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From the Director's Desk



Innovation matters for the growth of the Indian MSME sector! With the opening of the Indian economy and increasing globalization, a growing number of MSMEs face tough competition on international markets. Increasing resource prices or higher costs of imports additionally drive the development of new solutions. However, to remain competitive, Indian MSMEs need more than innovative products alone: The pressure for innovation in processes, business models and management to improve productivity and significantly lower costs, has increased in recent years. New initiatives by the Government of India support enterprises to gain competitive edge and to strengthen their innovation competencies. With the announcement of 2010 – 2020 as the "Decade of Innovation" and the establishment of the National Innovation Council (NInC) the Indian Prime Minister has put innovation promotion in the centre of private sector development in India.

Together with our partners the Ministry of Micro, Small and Medium Enterprises (MoMSME) and Small Industries Development Bank of India (SIDBI), GIZ over the past three years has piloted many initiatives to contribute to an innovation enabling business environment. We are therefore happy to announce that in 2014 GIZ and the Ministry of MSME under framework of Indo-German bilateral cooperation funded by the German Ministry of Economic Cooperation and Development (BMZ) will start a new project that seeks to enhance the innovation capacity of Indian MSMEs and create a functional MSME Innovation eco-system in India. Complementing these efforts, GIZ together with SIDBI will now increasingly work towards increasing the access to risk capital for innovative enterprises and start ups.

1 From the Director's Desk

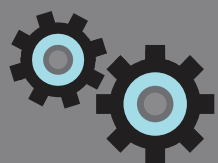
Taking these new developments as a background, it is timely that the current edition of the MSME newsletter sheds light on some of our ongoing and planned activities in the innovation space. Some of the activities in India, about which you will read in this newsletter, include the stakeholder dialogue series, which seeks to promote peer-to-peer learning among enterprises and to foster cooperation. As you read further, you will get an overview of GIZ's engagement with its various partners to strengthen the start-up and incubation support system. Cluster- and network-based approaches have been internationally identified to be effective in promoting innovation in MSMEs. In order to create an enabling innovation eco-system, GIZ with its partners seeks to engage with two Clusters - Automotive Cluster Aurangabad and Electronics Cluster in Bangalore. You will read about first activities in these locations in this newsletter.

We hope the newsletter enables you to understand our efforts and encourages you to engage with our work to promote MSME Development.

Happy reading!

Manfred Haebig
Director Private Sector Development
Manfred.haebig@giz.de



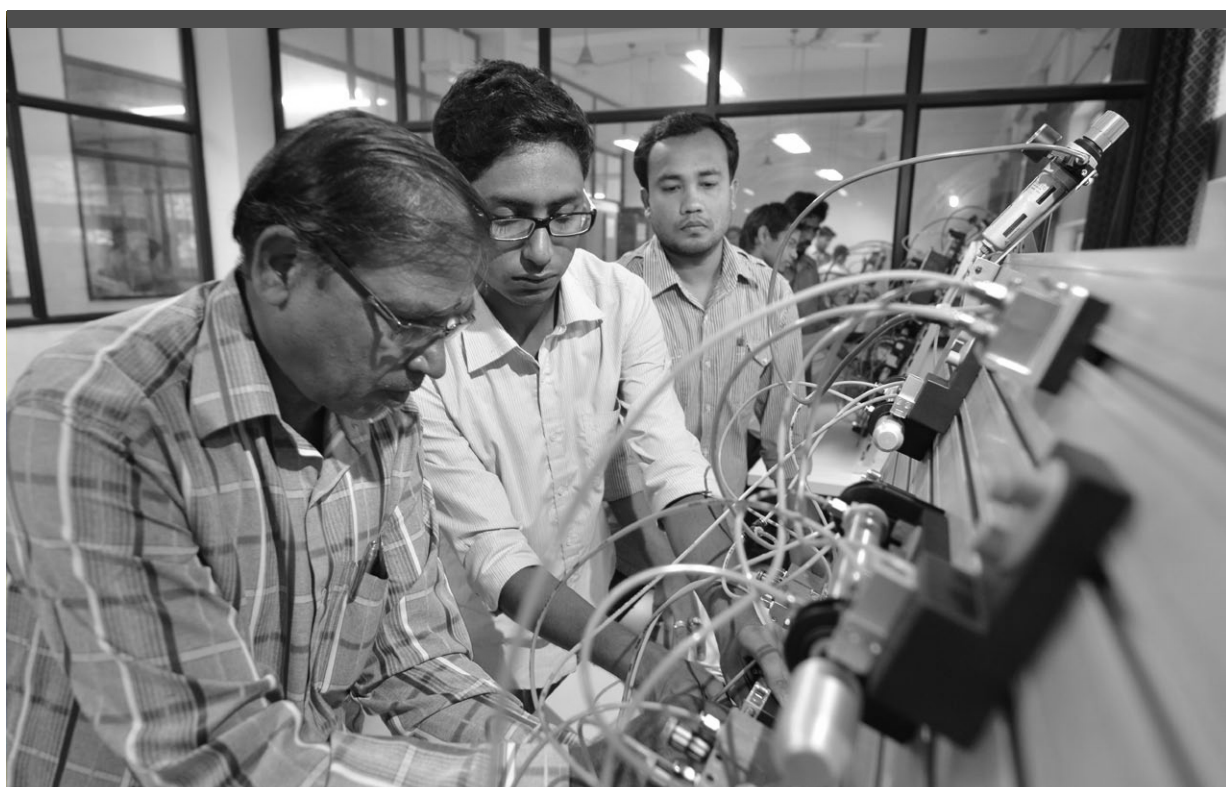


2 Shifting the Paradigm: Mapping the Inclusive Innovation Ecosystem

Micro, Small and Medium Enterprises are a major pillar of the Indian economy. However, they are often unable to unfold their full innovative capacities. Having a look at the 2013 Global Innovation Index, India ranks 64 among 141 nations surveyed. The inability to access public schemes on innovation and the lack of funds to initiate a change process are cited as the most common factors that disable MSMEs from innovating. Bearing in mind India's fast growing population, it is of urgent need to develop simple solutions that achieve more while consuming less. The policy making community increasingly regards innovation as an enabler for bridging the gap between the resourceful and the needy and also improving lives of those at the bottom of the pyramid. Although there are multiple government programmes complemented by a large number of Impact Funds seeking to invest in enterprises impacting the Bottom of the Pyramid (BoP), a ground check reveals that such initiatives

have only seen marginal success in promoting a boost of sustainable and inclusive innovation. While there are various support programmes that support prototyping, innovators face challenges especially in the commercialization stage of their innovative idea.

