The Intellecap Lighthouse

An Anthology of Ideas & Insights

2021

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AAVISHKAAR GROUP

CONTENTS

OVERVIEW

Since 2002, Intellecap has constantly strived to shape outcomes in emerging and underserved markets by developing key insights and new ideas. As a result, the organization has undertaken bold initiatives across its various practices to push the envelope, seeking to build collaboration and thought leadership as part of the social impact discourse.

This year marks the 3rd edition of the Lighthouse, and there's been a concerted effort to bring more diverse, yet unique perspectives to the sectors Intellecap covers, and this year, we've gone a step ahead to also feature our most prominent multi-sectoral Case Studies from the year. The goal of this endeavour has always been to highlight and share the most relevant thought pieces with our external stakeholders, in order to drive across sustainable solutions that bring the collective a step closer towards achieving the SDG's, as set forth by the United Nations.

Some of this year's published pieces cover a diverse spectrum, including the role of angel investing during Covid, a discussion on the contentious Farm Laws in India, private sector's participation in achieving sanitation solutions, the journey of textile waste, and impact becoming a part of mainstream discourse, among others. This compilation of knowledge pieces has contributions featured in some of the most prestigious media publications, and bears testament to their importance and contemporary nature in these present times.

While large parts of the World continue to grapple with the effects of the Covid pandemic, this period has offered all of humanity a unique opportunity to deeply reflect and reboot itself in the most prudent and innovative manner, and emerge much stronger on the other side of this global epidemic. It is our sincere hope that the Lighthouse offers you more than a glimpse into some of the most compelling geographies and sectors Intellecap serves as part of its key constituents, and aspires to continue serving in the years to come.

To connect with us about our work, and to know more about our various initiatives, please write to us at connect@intellecap.net.

AGRICULTURE

GIVING WOMEN FARMERS ACCESS TO TECHNOLOGY

By Shreejit Borthakur & Charu Thukral

If women in rural areas have access to land, technology, and financial services farm yield could increase by 20-30 percent.

According to the Food and Agriculture Organisation (FAO) of the United Nations, women produce approximately 60-70 percent of the food in most developing countries and are responsible for almost 50 percent of all global food production. In India, 48 percent of all self-employed farmers are women. In Sri Lanka and Bhutan respectively, 41.5 percent and 62 percent of women work in agriculture. And in Sub-Saharan Africa, 50 percent of the total agricultural workforce is made up of women farmers.

Despite these figures, the work of women in agriculture is often unaccounted for, rendered marginal, or invisibilised. In addition, women farmers are paid significantly lower than their male counterparts—estimates suggest that, as of 2016–2017, there was close to a 22 percent wage difference. Furthermore, the role of women farmers is often limited to less skilled work such as sowing, weeding, and harvesting. They are seldom included in decision-making processes and are not often seen participating in work that is mechanised.

> In India, women own only 10 percent of agricultural land, while in Africa the figure is 20 percent.

Many of these gender disparities in smallholder agriculture are an outcome of systemic challenges. For instance, land ownership and other entitlements have been a major cause of concern for women farmers—in India, women own only 10 percent of agricultural land, while in Africa the figure is 20 percent. Additionally, many of the policies targeting the agricultural sector fail to recognise women as 'farmers' which consequently restricts their access to institutional credit. Lastly, existing social and cultural norms often exclude women from participating in market-facing roles, key decision-making processes, trainings, and extension work.

While these disparities continue to remain high, there is a growing consensus globally, on the role of agricultural technologies in ensuring food security and reducing farm-level drudgery. Most agricultural technologies have proven that they can support in a) increasing productivity, b) reducing the cost of cultivation, c) increasing sales realisation, and d) reducing vulnerabilities while also restricting the carbon footprint of agriculture. However, for these technologies to contribute their full potential to global food security, service providers need to be more inclusive when it comes to women customers.

Our interactions with farmers from across regions in Asia demonstrates that the adoption of such technologies is dismally low amongst women. This low adoption, amongst women, has the potential to further fuel gender disparities in agriculture in the long-run. Given this background, here are five principles that technology service providers could integrate in design, development, and deployment phases to make their solutions more inclusive for women.

