

Private Sector Development Newsletter

Fostering Sustainability in the MSME Sector

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giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Innovative Approaches to Private Sector Development

Newsletter



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1 Editorial

Within the next 15 years, the Indian work force is expected to grow by 250 million people. In order to continuously pursue India's political priorities of a "faster, sustainable and more inclusive growth", the private sector plays an essential role in creating opportunities to cope with this increase. By providing innovative solutions, particularly Micro, Small and Medium sized enterprises have a high potential to not only absorb the pressure on the labour market, but also make use of the inherent economic opportunities of this development. We believe that innovative approaches to private sector development can significantly contribute to India's development.

In this edition we will therefore highlight some of our innovative initiatives in the area of private sector development. This includes the newly launched "Incubation of Incubators" Initiative which encourages chambers and associations, academic institutions and selected field institutes to set-up an incubator with the support of experienced & successful incubators.

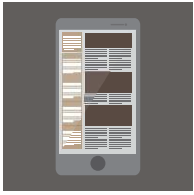
The collaboration of various stakeholders is essential for the creation of a thriving innovation ecosystem. That is why we promote the cooperation between academia, research institutions and industry. GIZ has therefore joined forces with Steinbeis, CEFE International and renowned Indian academic institutes in order to provide regular trainings on innovation management & systems for SMEs & intermediary institutions.

We also encourage you to read more about our upcoming events, recent announcements and our latest studies in this Newsletter.

Happy reading!

Wolfgang Leidig, Director of Private Sector Development, GIZ





2 Articles

Incubation of Incubators

In recent years the Indian start-up eco-system has seen a significant rise – driven by increased funding opportunities for start-ups, the emergence of new incubators across the country and last but not least the initiatives of the Government such as “Start Up India, Stand Up India”. According to a recent study by Nasscom, India currently has around 4400 start-ups that employ approximately 85,000 employees; making it the third-ranked Global start-up eco-system in 2015. Besides all the efforts, start-ups continue to face key challenges. Although there is a great deal of capital flowing into the start-up eco-system, especially early-stage start-ups struggle to acquire angel & seed funding. Additionally, while many ministries (DST, DEITY, MoMSME, etc.) are providing funds to set-up incubators, only a few incubators have succeeded to leverage these funds and to upscale their operations, which are key to ensuring self-sustenance post the initial support from the Government. 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. Also, many incubators have emerged in the main metros Delhi, Bangalore & Mumbai, leaving gaps in Tier II and III cities.

Against this backdrop, GIZ under the framework of the bilateral project “Innovation Promotion in MSMEs” jointly implemented with the Ministry of Micro, Small and Medium Enterprises (MoMSME) has joined hands with ISBA – Indian STEPs and Business Incubators Association and its partner organisations Agri-Business Incubator - ICRISAT, Villgro Innovation, PSG-STEP and CIIE-IIM Ahmedabad to implement an initiative that seeks to support the set-up of new incubators in Tier II and Tier III cities by providing capacity building, mentoring and hand holding support to

organisations interested in setting up an incubator. There is a lot of scope to learn from successful incubators how to set-up a self-sustaining incubator, thus providing a new approach to private sector development. In a first series of workshops conducted in Delhi, Pune and Bangalore established incubators presented their experiences to around 70 institutes & organisations that want to establish an incubator. Raghunandan Rajamani from ISBA who is leading the initiative said after the workshop: “We have received over 35 proposal from interested and reputed institutes after the workshops and have shortlisted 25 organisation that will get targeted capacity building and mentoring support, in the next 15 month to start their operations.”

The first capacity building training programme for the selected organisations was conducted between the 15th to 17th June, in Lonavla. Here, the potential incubators got an in-depth view on how to start their operations.

Objective of the initiative is to assist and guide the organisation till the submission of their proposals for funding programmes of the government. The project will also support the potential incubators in on-boarding their first start-ups and developing targeted programmes for them.

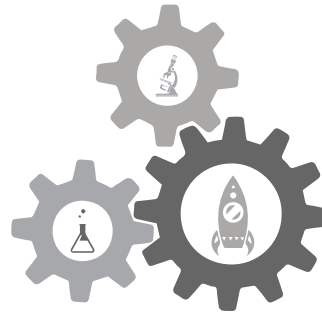
For further information please contact: Eileen Trenkmann (eileen.trenkmann@giz.de)



Fostering an Innovation Eco-System: New Approaches to Strengthen Linkages Between Academia & Industry

Indian entrepreneurs are renowned for being creative with scant resources. The term “jugaad innovation” which in English can be best described as “a creative idea, a quick alternative way of solving or fixing problems” has been giving rise to a new movement of entrepreneurs that “think frugal, are flexible and generate breakthrough growth”. However, the traditional MSME sector – challenged with tight deadlines, often only producing according to customer specifications and having a lack of understanding on the innovation process– has fallen behind this development. Additionally, those having an idea – be it product, process or business model innovations – are often unable to identify the right research, technology or academic institutions to bring their idea to the next level. Intermediary organization such as chamber of commerce that could guide them in identifying the right partners do often have not the capacity to provide these services to their member enterprises.

