. However, the development also poses a challenge embedded in the lack of capacity of local bodies to effectively perform their new roles. The solution then is to assist them build capabilities they will require for executing their new tasks. One such endeavour to instill these capabilities which was conceived during the drafting of the 12th Five Year Plan is the India Backbone Implementation Network (IbIn). IbIn seeks to proactively strengthen capabilities of local rural and urban governance organizations in order to support better implementation of plans and projects.

Time and again it has been established that poor implementation of plans and policies is what has kept India in the existing paralysis. IbIn understands that the reason for poor implementation of plans and projects in India is contention amongst stakeholders, and poor coordination amongst agencies. These bottlenecks are at many levels in the system - at the Centre, in the States, and in districts and cities too. Hence, IbIn is mandated with the primary objective of promoting widespread capabilities in the country to systematically convert the manifest confusion to coordination, and rampant contention

to collaboration, so that intentions can be converted into implementation. IbIn is an unusual idea for an institutionalized movement and GIZ has believed in its novelty right from the start. As one of the founding partners of IbIn, GIZ is supporting IbIn to build capacities of actors by rolling out a training on its management method Capacity WORKS to select individuals/organizations thereby equipping them with the necessary skill-set on stakeholder identification, mapping and engagement among others.

On a more thematic cooperation, GIZ is partnering with IbIn to promote consensus amongst key stakeholders in the field of industrial relations in India. To trigger and support collaborative change projects on the ground, IBIN has started to engage with trade unions and industry bodies and members. Building on individual consultations, IBIN is now at the fore, hosting a continuous "Dialogue on improving Industrial Relations for growth and competitiveness in the manufacturing sector". The pilot coordinated by IBIN, and facilitated by GIZ, has achieved significant milestones in its phase I, where CII as one of the key employer's federation has taken on the role of coordinating its industry members. The pilot is now in its successful transition to phase II.

You can read all about the exciting movement and be a part of it at: <http://ibinmovement.in/>

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# 4

## Interview with Arun Maira



**Arun Maira**  
Member of Planning Commission

### Why does Cooperation Matter?

**The 12th Five Year Plan brings 'More Sustainable and Inclusive Growth' to the center of policy making and calls for extending efforts in promoting the MSME sector in India, especially in fields such as innovation, sustainable production and energy efficiency. One of India's biggest challenges is the implementation of policies and reforms. While reforms and policies are state of the art and often very progressive, their implementation on ground is far from it. What is the main reason for this paradox and how can we overcome it?**

The Planning Commission, while preparing the 12th Five Year Plan, looked into the root causes of why the country's plans never fully achieve what they intend to. It was found that contention amongst stakeholders, between different ministries, and between citizens' groups and businesses, holds up implementation of policies and projects. Also, planning as a discipline is noticeable by its absence. Therefore, there is confusion about what has to be done by whom and when, and very little follow-up until the deadlines appear when there is a mad rush, or a new deadline is fixed. Several projects in the country are stuck because they have been embroiled in contention and confusion rife in the system.

To overcome this, a solution must be found to improve abilities, to collaborate and coordinate throughout the system—in the states and in the Union government. Nations such as Japan, Korea, China and Malaysia have, in the course of their development, systematically improved capacities for planning, coordination, and collaboration. The Planning Commission has therefore conceived the India Backbone Implementation Network as a solution for India. Now we must also focus on implementing this.

**Cooperation has the potential to contribute to improving policy and reform implementation. However, it has been observed that relevant stakeholders often shy away from this. What in your opinion are the possible reasons for this?**

Majority of processes currently in place that aim to achieve cooperation, rely on command as a means to get cooperation and consensus. Consensus though, cannot be commanded. Lack of usage of a consultation based approach therefore leads to lack of cooperation amongst stakeholders.

Lack of proper planning: Often stakeholders are not consulted during the planning stage of a project/process and hence when implementation starts, it becomes difficult to get cooperation from all stakeholders.