1. **Include women at the design stage**
   A bottom-up approach to designing agricultural technologies is critical. Technology service providers should use approaches such as design-thinking (a

user-centric approach to define challenges, ideate on solutions, and develop and deploy pilots and tests) in their ideation phase. They should also make sure that women form an adequate part of any immersion visit or workshop that is conducted to identify challenges that farmers face. This would ensure that potential solutions consider the specific problem statements that women may face and also the requirements of women for the technology to be adoptable by them.

2. **Include sex-disaggregated data as a key decision variable in customer segmentation exercises**
   Customer segmentation exercises are key to increasing adoption of agricultural technologies as it allows for designing and developing distinct strategies for different customer groups. Since women farmers differ from their male counterparts in factors such as literacy rates, control and access of resources, and norms followed, customer segmentation exercises should integrate data about them as a key decision variable.

   For instance, existing societal and cultural norms may prevent women from participating in group meetings owing to factors such as timing of the meeting, location, or presence of male counterparts. Keeping these factors in mind would allow service providers to design data collection exercises that are inclusive, and result in getting actionable insights from women farmers or cultivators.

   Similarly, owing to factors such as lower literacy rates amongst women farmers, service providers are required to introduce adequate technological interventions to address such unique adoption challenges. Thus, by understanding the requirements of women as a specific segment, service providers could integrate video, audio, and imagery, instead of (only) written text to ensure that women adopt and use their solutions. In addition, during prototyping and piloting, technology service providers should collect sex-disaggregated data for fine-tuning their products more efficiently.

3. **Ensure representation of women in field and sales teams**
   The sustained use of agricultural technologies at a grassroots level requires significant capacity building exercises and on-site training. Our field research across South Asia has demonstrated that these capacity building exercises are often conducted by field staff with limited women representation. This directly impacts the participation of women farmers (who might not be comfortable spending a large amount of time with men), which in turn further limits adoption. Similarly, technology service providers should ensure that their sales team has women onboard, as they would be able to have sustained conversations about their solution(s) with women farmers or cultivators.

4. **Involve local influencers**
   Designing pilots and deployment strategies that leverage women champions from the village (such as existing women farmer leaders) can facilitate the development of more robust products while also having a strong demonstration effect. By doing so, technology service providers are firstly able to validate whether their product is usable by women and identify any roadblocks to usage. Secondly, this process tends to encourage women farmers to adopt technologies as an outcome of seeing women champions use the same technologies.

   In addition, to increase awareness and outreach of technologies, leveraging local influencers such as representatives of existing women-focused philanthropic interventions and panchayat leaders can be extremely useful for technology service providers seeking to enter new markets.

5. **Consider access and control over resources**
   Access and control over resources play a crucial role in determining the adoption of any technology. For instance, women farmers are often seen to have limited or no access to smartphones which may lead to reduced adoption of digital technologies. In such cases, service providers can attempt to reach them through the younger generation in households. Similarly, women may have a restricted ability to pay for technologies, to overcome which, technology service providers could consider alternate revenue models to sustain their operations such as providing data-driven forward and backward linkages for a small commission fee.

> Women reinvest up to 90 percent of their earnings back into their households.

Women reinvest up to 90 percent of their earnings back into their households most of which is spent on nutrition, food, health care, school, and income-generating activities that help in breaking the cycle of intergenerational poverty. According to a report by FAO, if women in rural areas have access to land, technology, and financial services, among others, farm yield could increase by 20-30 percent, thus contributing significantly to food security.

To conclude, it's important to acknowledge that increasing technology adoption amongst women farmers could result in increased economic benefits at the grassroots as well as significant social impact. At the same time, by developing solutions that are more inclusive, technology service providers could tap into a much larger market, consequently improving their own business performance.

The article has been made possible by insights from Kunal Prasad (Co-Founder and COO CropIn Technologies), Soma Kishore Parthasarathy (National Facilitation Team MAKAAM and Policy Advisor to the Government of India), and Carolyne Kirabo (Investment Consultant and Gender Equality Champion).

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FARM LAWS 2020: EFFICIENCY VS EQUITY

By Vivekanandhan T & Sudhanshu Dikshit

While there is agreement on the importance of improving food production and productivity, there are differing views on the ways to achieve both.