To delve deeper into the challenges and gaps in this domain, GIZ in partnership with MART initiated a study "Shifting the Paradigm: Mapping the Inclusive Innovation Ecosystem" with the objective to map the inclusive innovation ecosystem in India. The study revealed that a large proportion of public schemes focus primarily on the manufacturing industry, ignoring the service industry. Looking at support measures in different stages throughout the innovation cycle, the government programmes were found to be supportive only at the ideation and prototype phase. The amount of funds and type of support services (particularly non-financial) at the individual idea/enterprise level was found to





be inadequate with the enterprises needs at that stage. The dearth of financial resources therefore was cited as the main element of risk in introducing innovations. Despite the huge volume of funds invested on innovation promotion schemes by the Union Government, the study estimates that a mere 1600 firms have been promoted in the last 10 years.

Impact funds on the other hand, are recent actors seeking to balance the twin objectives of generating returns for their investors while promoting sustainable innovations. The industry is still nascent and only a limited number of enterprises have benefitted from the capital invested by the impact funds. The funds seem to have a preference for size and generally support in the later stages of the innovation cycle, in contrast to the government schemes which target the earlier stages. In terms of their risk-return profile, this pattern of investment by impact investors makes business sense as risks are significantly lowered in the operating and scale-up phase compared to the ideation and prototype phase. Borne out of the venture funding industry, impact funds were found to be stronger on aspects of financial due-diligence and the overall business case of the innovation compared to the Government schemes who often find it difficult to assess financial viability of the innovation. The study emphasized that an ecosystem approach to promoting innovation should facilitate the availability of funding and non-funding support at the different stages of the innovation cycle. Currently, there are areas where several service providers are available whereas other areas have revealed a huge gap of qualified service providers.

Driven by private actors, Impact Funds need to be integrated into the larger ecosystem of innovation promotion: Platforms need to be created where they can liaise with other ecosystem players to not

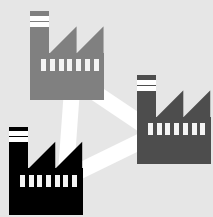
only identify the right enterprises but also support the scaling-up of their investee enterprises (post investment). Currently, different players come to the fore at different points of time based on the needs of the innovator without any kind of cooperation. As the ecosystem for innovation promotion scales up and the number of players increases, it would be important to streamline the efforts of different players to make them more productive and preclude duplication of efforts to the extent possible by means of interaction and cooperation. With the new Companies Bill, opportunities lie also in forming partnerships with corporate players to support start-ups and promote innovative ideas that address India's challenges to serve to its underserved markets.

Against this background, GIZ has been organizing Multi-Stakeholder Round Tables at regular intervals to bring together different actors in the innovation system. The objective is to foster a dialogue between stakeholders such as incubators, impact investors, enterprises, corporates, banks, government representatives and business associations in order to identify areas of cooperation and hence bridging the gaps in the service environment for MSMEs. In the last year, three such events were held, covering topics like "Identifying an Agenda for Action - Overcoming Indian Social Business Ecosystem Challenges", "Identifying an Agenda for Action - Reaching the Regions" and "Identifying an Agenda for Action for Innovation Promotion - Programmes/ Schemes and Social Impact Funds". Recognizing that cooperation is the key for creating an innovation enabling environment, many more activities are planned henceforth.

Cooperation Matters!

For further information please contact:
Stefanie Bauer (Stefanie.Bauer@giz.de)





3 Cluster Development: The Way Forward

Have you ever heard about a company named M+C Schiffer? Probably not! The company is the biggest independent toothbrush manufacturer in the world with no ownership stake by any other company. M+C Schiffer is one of the so-called “Hidden Champions”. Emerging from the MSME sector, they are market leaders in their segment. A fair share of the world’s “Hidden Champions” originates from Germany, where innovative MSME often operate in clusters and regional innovation systems.

While in India a “cluster” is often understood as an agglomeration of similar businesses in the same locality, in Germany clusters are increasingly understood as networks, where companies often do not have any similarity in their product lines and geographic proximity is not the key. However, what makes the innovation enabling environment in German clusters unique is the close cooperation of academia, industry, associations, service providers, public agencies and many more stakeholders. These

innovation networks have supported the emergence of those “Hidden Champions”, making the German innovation system a role model for many other countries.

Clusters also play an important role in the Indian industry. While German clusters represent “regional innovation systems” with the aforementioned interlinked stakeholders, Indian clusters often do not make use of such linkages; the service offerings by innovation-oriented service providers are often in a nascent stage. The Indian Government acknowledges the importance of clusters for innovation ecosystem development and is therefore partnering with GIZ for implementing a joint bilateral project on “Innovation Promotion in MSMEs”, starting in 2014. The project aims at creating an enabling environment for MSME to innovate and adopt innovative solutions with a view to meet India’s economic, social and ecological challenges. The project complements various other activities of the government which seek to improve



the innovation ecosystem. The prime minister, inter alia, has declared 2010-2020 as the "Decade of Innovation" and has set up the National Innovation Council (NInC) with the mandate to strengthen the ecosystem for innovation, set up institutional structures and mechanisms and to establish pilots to promote innovation in the MSME sector. NInC has launched various initiatives such as Sectoral Innovation Councils, an India Inclusive Innovation Fund, Industry Innovation Clusters and Cluster Innovation Centres, which are at different stage of its implementation.