In some situations, many parties are working in 'silos' and have not agreed on the approach they must take together to the larger issues that must be addressed and the overall goal that has to be reached.

## 4 Interview with Arun Maira

### In order to promote consensus amongst actors, what sort of skills and capacities do actors need? How can these capacities be built into the system?

A systematic process of dialogue is crucial to promote consensus among actors. Such a dialogue requires an open exploration of the many facets of the situation by conducting a 'systems analysis' of the situation with the participation of the actors who have different points of view. Since such an open and deliberative process could be challenging to manage, it requires good techniques to balance advocacy of views with deep inquiry, in a structured, step-by-step process. Diagnosis of the issue at hand, intervention & solution design, implementation of the solution, sharing feedback with other actors & codifying learnings at regular intervals are part of the skill set that help stakeholders work in collaboration towards a common goal.

A combination of 'Content Experts' and 'Process Experts' who use well established 'tool boxes' and 'toolkits' help build these capacities in the system. Providing training on these toolkits to implementers in the actor organizations can be an efficient way to build sustained capability.

### How would India benefit from fostering collaboration and cooperation?

The many diverse communities that compose our nation (class, caste, region, etc.) can be imagined to be sailing in ships in a flotilla on a sea that is often rough. The sea they are navigating through is the external global and national environment, and the increasing stress on the earth's resources. The flotilla would like to move faster but is slowed down because the ships are unable to keep together. The sea has become more turbulent. The ships are not talking often enough for all to collectively decide on their direction. This increases lack of trust in institutions, resulting in continuing protests and political logjam.

Reforms are made but many are stalled or diluted. The economy grows but hardly achieves its full potential: insufficient social and political cohesion remains a threatening source of instability. This is the future of India without collaboration and cooperation.

Therefore, consensus is required for all stakeholders to move together, forward and faster. This consensus cannot be commanded. We need another mechanism specifically designed to bring people with different perspectives together: to listen to each other, to distil the essence of their shared aspiration for the country, and the critical principles they will adhere to in the work they have to do together as partners in progress.

### Could you highlight an example where collaborative efforts have rendered solutions to an existing impasse?

Ibin's ideology is not novel and has already been implemented and practiced in pockets around the country. Here are some examples to substantiate the success achieved with the help of collaborative efforts:

- **Krishi Gram Vikas Kendra (KGVK)** - Collaboration in Community Development: KGVK is a 4 decade old development organization promoted by KGVK foundation, managed by the Jhawar family, promoters of the Usha Martin Group. KGVK works under the philosophy of Total Village Management (TVM) which is inspired by the Total Quality Movement approach to systems' improvement. TVM is an integrated approach to rural development driven by the needs of the community, using a combination of processes, metrics, impact measurement and social audits. KGVK has successfully implanted TVM in about 150 villages.
- **Delhi Metro Rail Corporation** - Collaboration in Project Management: The Delhi Metro Rail Corporation (DMRC) was established by the Government of India and the Government of Delhi in March 1995 to build a new metro system in the capital.

The first phase was completed in 2006, on budget and 3 years ahead of schedule. Termed an urban miracle, Delhi Metro has proved to be a cost-effective solution for the transportation woes of India's growing metropolises. The project demonstrates the value of adopting international standards of project management in areas of planning, human resources, financing, communications, quality and time management.



# 5

## Unlocking Value for Start-up Incubation through Corporate Engagement

India needs more enterprises that contribute to the growth story: Start-up incubation has therefore become a growing trend in India. A number of public and private incubators have emerged in recent years, some funded directly by the corporate sector. This development might experience an additional boost with the Union Budget proposing that corporate funding of incubators could be granted Corporate Social Responsibility (CSR) status. Having recently introduced the new Companies Bill which prompts corporations to report a spending of at least two percent of their net profit in CSR activities, this could further help to develop and strengthen India's incubation capacities.