The new farm laws have become a politically contentious issue nationally, but if one were to steer clear of the political rhetoric, it becomes apparent that at the heart of the issue is the long standing efficiency vs equity debate.

Those on the efficiency side highlight the long overdue agri-sector reforms to move the sector from its stagnancy to higher levels of production and productivity. People on this side also bat for reduction of the government's direct participation and an increased role for market forces (including more private players in agriculture).

On the other hand, those arguing for equity look at agriculture as a livelihood option for large numbers of small and marginal farmers. As a result, they oppose a reduction of the state's role and express reservations about whether the farmers' interests will be protected in a free market scenario.

UNDERSTANDING HOW SMALL AND MARGINAL FARMERS WORK

As per the Agriculture Census of 2015-16, approximately 86 percent of the farm holdings in India fall under the small and marginal category (up to two hectares). This small and marginal land holding, in turn, contributes to about 47 percent of the total agriculture land under cultivation. Looking at these figures, it is abundantly clear that small and marginal farmers' productivity plays a critical role in improving the overall productivity of the sector.

Successive partitioning of agriculture land over generations has reduced the average size of the operational farm holdings, from an average size of 2.28 hectares in 1971 to 1.08 hectares in 2016. This small land holding is the core challenge for increasing farm productivity: The cost of producing one quintal of wheat varies drastically across different farm holding sizes.

Approximately 86 percent of the farm holdings in India fall under the small and marginal category.

So, while one might argue that the productivity of a small farm holding is likely to be high because of better control on farm practices, it is important to understand that in these smallholdings, contribution of self and household labour is not monetised as a cost. There is actually an opportunity cost to this household labour; however the absence of gainful employment opportunities in rural areas makes way for this disguised unemployment.

While large and medium farmers are in a better position to leverage technology and manoeuvre economies of scale to their benefit, small and marginal farmers are unable to do either.

Small holder farmers face challenges regarding economies of scale on farm inputs as well as outputs. In comparison with large and medium farmers, they spend more on per unit of farm inputs (seeds, fertilizer and pesticides) but experience lesser realisation on per unit of commodity sale. This disparity does not get compensated in a free market scenario wherein small holder farmers have to compete on equal footing with large and medium farmers.

LOOKING AT THE FARM LAWS THROUGH THE LENS OF SMALL AND MARGINAL FARMERS

In this context, it becomes important to analyse the new farm laws 2020 and see how they may potentially play out for small holder farmers.

> If free market forces are unleashed on an existing set of actors, the existing power dynamics will determine who gets how much.

The larger intent of the farm laws is to increase private sector investment across the entire agriculture value chain. Among the laws, the contract farming act enables legal provisions for private sector to enter into contractual arrangements with farmers and improve primary production. These contract farming arrangements have the potential to leverage private investments to improve farm level infrastructure like irrigation facilities, poly houses, trellis, etc. Improving infrastructure, along with the price assurance provisions in contract farming can provide the right incentives for small holder farmers to move away from subsistence cereal crop farming to commercial cash crop farming. This market oriented incentive for small and marginal farmers has the potential to reduce, and in certain cases, replace the existing need for support from development intervention agencies like nonprofits and government departments.

However, the above economic argument does not factor in prevailing power dynamics among different economic actors in the current agriculture market. Practitioners with even little exposure to ground realities will appreciate that if free market forces are unleashed on an existing set of actors, the existing power dynamics among the actors will determine who gets how much. This is the fundamental premise of the equity school of thought, which has concerns regarding the protection of small holder farmers' interests and hence they are opposed to the removal of government participation.

> The average farmers' share in the end consumer rupee for 16 major food items is in the range of INR 28 paise to INR 78 paise.

In its publication Supply Chain Dynamics and Food Inflation in India (2019) the RBI has estimated the average farmers' share in the end consumer rupee for 16 major food items is in the range of INR 28 paise to INR 78 paise. The report also highlighted that among factors critical for increase of farmers' realisation, are the literacy levels and the availability of market information, as these two factors empower the farmers to negotiate better with their buyers and get a better price for their outputs. In the absence of market information and low literacy, small and marginal farmers are at a greater risk of being exploited by other market players (traders, processors etc).