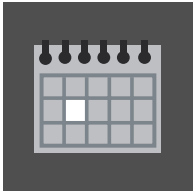
Acknowledging the importance of a functioning innovation eco-system that fosters collaboration between academia & industry, GIZ in cooperation with the Ministry of Micro, Small and Medium Enterprises (MoMSME) is implementing a programme on innovation promotion in MSMEs. In order to increase the innovation capacity of MSMEs & enable local intermediary organization to take over a more proactive role in their local eco-system, GIZ in cooperation with Steinbeis – a German technology transfer agency with an outreach worldwide – and CEFE International a training provider for entrepreneurship – has launched a capacity building initiative that seeks to cooperate with reputed academic institutes to offer regular training courses for MSMEs & intermediary organisations on innovation management & systems respectively. The capacity development initiative in this regard is following a multi-pronged approach. On the one hand it aims to strengthen the capacity of MSMEs (Entrepreneurs and Managers) to manage new innovations and to get a better understanding of the whole innovation process. On the other hand it also aims at improving the capacity of system



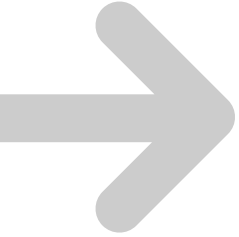
players such as Business Membership Organisations, Incubators, Technology Centers and institutions, research institutions, among others in order to enable them to understand their role in the innovation system and foster their capacity to offer customized services that enable innovation in the MSME sector.

The project has been able to form partnerships with four reputed institutes – Indian Institute of Management Calcutta, Indian Business School Mohali, Indian Institute of Technology Delhi and Indian Institute of Management Indore – that are currently developing the training curricula jointly with Steinbeis. While the training is envisioned to be interactive and hands-on, the participants will also have the chance to develop their own innovative ideas which will be mentored after the 5-day training by the institute & presented for evaluation & feedback in a so-called “Finishing School” which will be conducted after a break of four to six weeks.

The first training for SMEs is scheduled between the 8th to 12th August in Bangalore. If you are interested in participating in these trainings, please contact: Eileen.Trenkmann@giz.de



3 Events



Startup Demo Day at Sankalp



While the government has placed an emphasis on fostering the start-up eco-system by easing registration processes, increasing the number of available incubators, etc. access to finance remains a challenge. Although many sources for start-up finance are available, entrepreneurs are either challenged to successfully pitch their ideas to investors, banks, etc. or are unable to provide the required documents showcasing their success. To help close this gap, GIZ, in collaboration with

Intellectap and DFID, conducted a Startup Demo Day during the Sankalp Forum on April 20th in Mumbai.

The Startup Demo Day helped to showcase promising technology startups to corporates, mentors, investors and other who can offer advisory and funding support to them. These startups were given intensive preparatory support by Intellectap in refining their business models and creating their pitches.

A group of 6 technology and product startups operating in sectors such as Healthcare, IoT, etc. pitched to around 40+ corporates, investors and potential partners. Some of the corporates present during the demo day were Bosch, Marico Foundation, Reckitt Benckiser, etc.

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Social Incubation Summit

Social Enterprises which are providing essential products and services to underserved section of the population can play a crucial role in tackling some of India's pressing challenges. While the social enterprise eco-system continues to evolve in India, more social enterprises are in need of support than offerings are currently available. Incubators play a crucial role in helping entrepreneurs develop their business models and bring them to market, and an increasing number of incubators are also looking into how to best support social entrepreneurs.



3 Events

In order to foster a dialogue between incubators with a social focus, GIZ, together with Nesta UK, ANDE, ISBA and Bethanel Green Ventures, and with support from the UK Department for International Development, organized the first Social Incubation Summit in India in February. The Summit brought together over 50 Incubator Managers from across India. The event was focused on building connections and facilitating peer to peer exchange between the incubator managers. Over the course of two days, various interactive learning sessions were held covering sustainable business models for

incubation, incubation beyond the big cities, impact measurement, talent and investment for social entrepreneurs. In addition, various tools were showcased and incubators pitched their models to entrepreneurs for feedback. The Indian experiences were enriched by some international examples and Norbert Kunz from Social Impact presented their model and learnings from the social incubation space in Germany.