Out of the 125 incubators in the country currently around 70 are supported by the Department of Science and Technology (DST). While there have been a number of initiatives focusing on up-scaling the services offered by these incubators, their organizational capacities, which are key to ensuring self-sustenance post the first five years of support from the Government, have often been ignored. Incubators need support in managerial issues, human resources, defining the right business and financial model for the incubator, setting up and managing processes and systems, building and managing networks, start-up support and funding start-ups, among others.

Industry observers believe that corporate engagement in the incubation space could not only support the organizational development of incubators but will also encourage them to acquire market knowledge. Academia-linked incubators have been persistently criticized to have limited ability to commercialize innovations. Moreover, corporates could get involved in incubation by providing mentoring, market access, networks, but also funds to invest in the incubatees in form of seed funding.

However, to have significant impact, it is important to recognize the role of private incubators as well. "In the past years a couple of very successful private incubators have been set up. Most of these incubator managers have an entrepreneurial background themselves and have been very successful in incubating start-ups", Manfred Haebig, Director Private Sector Development GIZ, points out. "Leaving them behind will set wrong incentives for entrepreneurs to set up their own incubators. A holistic approach that considers both academic and private incubators must therefore be adopted." he further highlights.

To create a meaningful debate around these issues, GIZ in cooperation with the National Entrepreneurship Network (NEN) has set up an initiative which seeks to foster cooperation between corporates and incubators. As a first step, two roundtable discussions have been organized in January 2014 in Delhi and Bangalore to discuss the potentials of corporate engagement for start-up incubation in order to increase the value for start-up entrepreneurs. These discussions have been envisaged to support an open dialogue between business incubators and corporate organizations to share and learn about each other's interest and engagement with start-ups. As a next step, a white paper will be developed jointly by GIZ and NEN with corporate and incubator involvement, to be used for mobilizing more corporates to join this initiative. GIZ and NEN are now looking for committed corporates that are interested to test how matchmaking between incubators and corporates could look like. Addressing the information asymmetry, helping corporates to find the right incubation partners and establishing meaningful partnerships are some of the envisioned next steps.

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# 6 Building tomorrows Responsible Business Leaders – Cooperation with Business Schools

Businesses play a major role in bringing India on a more sustainable and inclusive growth path. With the triple bottom line approach gaining prominence, large companies, start-ups and investors around the world are innovating their business strategies and move towards more responsible business practices. With the National Voluntary Guidelines of Business Responsibility released by the Ministry of Corporate Affairs, India has a common understanding that the businesses' responsibility is more than philanthropy, but a core business activity, defining "the how" of doing business; including social and environmental aspects. Corporate leaders are increasingly recognizing that tomorrow's competitiveness might rely on the today's sustainability management. At the same time, businesses with sustainable and inclusive business models that address the low income population in underserved markets are gaining market share.

In order to make tomorrow's business leaders and entrepreneurs prepared to integrate sustainability in the DNA of business operations and hence to sustain competitiveness, GIZ aims to address higher education institutions such as business and management schools to become catalysts in the process. Educational institutions are increasingly becoming the source for providing talented young entrepreneurs and business leaders. As part of the efforts to integrate responsible business practices in the mainstream, GIZ in cooperation with MART, a pioneer in supporting business models in low income segments, is developing a course curriculum on Sustainable Business Models in a process of co-

creation. A core group of international and national experts from industry and academia comprising of Prof. Stuart Hart, Cornell University, Prof. Neelamegham, Chairman, Centre for Management Studies (NIILM) and Mr. Shivakumar, ITC, Sachin Joshi from the Centre of Excellence for Sustainable Development of the Confederation of Indian Industry, among others, are providing strategic guidance and support to this effort.

The 30 hours teaching course module for Master students is piloted with BIMTECH, a leading B-School. The course is comprising various modules related to sustainability and business model development. It introduces students to sustainable business models through case study work, helps them defining own sustainable business models, increases the understanding on the Low Income Market segment, and touches on topics such as natural resource management.