WHERE DO WE GO FROM HERE?

As a country, we do have examples of market liberalisation in many sectors, the most prominent one being the economic liberalisation of the 90s. Those reforms did increase production and productivity. The private sector had championed these initiatives and they were duly aided by increased supply of credit, access to technology, and favourable government policies. As a consequence, employment opportunities increased in these sectors and the overall economy boomed. It therefore appears that as long as there is growth in market demand, micro and small producers can coexist with large producers.

But there are larger questions that we must consider:
- Is it prudent to compare the predicament of relatively well organised sectors like manufacturing to that of agriculture, which is less organised and has higher levels of disaggregated production?
- Have we exhausted all other means and is this the only route left to improve total crop production and average crop productivity?
- Have we focused on small and marginal farmers as a separate constituency in our efforts to improve food production?

In the overall efficiency vs equity debate, there is no opposing view regarding the importance of improving production and productivity to meet the future food demand in the country. However, there are differing views on the ways to achieve it. By taking a free market approach, the new farm laws have been criticised as inequitable, as they fail to account for empowering small and marginal farmers.

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REIMAGINING AGRICULTURE IN KENYA: FIVE STEPS FOR BUILDING RESILIENCE AND FOOD SECURITY AFTER A CATASTROPHIC YEAR

By Michael Omega, Daniel Kitwa, & Racheal Wangari

To say that we need to reimagine the agricultural and food systems in Kenya would be an understatement. Indeed, 2020 brought an unholy trinity of crises that threatened both lives and livelihoods, and which served as a wake-up call about the fragility of the country's agricultural sector and overall food system. First, the COVID-19 pandemic disrupted practically everything that was previously considered normal. This was followed by the largest desert locust upsurge in 70 years and flash floods that affected more than three-quarters of the country — including the food-producing counties in Kenya's Western, Rift Valley and Central provinces.

The following numbers put these three threats into perspective:

- The announcement of the country's first COVID-19 case in March 2020 and the resultant containment measures had far-reaching effects on the flow of goods and services across the food system, straining the livelihoods of millions of urban and rural dwellers while increasing food prices for consumers. As of last September, 6.2 million Kenyans were in a food-insecure situation, with an even higher number unable to access and/or afford safe and nutritious foods.
- Desert locusts are considered the most destructive pest in the world, with an average swarm (estimated between 40-80 million locusts covering one square km) eating the same amount of food in one day as about 35,000 people. Hence, the impact of the swarm covering 2,400 square kms and containing billion of locusts that was reported in Kenya was more than catastrophic.
- The flash floods the country experienced were only comparable to the 2016 El Niño flooding that was responsible for severe food insecurity in the country. Between March and May 2020, the floods affected more than 233,000 people, with 116,000 people displaced and 194 deaths. Further, acres of farmland were destroyed and thousands of livestock killed, while key infrastructure such as roads, bridges and schools were left in ruins.

These grim statistics remind us that it is possible for a single catastrophic event to wipe out decades of progress for communities, while multiple catastrophes can easily overwhelm entire countries. And as the world gets increasingly connected, we've become more vulnerable than ever before to these types of compounding crises.

THE NEED FOR RESILIENCE IN KENYAN AGRICULTURE

Kenya's recent struggles are also a reminder that climate change is already accelerating and intensifying natural disasters. The warming climate is closely intertwined with the performance of food systems, and crises that impact these systems often disproportionately affect the vulnerable. For that reason, resilience is a goal that should not only be discussed in boardroom meetings, brainstorming sessions and keynote addresses, but rather one that should be translated into the everyday business environment in cities and villages worldwide. Essentially, resilience should be a way of life, a lens through which policy is designed, strategy is implemented and commerce is facilitated. And the agricultural sector should be a key focus of these efforts.

Kenya, a perennial net importer of food, imported about KES 17.2 billion in December 2020 alone. For a country with an increasing population and a continued dependence on rain-fed agriculture, this spending is bound to go up if nothing is done about it. Kenya's situation with respect to food security and its chronic dependence on imports is not unique in sub-Saharan Africa. However, its position as an economic hub in East Africa suggests that any efforts it makes toward building resilience in its food systems may offer transferable blueprints, models and pathways that can be implemented in other emerging markets and contexts. So it's particularly valuable to explore solutions to Kenya's current food security challenges.