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Impact Investor Council Tour with Ronald Cohen

Access to finance remains a key challenges for social enterprises. GIZ therefore supported the set-up of the Indian Impact Investor Council (IIC) – a body consisting of a new class of investors that seek to support the creation of businesses that serve to the Bottom of the Pyramid (BoP), often located in rural areas and living below the poverty line.

As part of their activities, the Indian Impact Investor Council (IIC) has organized a set of events around a visit of Sir Ronald Cohen, co-founder of Social Finance UK, Big Society Capital and Bridges Ventures, and Chairman of the Social Impact Investment Steering Group in March 2016. The events included a Social Business Showcase where leading Indian Social Entrepreneurs were awarded, different roundtables on Impact Investing and Social Impact Bonds, as well as meetings with press and policy makers.

GIZ supported the tour as a knowledge partner, and Susanne Dorasil, the head of economic cooperation

and development in the German embassy, spoke about developments in the sector internationally as well as in India at the opening panel of the Social Business Showcase along with Ronald Cohen and Vikram Gandhi, founder of Asha Impact.

For further information please contact: Katharina Kuehn (katharina.kuehn@giz.de)



Workshop on Food Safety and Standards, Rules and Regulations for MSMEs



One of the pilot locations of the “Innovation Promotion in MSMEs” project is Pune, which is recognized as a major Food Processing Cluster.

As a developing metro city / tier two city, Pune is experiencing a change in consumption patterns, resulting in the emergence of large / chain stores, where people can buy all their daily necessities. Many micro, small and medium scale food manufacturers have started distributing / marketing their products through these retail stores.

In order to foster a dialogue between bigger retail chains and their MSME suppliers on different issues concerning their cooperation, GIZ had facilitated a half day workshop to sensitize MSME on Food Safety and Standards, Rules and Regulations, and advantages of adhering to the Quality and Safety Standards. Senior officials of FSSAI and experts in food safety and standards were invited to share their perspective on standards, challenges & constraints faced by industries and on emerging

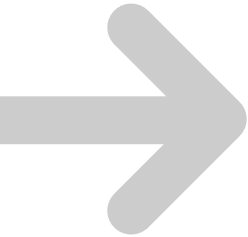
technological trends in the food processing industry. The event was well-attended by MSME representatives.

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4 Announcements



Calling Impact-Driven Entrepreneurs from the Energy Sector@Berlin Bootcamp

GIZ India along with its partners Bosch and Intellectap have joined hands with Social Impact and SAP from Germany to conduct a 10 days bootcamp for impact driven product/ service start-ups in the Energy sector – including social, digital or technology start-ups in Berlin in the end of July.

During this bootcamp, start-ups will have the opportunity to interact with corporates, mentors, technology experts and other key stakeholders to develop their products or services further, validate business plans, exchange ideas, develop synergies and build globally competitive businesses.

The Bootcamp is conducted as part of the Strategic Alliance – an initiative implemented by GIZ in cooperation with Bosch and Intellectap under the developPPP.de framework of the Federal Ministry of Economic Cooperation & Development (BMZ), which seeks to connect corporates with incubators and start-ups and especially social enterprises.

For further information please contact: Priyanka Kohli (Priyanka.Kohli@giz.de)



'empower' India's 1st Accelerator Programme For Women Entrepreneurs



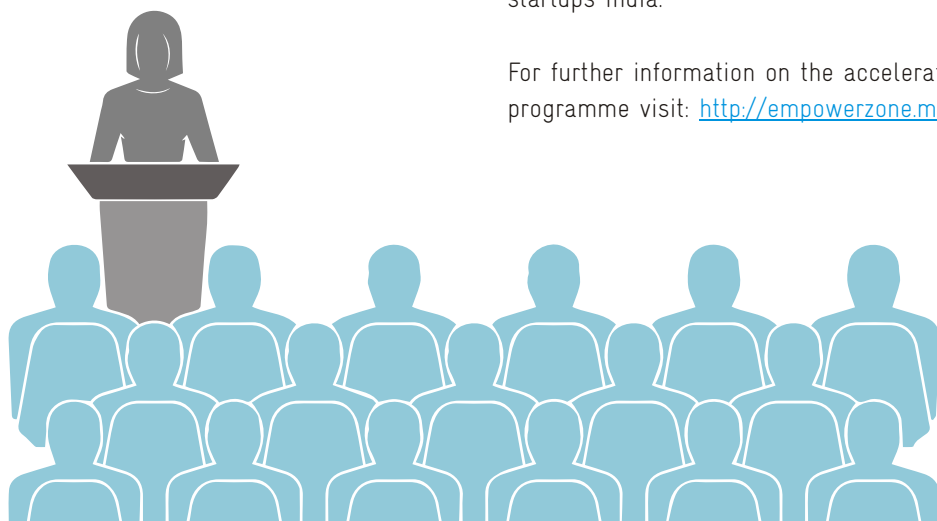
GIZ is supporting Zone Startups along with its partners Department of Science and Technology, Vodafone India, Google, Nishith Desai Associates, She The People TV, and SheEO- a Toronto-based women entrepreneur support organization, to conduct a six week accelerator programme for women entrepreneurs.