In order to disseminate the teaching module more widely, interested faculties of other business schools will be trained on the module. A comprehensive teaching assistance kit has been developed, supporting faculties with resources, case studies and literature from different disciplines. Having said this, only the efforts and collaboration of all stakeholders will make this initiative a success.

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# 7 A Think Tank Alliance for High Quality Growth

The global community is faced with a number of pressing economic policy challenges, in particular those related to the quality of growth and the stability of the world economy. Emerging economies are at the very core of those challenges: not only do their economic development trajectories have major global implications, but global challenges and related international regimes also have an impact on emerging economies' domestic policy choices. It is for this reason that emerging economies have demonstrated a rising desire and readiness to partake in designing global agendas, while seeing the need for more sustainable approaches in designing their domestic economic growth policies. At the same time, despite obvious differences in underlying conditions, the specific economic policy challenges emerging economies face are often similar: there is much scope for exchange, knowledge sharing, and joint learning.

With the increasing complexity of policy challenges, there is an increase in the demand for expertise and knowledge in policy making. Traditionally, research organisations and universities played a crucial role in supplying knowledge; however, their role was limited to research and did not extend to public policy and interpretation of issues. As policy making became increasingly complex, a new generation of organisations emerged with the mandate to conduct research with the objective of providing evidence for public policymaking and thereby seeking to influence the same. Thereby, Think tanks in emerging economies have come to play an increasingly important role in shaping the policy choices of their respective governments. They provide valuable advice to policy-makers and other stakeholders on which policies are most suitable and how they can best be implemented in different contexts.

Against this background, promoting exchange and cooperation among think tanks from emerging economies and with those of developed economies

can contribute to tackling some of the world's most pressing economic challenges. In addition, experiences of developed nations on alternative development models, such as Germany's social and ecological market economy, can provide some useful insights.

Having realised this, the Economic Policy Forum (EPF) was formed as an alliance of think tanks from emerging economies – currently Brazil, China, India, Russia, and South Africa – as well as from selected developed economies, including Germany. The key objective of EPF is to provide a platform for knowledge sharing and collaborative, policy-oriented research on key economic policy challenges, including in particular on the stability of the world economy and the quality of growth. In supporting to feed research findings into domestic and international reform processes, EPF seeks to contribute to better informed policy making, in emerging economies and globally. In addition, EPF aims at strengthening the capacity of think tanks to shape policy making processes.

To promote discussions on topics and policy making processes, a number of research studies have been conducted jointly, including, policy lessons for a green economy. To provide space for interaction and networking as well as information services on relevant news, events and funding opportunities, <https://www.economic-policy-forum.org/> has been set up. EPF is also present on Twitter [[@EconPolicyForum](https://twitter.com/EconPolicyForum)] and LinkedIn [[Economic Policy Forum \(EPF\)](#)].

If you are interested in learning more about EPF and opportunities to engage, please contact us at [EconomicPolicyForum@giz.de](mailto:EconomicPolicyForum@giz.de) or call on **+49 30 33 84 24 356**.

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## 8

## Enhanced Awareness and Improved Collaboration Essential for Effective Implementation of MSE Public Procurement Policy 2012



“Access to market” is cited as one of the major constraints faced by Micro and Small Enterprise (MSEs). At the same time the government is one of the biggest procurers of goods and services all across the world. However, procurement from MSEs has remained relatively low; not only in India but all around the globe. In order to close the gap, create a market and reduce transaction costs while accessing public procurement markets, the Government of India has notified a “Public Procurement Policy for Micro and Small Enterprises”. Through its launch in April 2012 the policy envisions a complete transformation in the market space by mandating all central ministries, departments and public sector agencies to procure a minimum of 20% of all goods and services from MSEs by 2015. A three years transition period has been built in to allow all stakeholders to align their activities and undertake the prerequisite changes. However, two third of the transition period has lapsed and the need to use the remaining period effectively to create an eco-system which will enable policy implementation is being felt by all stakeholders.