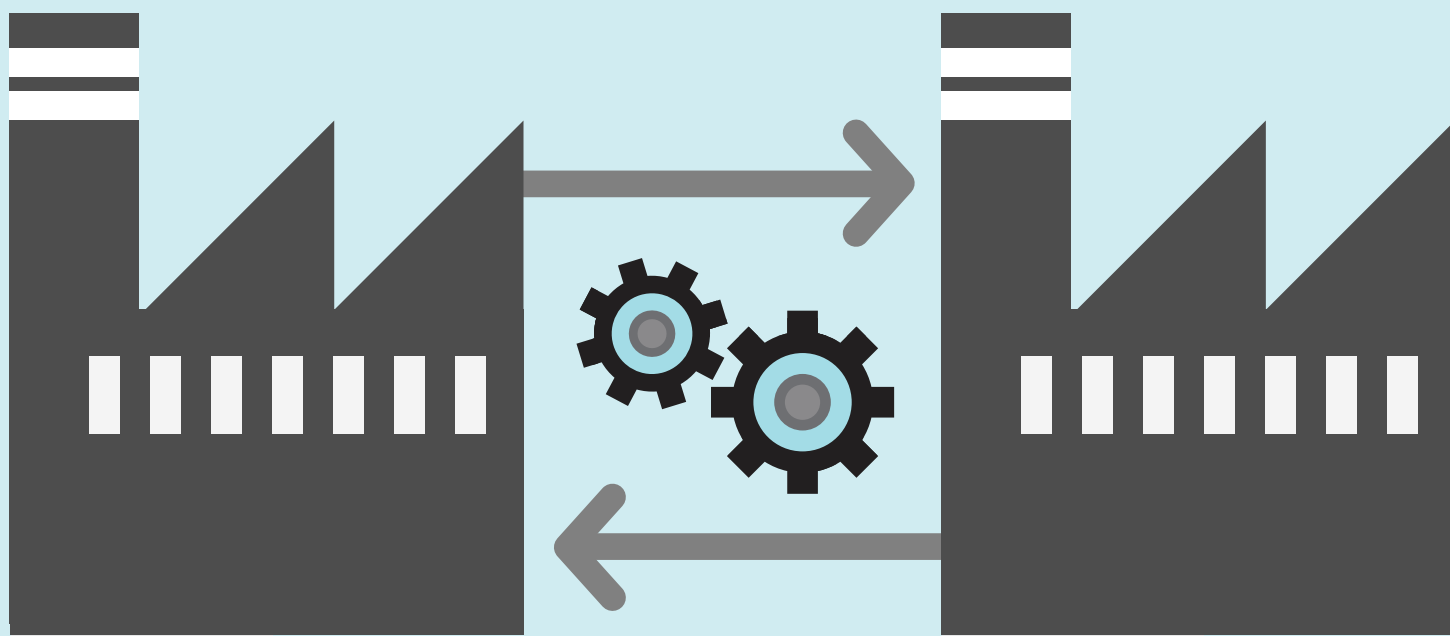
Given the fact that cluster- and network-based approaches have been internationally identified to be effective in promoting innovation in MSMEs, GIZ along with its partner's plans to focus a part of its activities under the project "Innovation Promotion in MSMEs" on cluster and service provider development. First activities have started in Aurangabad Automobile Cluster and the Electronic System Design and Manufacturing Cluster in Bangalore. It is envisioned to initiate cooperation between Indian and German clusters through a Cluster Twinning Initiative. This will promote joint innovation projects between Indian and German companies and research institutions, and enable the transfer of management knowledge.

Since service providers play a unique role in a cluster, the project further seeks to build capacity

of selected innovation service providers. Many MSME support institutions such as regional MSME Development Institutes of the Ministry of MSME, Cluster Development Agencies and start-up incubation centers will benefit from competence development activities that help to deliver services effectively. So far, their focus is mostly on providing "hardware" such as physical infrastructure and technology, while they ignore the fact that many companies require "soft ware" such as management and commercialization skills as well as the ability to organize themselves. They also often do not built synergies with other institutions, and barely cater to the individual demands and needs of companies. At the same time, public support programmes fall short in creating markets for service providers, but instead offer services directly to the enterprises. Hence, the project will support the development of cluster organizations that will link relevant service providers such as tool rooms, technology centres, incubators, academic and research institutions while providing services for MSMEs and actively involve them in the cluster.

It is envisioned that by addressing the identified gaps, GIZ with its partners will be able to contribute towards creating an innovation enabling environment for Indian MSME.

For further information please contact:
Amit Kumar (Amit.Kumar@giz.de)





4

Interview with HK Mittal



Shri Harkesh Kumar Mittal
 Adviser, Member Secretary
 National Science & Technology Entrepreneurship Development Board (NSTEDB),
 Secretary, Technology Development Board (TDB)

Clusters have the potential to provide a unique ecosystem which strengthens local businesses and hence improves the overall innovation environment. However, it has been found that the cluster innovation ecosystem in India is dysfunctional. What do you think are the possible reasons for this?


First of all, in countries like Italy or Germany innovations in one enterprise also spread across to the other units in a cluster. In the Indian context what happens is that the innovations developed by individual units do not spread across the cluster, unless it is organized by third parties like research institutions or a common service provider. Innovations in a cluster here in India are rather used as a competitive tool by the individual units. Hence, companies do not share their innovations with other industries. Besides, most Indian units compete on very low price markets and low margins. Any individual innovation is used for the enterprise's own advantage. Whenever there are industry associations or R&D institutions that provide the innovative content the situation looks slightly different. Innovations then do spread among units in a cluster as fees, costs and revenue of the innovation is covered by many units and the source of the innovation is different. One example is the leather industry cluster wherein the Central Leather Research Institute (CLRI) provides innovations which then spread across all respective units in the cluster.

The innovation capacity of Indian MSMEs is weak, particularly with regard to innovation management. In your opinion, what types of solutions need to emerge to improve the innovation capacity of MSMEs in India?