The six week accelerator will enable 15 women entrepreneurs through a guided programme consisting of mentoring, workshops, case studies of successful women led startups, industry connect, peer network, investor connect and business development opportunities to take their ideas to the next level. The 15 women entrepreneurs are currently sourced through road shows across Mumbai, Bangalore and NCR.

"In addition to empowering 15 selected women entrepreneurs; we believe that 'empower - Accelerating Women Entrepreneurship' would demonstrate a successful replicable model of harnessing the potential of innovative women enterprises. GIZ is happy to be associated with empower and support these innovative women business leaders to establish critical research and technology linkages and convert their ideas into action; complementing our efforts in the field of "Promotion of Innovation and Women Entrepreneurship", said Wolfgang Leidig, Programme Director - Private Sector Development, GIZ.

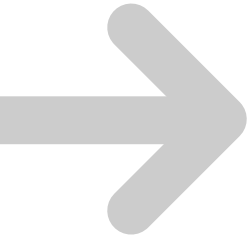
In addition to support during the 6-week programme, the 15 enterprises will get three months worth of free equity acceleration at Zone startups India.

For further information on the accelerator programme visit: <http://empowerzone.me/>

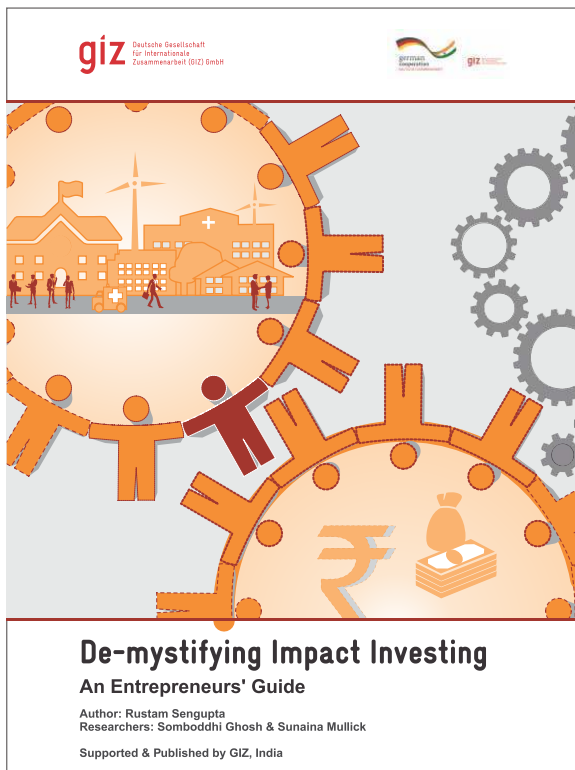




5 Studies



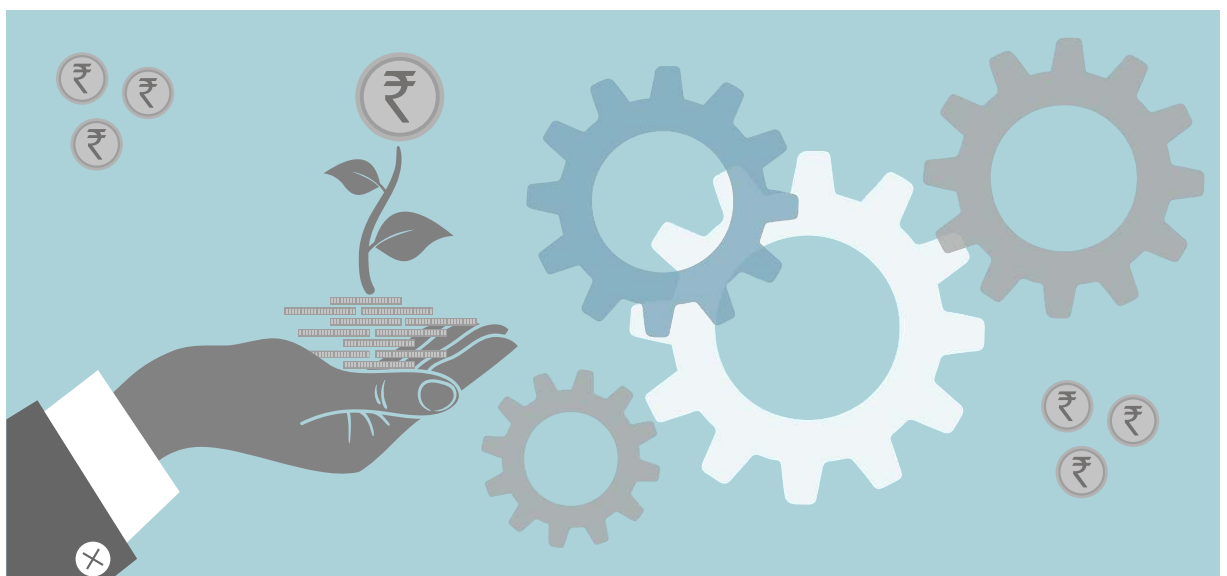
De-Mystifying Impact Investing - An Entrepreneur's Guide