Nonetheless, the effective implementation of the policy is expected to face a number of challenges; mainly caused by a lack of knowledge and institutional capacity on both demand (e.g. procurement heads and nodal officers of Public Sector Units (PSU) / Central Ministries/Departments) and supply side (e.g. MSME industry associations and enterprises), and mechanisms to articulate these challenges to identify common problem solving solutions. On the other hand regular formats that seek to bring together relevant stakeholder to discuss and debate implementation issues with reference to the procurement policy are missing.

In order to facilitate the effective implementation of the public procurement policy by means of bringing together relevant stakeholders to identify issues on both sides, GIZ has entered into a public-

private dialogue. The objective of the dialogues is to increase awareness and sensitization about the significant policy provisions and understand key challenges faced by the concerned stakeholders. Cooperation among relevant stakeholders has been identified as one of the key success factor to effective implementation of the policy. GIZ, through consultation is therefore attempting to develop common consensus on constraining factors and solutions to strengthen and enhance the capacity of Development Institutes, Central Public Sector Enterprises, associations and other stakeholders so that they can undertake similar public-private dialogues in future and to improve the collaboration and create ownership among the key stakeholders.

During the consultations which were held in six different locations (New Delhi, Kolkata, Mumbai, Hyderabad, Bangalore and Chennai), it became apparent that key challenges faced by the stakeholders from the demand side are the identification of MSE vendors and the lack of clarity with respect to several provisions of policy. On the supply side, players identified several challenges faced by MSEs when dealing with PSUs at different stages of procurement such as vendor registration, selection of bid and payment terms among others. The discussions also resulted in sharing of best practices and developing consensus regarding some new and innovative approaches to address many of the above challenges. It is not only that the consensus decision-making is guaranteeing the buy-in of all stakeholders, at the same time these outcomes serve as critical inputs for the development and strengthening of the institutional mechanisms which are needed to implement policy thereby paving the route for success.

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# 9 Energy Efficiency - Need for Coordination and Collaboration

Increased competition in the global markets and the need for technology up-gradation and innovation are posing challenges for the long-term competitiveness of the Indian SME-sector. Continued reliance on obsolete and outdated technology and management models is adding to their woes. Short-term thinking prevails: SME-units find it difficult to think about long-term profitability and to disrupt their manufacturing processes to upgrade technologies. These barriers have contributed to the limited replication of new technologies in the SME sector, even after several project demonstrations have proved efficiency and viability, particularly for energy-intensive SMEs. In highly energy intensive sectors like foundry, brick, glass and textiles, energy costs constitute up to 40% of the costs. These are also sectors where energy efficiency is a clear business case. However, despite studies on the case

for potential energy savings, adoption has been rather limited.

With rising energy costs and increasing environmental concerns, various stakeholders recognized the need for cooperation on this issue and have revived the momentum by coming together to set up a collaborative platform during the first National Summit on Energy Efficiency in MSMEs in July 2012 called SAMEEEKSHA. In half-yearly meetings government departments, bilateral/multilateral agencies, financial institutions, academic institutions, consultants and industry associations exchange on their experiences towards a common agenda. Through the forum, transparency is increased on interventions and pilots across the country, allowing for more informed decision for stakeholders wanting to take action.



## 9 Energy Efficiency

With this background, GIZ has partnered with the Ministry of MSME to collect data from various agencies and organizations working on energy efficiency in SMEs. The focus is to increase transparency and facilitate collaboration where possible, building on work previously undertaken in various clusters. This will enable a targeted orientation for future initiatives. The mapping revealed that most energy intensive clusters had previously received sensitization and trainings. However, through lack of implementation support the situation on the ground did not see much change. As a learning, GIZ in its pilot initiative with the State Bank of India in Ludhiana and Mandi Gobindgarh to improve energy efficiency is now extending handholding support. An expert is connected to pre identified bankable SME's for

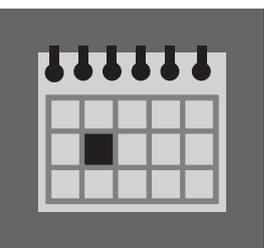
implementation of energy efficiency improvements. Additionally, a twofold approach has been adopted where best practice cases are documented with the aim to exchange knowledge and subsequent workshops provide a platform for all relevant actors in this field to connect with each other.