As mentioned earlier, MSMEs in India do innovate but innovations do not spread across. In order to increase the capacity of these MSMEs to innovate, you first of all need to introduce risk capital which needs to be made available to MSMEs. Most of the Indian units follow standard routine procedures and a continuation of what they have been doing in the past. Innovations necessarily need a risk element to be involved. Secondly, service providers need to be in place that provide adequate handholding e.g. in terms of risk capital to these MSMEs in order to increase their innovation capacity. There are some policy schemes by the ministry touching these problems, but they are very small in number. Either the number of schemes has to increase or the government needs to introduce more schemes that address the local level and reaches out to MSMEs.

Many service providers like incubators have started to cater to the needs of MSMEs, especially with focus on start-ups. In your opinion, what is good incubation support?

Incubators in India have evolved over a long period of time. Initially they only used to provide physical space. In the second stage, they also started providing services such as accounting services, legal support,



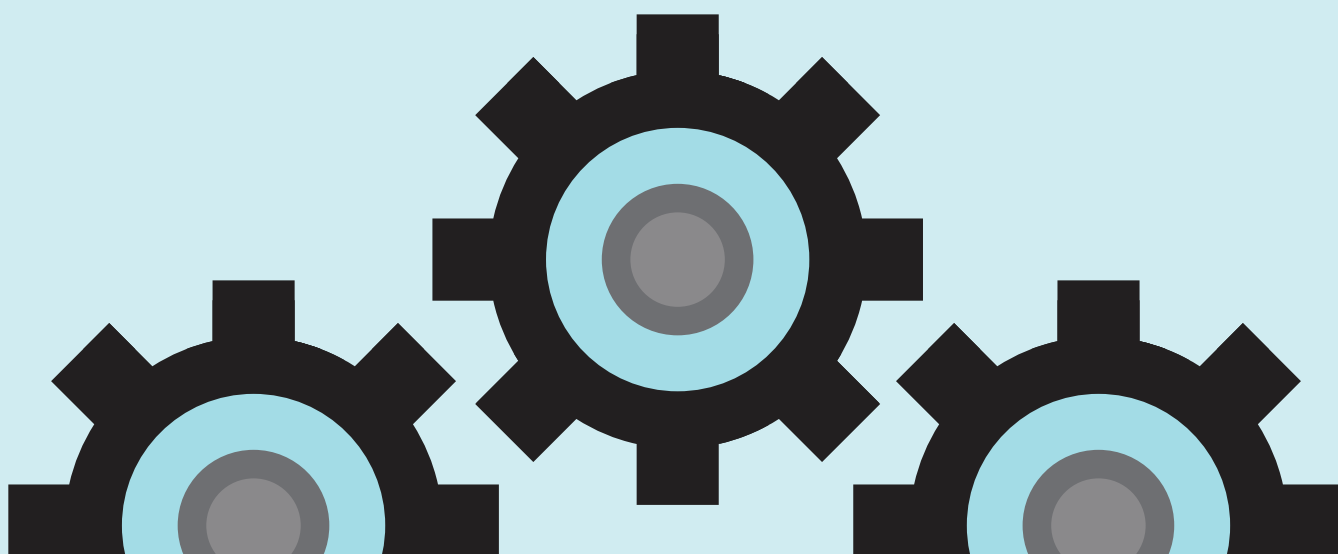
IT services, etc. In the third stage, they started providing innovation funds in terms of seed capital for instance. Over the years incubators have added value to their services and today we have around 125 incubators out of which 70 are supported by DST. Out of these 70 incubators, about 40 are providing all three services – physical space, different services and innovation funds. The rest of them are in various stages. Around 20 of them are coming up; they have only started in the past 2-3 years and are continuously scaling up their services. On the other hand, around 15-20 incubators have failed to succeed out of various reasons. In order to provide good incubation support the quality of their services needs to improve. Further, incubators need to strengthen their business model to work on a self-sustainable model after the 5 years of initial support. Then we also need to have a look and analyse how good the incubation manager is. The quality of the incubation manager basically defines the quality of the incubator.

Innovation is often confused with technology transfer and modernisation - how is innovation different for the two?

Innovation is often confused with technology transfer because the knowledge in terms of a new technology coming in, something new happening is considered to be an innovation. But it actually is not! While technologies are industry driven, innovations are mostly competition driven. Entrepreneurs are required to innovate because they want to compete. Hence, innovation is an intrinsic urge of the entrepreneurs themselves with which they seek to improve their products, services or processes in terms of being better, cheaper and faster. People also confuse innovation with technology transfer and modernization because they confuse “new to the market” and “new to the world” kind of innovations. New to the market probably falls under the technology transfer kind of innovation, whereas new to the world innovations are truly new innovations.

Internationally it is well established that industry and academia need to work closer together to bring about innovation. However, Indian top research institutions have little incentives to collaborate with MSME. Why is that and how can research institutions be incentivized to collaborate with MSME?

Most of the time the cost of transferring a technology or passing on an innovation to a small-scale entrepreneur is very high. MSMEs usually are not able to meet that cost and hence there is no enforcement for industry and academia to work closer together. There are attempts to subsidize the costs for new innovations developed by research institutions. Some models suggest that in case the technology succeeds, industries have to pay back the costs for the innovation, whereas in case of failure the expenses are borne by support institutions such as the government. The second and the most fundamental point is that the trust level between industry and research organizations in India is very low. The reason is that some of the technologies which were passed on to small-scale companies did not work to the expectations of the entrepreneurs. Further, researchers often do not have the commercial knowledge and develop products on a cost which is not competitive at the market at all. Here models have to be developed to overcome these challenges.





5 Scaling-up the Incubation Space through Innovative Support Services

“Receiving start-up capital is hard to achieve, but connecting to other businesses is at least as important as being financially equipped” – a statement made by the founder of a start-up for rural tourism. This and many other reasons have motivated him to sign up with **91SpringBoard**, a Delhi based incubator which is regularly organizing so-called “Start-up Bashes” – get-togethers which aim at providing the necessary contacts in the industry and to other start-ups. Indeed, start-up incubators are a growing trend in India and a great support source for inexperienced entrepreneurs. They support start-ups in learning the business basics, connect entrepreneurs, provide marketing assistance, access to office space and sometimes even financial support.