Raising investment is a key concern for most start-ups. For many (social) entrepreneurs it is challenging, however, to understand when to raise which kind of capital, which investors to approach for their financing needs, and the implications that come with investor involvement.

GIZ India therefore partnered with Rustom Sengupta, the founder of Boond, who has successfully raised investment for his social enterprise, and developed a very practical guide on Impact Investing in India for entrepreneurs. It outlines requirements, investor expectations as well as investor types in an easily accessible way, and also offers support to entrepreneurs in asking the right questions and approaching the right investors for their particular needs. In addition, it provides contacts as well as a sample term sheet.

You can download the guide under the following link: <https://www.giz.de/de/downloads/giz2015-en-mystifying-impact-investing-india.pdf>



Fund For She – Strengthening Her Enterprise

Women MSMEs play a critical role in the Indian economy with a share of 3.09% in industrial output and provision of employment to over 8 million people. However, women entrepreneurs continue to face barriers both in starting up and scaling up businesses. One of the biggest challenges is the lack of access to sufficient credit. Lending to women MSME's accounts for less than 6% of the total credit extended to the MSME sector in India. This number is not very significant especially given the numerous loan products and government schemes available for women entrepreneurs. Against this backdrop, GIZ had commissioned a study to assess the efficacy of available schemes and loan products with an objective to:

- Get a systemic understanding of the current lending to women owned MSMEs in the country
- Examine provider perspectives on efficacy of support schemes and issues in administration of loans to women entrepreneurs
- Understand women owned SMEs' issues and challenges in credit access and awareness of support schemes

There were several barriers identified for banks while lending to WE viz. small transaction sizes, poor financial literacy leading to poor quality of proposals, lack of pipeline of proposals, lack of collaterals, government financed programs



insufficient to absorb risk exposures, limited manpower/ resources for marketing, etc.

You can download the study under the following link: <https://www.giz.de/en/downloads/giz2015-en-analysis-loan-products-women-entrepreneurs-india.pdf>

India's financial system is moving forward on the sustainability path – UNEP Inquiry report outlines the next steps



Mobilising finance for an inclusive and sustainable economy is the key challenge for India as well as its opportunity, says the UNEP Inquiry into the Design of Sustainable Financial System. Launched 18 months ago, the Inquiry, headed by former chairperson of HSBC, Ms. Naina Lal Kidwai and convened by FICCI, analyses the current landscape of sustainable finance in India and recommends specific steps to scale it up. GIZ has been associated with the Inquiry as a member of its Advisory Group. In its final report released on April 29 in Mumbai, the Inquiry concludes that sustainable finance is being increasingly viewed to be in the national economic, social and environmental interest, and a number of measures are being initiated. Suggestions for increasing private capital flow into sustainability include strengthening the green bonds market, embarking on progressive regulation aligned to sustainability,

mobilising international financial flows and building on the International Solar Alliance. The report emphasises the importance of frameworks like the National Voluntary Guidelines on Responsible Financing, National Voluntary Guidelines on Business Responsibility, disclosure norms, ratings and other measures that emphasize ESG criteria to mainstream sustainability into financial decision making, lending and investment. National Voluntary Guidelines for Responsible Financing have been promulgated by the Indian Banks' Association under the aegis of the bilateral cooperation project between GIZ and SIDBI (Small Industries Development Bank of India).

The report "Delivering a Sustainable Financial System in India" can be found at <http://unep.org/newscentre/Default.aspx?DocumentID=27071&ArticleID=36155&l=en>