It is envisioned that these interventions will foster a more collaborative approach towards addressing energy efficiency in India. By exchanging knowledge and information, actors will not just be able to capitalize on one another's effort but also foster a culture of cooperation that will empower SME's and prevent duplication of efforts on all ends.

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# 10 Events

## Towards a Dialogue on Industrial Relations

The Indian job market is growing by about 15 million people – roughly the population of the Netherlands – every year. India needs to create a large number of jobs to realise its demographic dividend, leverage opportunities in the global market, and reduce imports in key areas. For this it has to enhance the competitiveness of its manufacturing sector. Micro, Small and Medium enterprises play a significant role in this endeavor. However, 90% of these enterprises operate in the informal sector, unable or unwilling to comply with labour regulations, or provide basic social standards and minimum wages. As a consequence, although India has a complex labor law, it is only applicable de facto to a minority of workers and employees. The problem, moreover, is not limited to the informal sector. It is also endemic in the formal sector, where 40% of jobs in 'core areas' or 'core activities' are outsourced. While no formal numbers exist, India has an estimated 100 million-plus "contract labourers", of which a staggering 99% are employed informally. If India's human resource challenges are restated in terms of the need to develop human assets to build competitive businesses, rather than merely drawing competitiveness from labour cost arbitrage, chances are that all stakeholders can be engaged in a collaborative effort towards further industrial development.

Against this background, the India Backbone Implementation Network (IbIn) has started to engage with trade unions and industry bodies to promote consensus amongst key stakeholders on the way forward with respect to industrial relations, and to trigger and support collaborative change projects on the ground. A reform-minded minority has begun to form consensus on both sides – trade union and employers. They have realised the need for urgent action without waiting for comprehensive labour law reforms.

To define the way forward, foster a dialogue on Industrial Relations, share related good practices, and gather national and international expertise on the subject, GIZ in cooperation with the Planning Commission and the Confederation of Indian Industries (CII), organised a two-day workshop on November 28th and 29th in New Delhi.

On the first day, GIZ organized a "German Roundtable" with representatives from German foundations, the German Embassy, the Indo-German Chamber of Commerce, the Federal Employment Agency, the Employers' Association of the Metal and Electrical Industry Baden-Wuerttemberg and START (a labour market oriented temporary staffing agency), to exchange views on the possibility of an Indo-German bilateral cooperation project. The group deliberated on how German experiences could be translated to India. Capacity building ideas were highlighted through the day, and will be carried forward in due time.

Moving forward on the Planning Commission's efforts to trigger a dialogue between Trade Unions and industry, a closed-door meeting was held on the 29th morning between select representatives from both sides. This meeting focused on identifying key issues of contention which will be addressed in the course of the cooperation between IbIn, GIZ, the Planning Commission and CII.

The purpose of the public event on the 29th afternoon was to inform all stakeholders about the current initiative and showcase experiences from Germany to broaden the discussion on Labour and Industrial Relations in India. Mr. Arun Maira, Member of the Planning Commission, highlighted in his speech that "dialogue and collaboration is the key to development". Ms. Tine Staermose of the International Labour Organisation (ILO) underlined this when she remarked: "We have to start a dialogue and not a discussion." An entire session was dedicated to Ms. Kea Eilers, Federal Employment Agency, Mrs. Johannsen, Employers

# 10 Events

Association of the Metal and Electrical Industry Baden-Wuerttemberg, and Dr. Jansen, START, sharing their experiences of how issues of “contract labour” and “flexibility” are dealt with within the framework of German labour laws. Looking ahead, the two day conference helped lay the building blocks for

concrete activities and cooperation between reformist forces within both industry and trade unions.