A recent study by GIZ has identified that while there are many “conventional” incubators, social business incubators are still small in number: Social Entrepreneurs often have special needs with innovative business models, operating in difficult geographies and with unknown customers. Specialized service providers have hence started offering tailored support. However, there is an increasing recognition that many of these social business incubation services are concentrated in the metros and that more efforts are necessary to reach India’s regions.

With this in mind GIZ’s efforts go into strengthening the incubation capacities and scaling up the incubation space, especially with a focus to building or strengthening incubators or service providers

beyond the metros. In this regard, GIZ has taken up various initiatives: In partnership with **Ennovent**, an investor and eco-system builder, GIZ is working on providing tailored services to early-stage enterprises that seek to bring innovations for low-income communities. While conventional incubators mainly target the metros, Ennovent will provide hands-on mentoring programmes, workshops and training sessions through local hubs that are connected to the Ennovent Global Network.

In order to strengthen the ecosystem and to build capacity of social enterprises, GIZ has partnered with the **Centre for Innovation, Incubation and Entrepreneurship (CIIE)** to set up a unique workshop series. Workshops took place in Ahmedabad, Coimbatore, and Jamshedpur so far, reaching more than 60 support institutions and about 75 entrepreneurs. In a two-day workshop Incubators and support organizations such as NGOs, Foundations, Corporates with CSR initiatives, etc. are trained to fill the gap in the social enterprise incubation space. The second workshop day aims at building capacity of social enterprises by providing the opportunity to network and interact with these incubators and support organizations and by identifying ways to overcome challenges that hinder their growth potential.

With the aim to support the expansion of good incubators, GIZ has also partnered with UnLTD India, a social incubator that has positioned itself as a launchpad for social enterprises. It is envisioned to empower locally-based and exceptional



entrepreneurs to offer start-up services to social enterprises on a franchising model. The affiliates will share common values, non-negotiables, branding, and performance metrics, but will have the freedom to adjust the incubation model to the local context. UnLtd India will serve as the national umbrella organisation, providing intensive start-up support and seed funding to each new affiliate as well as facilitating knowledge sharing, coordinating fundraising efforts and monitoring outcomes on an ongoing basis. 2 affiliates have been founded so far that are offering start-up services in the states of Andhra Pradesh and Tamil Nadu.

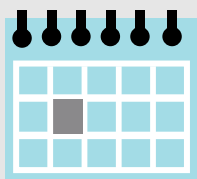
Many social enterprises are hampered in scaling up their businesses due to the lack of integrated data about demographics, income, infrastructure and other existing problems. In order to overcome these challenges, GIZ has supported **Villagineer**, a platform

that aims at bringing social businesses closer to the various champions in the rural development and at supporting social businesses to go proactively after the demand and finding the regions/villages that are best suited for their product or service.

As many social enterprises in rural areas are not able to access start-up services, GIZ and DFID have partnered with Intellectap in order to close this gap by setting up a virtual incubation platform. The services of the platform will be centered on online courses, events, mentoring, e-mail groups and self-support resources. A first webinar on business model development has already successfully reached more than 40 entrepreneurs.

For further information please contact:
Lalmuanzuala Chinzah (Lalmuanzuala.Chinzah@giz.de)





6 Events

Fostering the Innovation Eco-System

Training on "Stimulating Cluster Innovation"

The Indian economy is faced with a dual challenge of creating at least 180 million new jobs by 2025 in order to ensure economic growth and while doing so promoting environmental protection and sustainable consumption. The MSME sector plays a key role in driving this development. However, the MSME sector is facing several challenges in their endeavor to develop their competitiveness to the full: limited access to finance, non-availability of suitable technologies, constraints on modernization, non-availability of skilled labor, etc. Thus, in order to be more competitive in the international market, India must modernize its MSME sector and provide innovative solutions that cater to the basic needs of the 'bottom of the pyramid'.

Against this backdrop, a new project on "Innovation Promotion in MSMEs" has been agreed on under the Indo-German Bilateral Development Cooperation framework funded by the German Ministry of Economic Cooperation and Development (BMZ). The project seeks to create an enabling environment for SME to innovate, adapt and absorb innovative solutions in order to meet India's economic (inclusive growth), social (e.g. job creation) and ecological (e.g. resource efficiency) challenges. A cluster-based approach has been identified as an effective instrument to achieve this goal. In this

regard, a cluster roadmap has been conducted by ILFS to identify intervention areas.

As part of the project preparation, GIZ invited Shawn Cunningham, an international expert who has been working with customers in the public and private sector on innovation systems in different countries. He conducted a workshop with 16 participants from cluster development agencies, MSME development institutions and policy makers on concepts, methodologies and tools to "stimulate cluster innovation system" on 12th and 13th September in New Delhi. More insights regarding the topic were gained during a visit to Bangalore's CLIK, Consortium of Electronic Industries of Karnataka and Aurangabad's Marathwada Automotive Cluster on 17th and 19th September. The visit consisted of workshops on innovation systems as well as on-the-ground experiences of the local manufacturers and cluster associations. Altogether these insights present some unique opportunities for collaboration in order to effectively address the above mentioned challenges. The findings of the workshops will be incorporated in the design of the new programme.

For further information please contact:
Amit Kumar (Amit.Kumar@giz.de)



**Bringing Safe
Drinking Water
Solutions to
Low-income
Markets in India
– Practitioners’
Workshop**

97 million people in India don't have access to safe drinking water. Of all the states in India, only 7 have full availability of drinking water for rural inhabitants. 73 million working days are lost due to water borne diseases every year; causing major damages to the Indian economy. Businesses can play an important role in delivering drinkable water solutions by developing innovative business models for delivery.

Against this backdrop, GIZ along with its partner CII-ITC Centre of Excellence for Sustainable Development (CII-CESD) organised a workshop for entrepreneurs in the water sector on 'Bringing Safe Drinking Water Solutions to Low-income Markets in India'. The workshop was held on 27th September 2013 at the Park Hotel, New Delhi.