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## Indo-German e-Governance Forum

The first Indo-German eGovernance Forum, organized by Jinit[ AG Digital Communication, SAP India Private Limited and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), was held from the 23rd-25th October 2013 in New Delhi. Titled “Meeting Governance Challenges via Information and Communication Technology”, the forum witnessed a lively exchange of know-how and experience between 80 eGovernance experts and decision-makers from India and Germany.

The participants exchanged views in three sessions on “responsive and inclusive public service delivery”, “reaching out to micro, small and medium enterprises via information and communication technology” and “improving administrative efficiency and effectiveness by sharing infrastructure and strengthening interoperability”. This exchange aimed to shed light on potential solutions for governance challenges via information and communication technology, based on existing ground eGovernance projects. Cross-cutting topics like interoperability via common standards, the necessity of adequate

technical infrastructure, and integrated solutions were also addressed by the participants. This first Indo-German eGovernance Forum brought forward numerous areas for further exchange on current challenges and potential solutions in the area of eGovernance. In order to continue this dialogue, the publication of an edited volume with good practices is in the works, as well as a potential follow-up event next year.

Dirk Stocksmeier, Chief Executive Officer, Jinit[ AG Digital Communication remarked that the provision of health services via smartcards in India and the development of country-wide standards to ensure interoperability in Germany are just two of a large number of promising starting points for further exchange and cooperation between both countries. The Forum has therefore laid a foundation for a joint dialogue which is anticipated to continue in the future.”

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# 11

## Announcement: Conference “Changing Paradigms of Cluster Development – Learning from Global Experiences”

Micro, Small and Medium Enterprises have been identified to be crucial stakeholders in the development of an industry. An increasing number of these MSMEs are organized in cluster. The promotion of cluster development hence has become an important policy topic for many governments in the world.

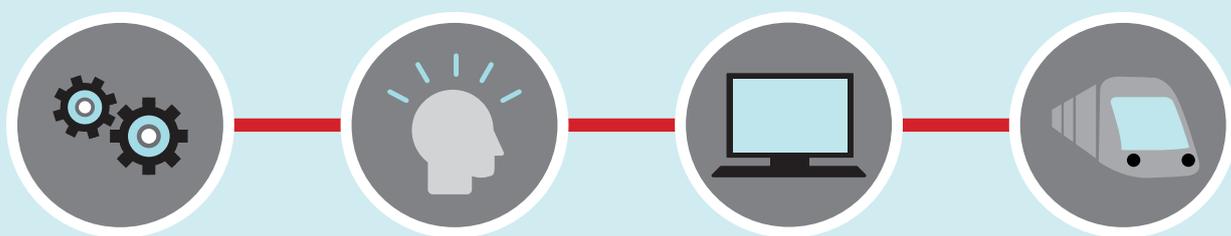
India as one of the world’s biggest developing industries, however, is still facing numerous challenges in up-scaling their cluster operations. Clusters in India typically consist of homogenous enterprises. They are often only established for advocacy purposes, or to access public sector funds earmarked to support collective action. This has led to the creation of specialized cluster development approaches and methodologies to foster the development of cluster. However, many policy programmes have been fragmented, unable to unfold their full potential.

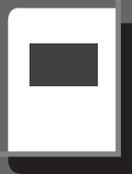
To foster a dialogue and share global experiences for designing effective national and regional cluster development and implementation frameworks, GIZ is supporting the Foundation for MSME Clusters (FMC), United Nations Industrial Development Organisation (UNIDO), TCI Network and Confederation of Indian Industry (CII) to organise a conference on “Changing Paradigms of Cluster Development – Learning from Global Experiences” on the 20th-22nd February 2014 in New Delhi.

During the first one and half days the conference will deliberate issues such as **promoting clusters through Global Value Chain (GVC), promoting responsible business along with growth, M&E of cluster programmes, learning from global champion clusters and policy frameworks**. Break-out sessions on the **role of cluster development programmes for sustainable production, innovation, inclusive growth, infrastructure development, technology transfer**, etc. will be featured as well. The second half of the 20th will be used for networking meetings among cross country representatives to create linkages. Various Cluster representatives, policy makers, academicians, technical and financial institutions and industry representatives from all over the globe have confirmed their participation in the conference. To gain first-hand experiences cluster visits will be organised on the third day of the conference.

People interested in participating in the conference can contact either Sukanya Banerjee ([sukanya.banerjee@msmefoundation.org](mailto:sukanya.banerjee@msmefoundation.org)), Foundation for MSME Clusters, or Eileen Trenkmann ([eileen.trenkmann@giz.de](mailto:eileen.trenkmann@giz.de)), Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

**We eagerly look forward to your participation!**





# 12 Studies

## Accelerating Women Entrepreneurship - A Roadmap for Bangalore

Women entrepreneurship represents a vast untapped source of innovation, job creation and economic growth in the developing world. In India, the overall entrepreneurial activity rate stands at 18.21% for men and 9.66% for women. From an economic participation perspective, India ranks poorly at a global level. The Economist Intelligence Unit (EIU) 2012 Women's Economic Opportunity Index ranked India 98 out of 128 countries<sup>1</sup>. There are still a number of legal restrictions placed on women in the workplace, for example they are restricted from working the same night hours as men, and in the same industries as their male counterparts<sup>2</sup>. While there are differences between cultural norms of communities within the country, overall women face a range of obstacles and have historically been prevented from fulfilling their economic potential as business leaders and entrepreneurs.

To gain an overview of the current state of the entrepreneurial environment for women entrepreneurs and to provide a course of action for the advancement of women-owned MSMEs, GIZ has partnered with Athena Infonomics<sup>3</sup>, Quantum Leaps<sup>4</sup> and WEConnect International<sup>5</sup> to conduct a roadmap for the city of Bangalore. The objectives of the Roadmap study were:

- (i) To evaluate the ecosystem for women entrepreneurs
- (ii) To identify major challenges being faced by women entrepreneurs in starting and expanding their business
- (iii) To formulate Roadmaps, outlining the various programmes, activities and policies required to develop a strong ecosystem to facilitate women's entrepreneurship. The scope of work involved surveying 200 women entrepreneurs in the city of Bangalore. In addition, discussions were conducted with various stakeholders including Government Representatives, MNCs, Angel Investors, Venture Capitalists and a representative number of male entrepreneurs. The study is part of a strategic initiative titled, 'Acceler-

ating Women Entrepreneurship: A Roadmap to 2020' that was developed by Quantum Leaps.

The findings of the study were released in the "Indian Roadmap to 2020" at the Women Vendors Exhibition and Forum (WVEF), in November 2013 in Bangalore. As part of the study several recommendations were drafted. The study inter alia suggests strengthening the institutional environment for women by firstly instituting a National Policy on Women Entrepreneurship. A Women Business Council or task force would be the institutional body responsible for implementing and overseeing all programmes and policies that relate to women entrepreneurship. In order to strengthen access to markets, it is further recommended to create a one access portal that would serve as a national or state level online portal for supply chain development enabling buyers and sellers to connect. The study also recommended institutionalisation of mentoring services whereby a national network of women mentors would be built who could also serve as female entrepreneurship ambassadors.

The study findings were highly appreciated and received positive feedback from all stakeholders, including the Government. It was suggested by Ministry of MSME to undertake the study for the state of Karnataka. The state level study is currently in progress and is expected to be completed by the end of March 2014.

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<sup>1</sup> EIU, 2012

<sup>2</sup> World Bank & IFC, 2012

<sup>3</sup> Athena Infonomics is a research and strategy consulting firm based out of Chennai, India

<sup>4</sup> Quantum Leaps is a Washington based NGO working towards accelerating women's enterprise development

<sup>5</sup> WeConnect International is non-profit that identifies, educates, and certifies women's business enterprises



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