The workshop aimed at addressing the needs of entrepreneurs/enterprises in delivering drinking water solutions to low income markets at the Base of the Pyramid. The workshop also intended

to provide enterprises with key inputs on how to develop a sustainable business model and to further up-scale their operations. Investors and service providers such as Unitus, Ennovent, Villgro, 91 Springboard, CII which seek to assist entrepreneurs in their up-scaling efforts had been invited to the workshop.

12 organizations including names like Development Alternatives [SODIS], TARA [Aqua+], India Water Portal, Ternup Research Labs, LLP [Caddisfly], Water For People, RootBox, Vestergaard Asia Pvt. Ltd., Safe Water Network, Spring Health Water India Pvt. Ltd., Veolia, Sahara India Pariwar and Sahara participated in the workshop. That many of the participants came to personally thank the organizers at the end of the workshop was a testimony to the success of the workshop.

For further information please contact:
Lalmuanzuala Chinzah (Lalmuanzuala.Chinzah@giz.de)



**Innovation in
Financing: YES
BANK-GIZ-UNEP
FI Sustainability
Series**

Sustainable finance is assuming increasing significance internationally. More and more financiers seek to promote responsible business behaviours by integrating social and environmental aspects in their lending decision. However, in the Asia-Pacific region, the level of awareness remains relatively low, bringing out the need for pro-active participation from various actors of the financial landscape, in order to meet global standards.

Against this backdrop, GIZ Private Sector Development Programme in cooperation with YES BANK and UNEP FI, has initiated a Sustainability Series which seeks to mainstream sustainable finance in Indian financial institutions. The first workshop was conducted in April 2013, inaugurated by Deputy Governor of the Reserve Bank of India C.K. Chakrabarty. At the first trench, the series brought out the critical need to include Environmental and Social (E&S) risks in the risk management and credit appraisal process. In continuation of the initiative, GIZ and its afore mentioned partners have conducted two workshops on the 25th and 26th September in Mumbai which aimed at increasing the awareness among media and civil society as well as key actors from the private sector on key trends around sustainable finance. The Sustainability Series is an important pillar of the new bilateral Programme to "Strengthen Responsible Enterprise Finance", which is jointly implemented by GIZ and Small Industries Development Bank of India (SIDBI).

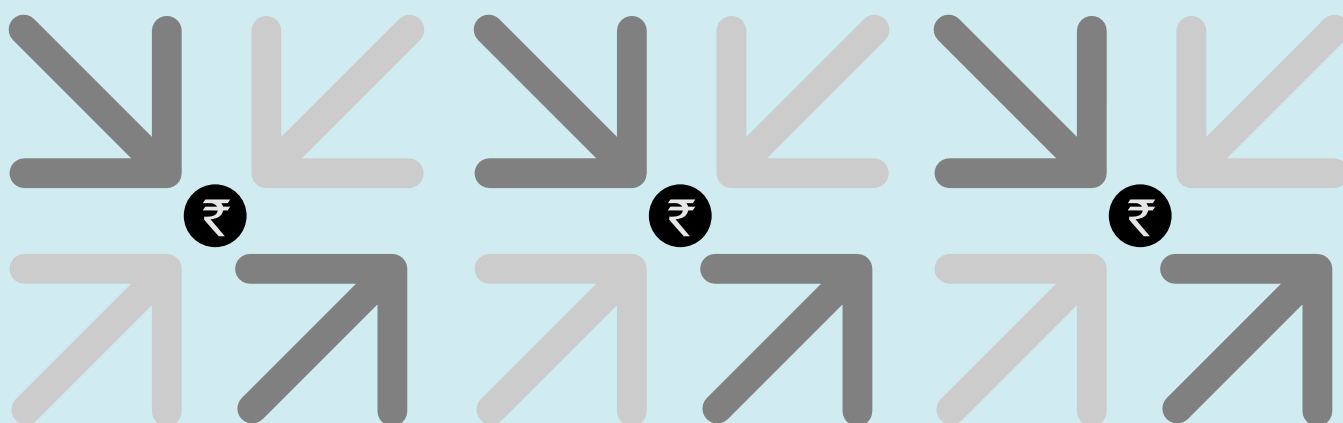
While financial institutions are taking first steps to drive the agenda, media and civil society also play an important role to create awareness in the wider society. As part of the agenda to promote the implementation of the National Voluntary Guidelines of Business Responsibility released by the Ministry of Corporate Affairs in 2011, the Indian Institute of

Corporate Affairs has partnered in this event: The workshop on 25th of September aimed to provide an introduction to trends and drivers of sustainable finance to media and NGO professionals, who deal with financial markets, sustainability, Corporate Social Responsibility (CSR) and the environment. The workshop equipped the participants with hands-on knowledge on sustainable finance (including the emerging concepts and practices of Responsible Investment and Lending), and formed the basis for advanced knowledge in this space. The workshop also emphasised on the role of media and civil society in encouraging financial institutions to pursue sustainability concerns in their executive.

The second workshop on "Demystifying Sustainable Finance: Focus on Environmental and Social Risks" on the 26th September, aimed at creating awareness among corporates on trends on Sustainable Finance and the strategic impacts for businesses. The workshop provided a tailored approach for corporate finance and sustainability managers, emphasizing the importance of environmental and social risk mitigation, which play an increasing role in risk assessment of international financial institutions. The workshop also equipped the participants with a working knowledge of sustainable finance. Further, the workshop aimed at bringing out synergies between banks and corporates to promote responsible business, as well as internal corporate collaboration to bridge the gap between their finance and sustainability departments.

Building on the good results achieved during the first workshop, the workshop saw good participation from various stakeholders of the financial landscape.

For further information, please contact:
Stefanie Bauer (Stefanie.bauer@giz.de)



Other Activities by the MSME Umbrella Programme

Launch of Knowledge & News Network (KNN)

Among many issues plaguing the MSME sector, one is the absence of appropriate structure and capacity to facilitate knowledge flow between policy makers and MSMEs. This adversely impacts the overall development of MSMEs. Hence, the establishment of mechanisms that enable both the policy makers and MSMEs to interact with each other are of enormous importance to bridge this gap.

Against this backdrop, GIZ has partnered with the Federation of Indian Micro, Small and Medium Enterprises (FISME) to create a network of chambers and associations, educational institutions and subject matter experts and also capacitate associations to effectively bring the issues faced by MSMEs into mainstream. The interactive web-based platform **"Knowledge and News Network (KNN)"** (<http://knnindia.org>) was launched by Mr. K.H. Muniyappa, Hon'ble Minister of State (MSME), on the 26th of July in New Delhi. At the launch, Mr. Muniyappa stressed

the importance of the emergence of KNN as a timely development to bridge the gap between MSMEs and policy makers. The launch witnessed extensive participation from MSMEs, representatives of associations and media.

It is envisioned to guide the platform in its endeavour to establish as an independent knowledge entity on a self-sustainable business model over time. The first steps to facilitating this have been undertaken by involving 158 industry associations and 110 knowledge institutions that support the information allocation on the ground. Run by a team of professional journalists, KNN has the potential to become the news and information dissemination hub for million MSMEs in the country.

For further information please contact:
Amit Kumar (Amit.Kumar@giz.de)



**Stakeholder
Consultation on
MSME Policies
for Promotion
of Sustainable
Economic
Development**

In recent years the global policy debate has experienced a shift towards an increased attention on non-economic impacts of MSMEs. Government and civil society are increasingly calling on the businesses (including the MSMEs) to take greater accountability for their actions. It has been widely acknowledged that the management of external environmental and social risk factors results into long-term business success and inclusive growth.

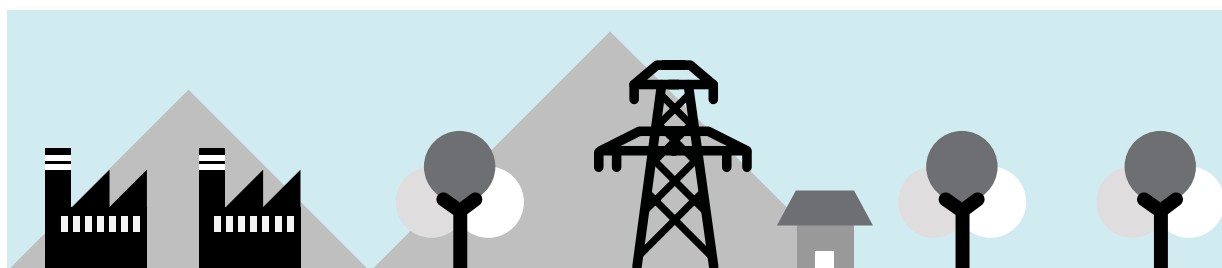
Government policies can majorly influence the context in which enterprises operate thereby mitigate the risks or enhance the opportunities faced by these businesses and thus influence the economic, environmental and social impacts of MSMEs. For encouraging responsible business practices by MSMEs in its policy planning, it is imperative that the Government must analyse the positive and negative economic, environmental and social impacts of its current policies and programmes.

Against this backdrop, GIZ in partnership with KPMG initiated a study with the mandate to assess DC MSME schemes on their approach towards the promotion of responsible business behavior. The objective of the assignment is to assess all schemes

of the DC MSME in terms of whether and how aspects of sustainability and inclusion have been integrated into them. The study further analyses if a provision exists to address the challenges faced by the MSMEs in adhering to responsible business practices, including an analysis of the interaction with enterprise governance.

To discuss the draft findings of the study, GIZ in association with KPMG organised a half-day stakeholder consultation workshop on the 23rd July in Delhi. The programme was organised to bring together experts, business owners, BMOs and government officials to discuss the sustainability performance of the existing schemes and how they can be further improved. During the workshop the participants extensively discussed questions on policy design and different support mechanisms in promoting responsible business behaviour among MSMEs. The workshop witnessed attendance by representatives from industry associations, support groups, NGOs and MSME Consultants.

For further information please contact:
Shankar Kumar (Shankar.Kumar@giz.de)



Economic Policy Forum

**Resources Policy:
Energy and
Environment**

GIZ has been commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ) to support establishing and running the "Economic Policy Forum" (EPF). The Forum, launched in November 2012, promotes exchange and cooperation among think tanks from emerging economies with those of developed economies; hence directly contributing to tackling some of the world's most pressing economic challenges. By providing support to feed research findings into domestic and international reform processes, the forum seeks to contribute to better informed policy making in emerging economies and

globally. Currently the forum constitutes working groups ranging from Urbanization to Regional Integration.

Against this backdrop, the Observer Research Foundation which leads the Resource Policy Working Group on behalf of the forum organized a two-day workshop on the 6-7th of August, 2013 at the Oberoi Hotel in New Delhi. The workshop titled 'Resource Policy: Energy and Environment' was attended by think tank representatives from China, Brazil, Russia, South Africa, Azerbaijan, Germany and India. The meeting explored challenges and

opportunities related to the future of global energy, access and redistribution schemes, the supply side economics and the need for diversification and, experiences around responsible business behavior in the use of resources. A keynote delivered by Mr. A. K. Jain of the Planning Commission of India stressed on energy security and the need for energy diversification in the country. Outlining key initiatives by the government to promote energy efficiency, he emphasized on the affordability and availability of energy for India.

The event provided for an excellent two day discussion on research questions identified by the group. The inputs emerging from the workshop will be captured in the draft papers that have been prepared by two or more of the think tanks across borders. The working papers will be finalized and published by the end of the year.

For further information please contact:
Pragya Kothari (Pragya.Kothari@giz.de)



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"Finding Questions" - Training on India DataLabs

Under the framework of the Economic Policy Forum, the Observer Research Foundation has developed a data portal "India DataLabs". Based on data available from National Sample Surveys, the India DataLabs makes it possible to find complex questions rather than simply answering existing questions. This portal presents thematic information like access to basic facilities, migration and its reasons, demographic trends across rural and urban India. These can be studied across a range of variables like religious identities, geographies and social constructs.

A first training was organized on the 25th September at ORF. The interactive workshop enabled

participants to personally explore the data and use numbers to understand policy problems, develop stories around identities or a narrative which is important in their respective work. This workshop was the first of a three series workshop scheduled between September and December 2013. The workshop primarily involved using India DataLabs to explore questions around Changing Demography, Migration and Urbanization. Subsequent workshops will be held on issues of Public Services Provision and Energy Access and Identity on the 28 November and 17 December, 2013 respectively.

For more information please contact:
Pragya Kothari (Pragya.Kothari@giz.de)



7

Announcement

Indo-German eGovernance Forum

“Meeting Governance Challenges via ICT” is the theme of the first Indo-German eGovernance Forum, taking place in New Delhi from the 23rd to the 25th of October. The Forum has been organised by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Jinit[Digital Communication, and SAP India Private Limited. The organizers are committed to developing the exchange of know-how and experience between India and Germany through the forum.

The dialog will feature around 70 e-Government experts from India and Germany, as well as decision-makers from government, business and the scientific community. German representatives from federal and state ministries, as well as authorities, associations and universities will participate. They include Dr. Jürgen Martens, State Minister of Saxony for Justice and European Affairs, Dr. Matthias von Schwanenflügel, Deputy Director in the Federal Ministry of Health, and Dr. Hanno Thewes, Chief Information Officer of the State of Saarland among others. From the Indian side, senior level officers from Ministry of Corporate Affairs, Ministry of Micro, Small & Medium Enterprises, Ministry of Labor and Employment, Ministry Of Rural Development, Department of Electronics & Information Technology, Department of Science & Technology, Ministry Of Consumer Affairs, Food and Public Distribution among others are likely to attend the event.

India and Germany with their dynamic IT industries and their federally organised administrations respectively are ideal partners in the area of public sector modernisation with recent information and communication technology. Thus the “Indo-German eGovernance Forum” has been conceived as a bi-national expert platform. It offers participants a unique opportunity to examine national approaches and ways of thinking, and discover new perspectives.

The Forum is a three-day event, beginning with a welcome dinner on the evening of the first day. The second day comprises keynotes and various panel discussions on (i) Responsive and Inclusive Public Service Delivery (G2C), (ii) Reaching out to MSMEs (G2B), and (iii) Infrastructure and Interoperability (G2G). The third day wraps up the event with an on-site visit to an eGovernance project.



To receive further information please contact:
Neha Nagpal (Neha.Nagpal@giz.de)

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Publications

Climate Change Adaptation: Call for Innovations



The call for new cleaner innovations as a response to the challenges posed by climate change has grown louder in recent years. However, many companies especially Micro, Small and Medium Enterprises (MSMEs) are neither aware of the need to adapt to climate change by means of new innovations nor do they have any guidance on how to adapt.

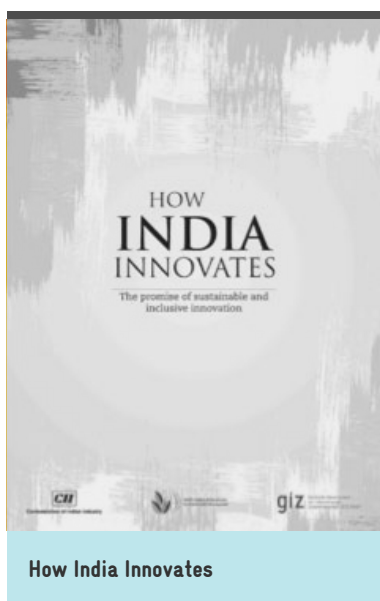
GIZ acknowledges that in order to succeed the right enabling conditions and capacity support needs to be in place. Given this situation, under the framework of the MSME Umbrella Programme additional funds have been allocated on climate change mitigation and adaptation in order to strengthen the role of Indian MSMEs thereby increasing their innovative capacity. As part of the project an E-learning Tool (www.climate-expert.in) has been developed to raise awareness and build capacity of the Indian MSMEs in the field of climate change adaptation.

Given the novelty and complexity of the issue, it can however be assumed that for MSMEs to successfully adapt to climate change, using this website alone is not sufficient, but needs to be complemented by additional training and consulting services. Therefore, GIZ in cooperation with its knowledge partner adelphi has developed a series of support materials. A Trainer's Manual aims at supporting trainers in conducting effective training programmes on climate change adaptation (CCA) for Indian MSMEs. It features a complete set of explanatory slides with additional explanations, tips, background material and hand-outs. In addition, there is a chapter on training methodology which covers organisational issues, training methods and training management, including the monitoring and evaluation (M&E) of the training programme.

As part of the Climate Expert, worksheets have been developed that can be used by companies individually or during consultations. These worksheets provide information for trainers, familiarising them with a structured approach on developing an adaptation strategy for MSMEs which includes concrete measures to improve their innovative capacity. Their purpose, content and application are spelled out in detail in a separate Consultant's Manual.

Both publications are accessible under the respective link provided below the pictures. For further details please contact: Stefanie Bauer (Stefanie.Bauer@giz.de)

How India Innovates: The Promise of Sustainable and Inclusive Innovation



CII-ITC-CESD supported by GIZ has conducted a survey with the objective to provide the innovation eco-system with information on "How businesses in India innovate and the promise it sees in sustainable and inclusive innovation". Having in mind that innovations are an important pillar for an economy to grow, it is also of utmost importance that they contribute to India's environmental, ecological and social objectives. However, results of the study have shown that most Indian companies are not engaged in developing "sustainable and inclusive innovation". Start-ups and social enterprises have been identified to fill this gap as they are often more flexible, have higher risk taking capabilities and are driven by certain passion. The study gives further interesting insights what hinders Indian companies to successfully innovate. For further details please refer to the link provided under the picture of the publication.

For further details contact: Lalmuanzuala Chinzah (Lalmuanzuala.Chinzah@giz.de)

MSME Umbrella Programme
B5/1 Safdarjung Enclave
New Delhi 110 029
Tel: +91 11 49495353
Fax: +91 11 49495391
www.giz.de

For Newsletter Enquiries Contact:

Pragya Kothari
Pragya.Kothari@giz.de

Eileen Trenkmann
msme-india@giz.de

Design:
Infonauts
www.infonauts.in