The following points (in no particular order of importance) highlight some of the ways we can reimagine Kenya's entire agricultural value chain and food system.

REIMAGINING FARM LABOR

Experts estimate the average age of the Kenyan farmer to be 61 years. In a country where 75% of the population is under 35 years, this essentially means that the sector does not attract the most productive labor assets — young workers. With older farmworkers, the risk of decreased productivity and overall output is ever-present. Further, this population is slow to adopt technology and innovation. We, therefore, need to explore policies, incentives and interventions that increase the youth's participation in the agriculture labor force. This should be a holistic approach that includes enhancing access to technology, capital and knowledge for prospective young farmers so that the barriers for entry are not only reduced but ultimately eliminated over time.

REIMAGINING THE FOOD STORAGE INFRASTRUCTURE

For a country that loses up to 20-30% of its production post-harvest, increasing and innovating on both national- and farm-level storage should be a top priority for key stakeholders. At a national level, food reserve storage is a relatively cheap public insurance policy against the tremendous uncertainties caused by climate change for the country's food system. However, the National Cereals and Produce Board — the national food reserve agent — has faced multiple financial and operational challenges that have led to calls for the privatization of the institution. At the farm level, the adoption of productive renewable energy in activities such as refrigeration (cold storage), drying (solar dryers) and especially milling can increase the nutritional and monetary value of farm produce, and lengthen its shelf life.

REIMAGINING AGRICULTURE POLICY

Public policy plays a key role in the agricultural sector's prospects. Kenya's leadership will need to explore new and ground-breaking policy frameworks that set a path toward resilience. For instance, some critical measures include: developing policies to enhance food processing; establishing "localized" (county-level) climate change action plans and climate risk policies; and expanding budgetary capacities to respond to climate-related events that impact farmers. These approaches should be developed at both the national level and at the county level where implementation happens. Continuous monitoring and progress checks should be embedded into the process flow, to ensure that momentum is not lost and transparency is maintained.

REIMAGINING AGRICULTURE FINANCING

The cost of capital remains high for farmers and aggregators, especially given the risk-averse nature of the pool of local institutional capital available. Some farmers may not have a credit history outside of their co-operatives and SACCO funding partners, thus limiting their ability to tap into the additional sources of capital that exist. Access to finance should involve creating localized startup hubs away from the big cities, so that funding networks are available to agricultural players outside the country's metropolitan areas. (Sadly, most incubation hubs are located in Nairobi.) The challenge then becomes how to localize these networks. Working with agricultural departments and the small and medium enterprise-focused infrastructure provided by counties can be one way of directing this support to businesses at the local level. Public and private investors can also explore innovative financing solutions such as: gender lens investing targeting women farmers; crowdfunding platforms that invest in African-owned farming infrastructure; portfolio-based lending where smallholder farmers can be aggregated and their assets securitized into a sizeable financing round; and impact-linked interest rate lending models.

REIMAGINING FARMING ITSELF

Behavior change among farmers should definitely be a key focus area in Kenya's quest to become more resilient. This involves everything from the most basic of strategies, like crop rotation, to the most complex — such as a completely mechanized end-to-end approach to agriculture. Farmers need to unlearn common but less-effective methods, so as to relearn new ones. Behavior change should also involve consumers, who need to embrace new dietary patterns above and beyond the traditional staple foods, so as to trigger the market demand that would motivate farmers' decisions, which are ultimately driven by what the buyer wants. For instance, can public school feeding programs incorporate diet choices that incentivize new, positive farming behavior and build new agricultural value chains, such as including new types of fruit orders, or even exploring camel or goat milk instead of cattle?

CONCLUSION

While the above list is certainly not conclusive, it represents a new way of thinking and includes the critical building blocks that define what resilience really means from an agricultural point of view. Kenya's Vision 2030 aspirations are closely aligned with the United Nations' SDG ambitions, and food security is part of the current government's "Big Four" agenda. But while these intentions are encouraging and praiseworthy, long-lasting progress in boosting food security and agricultural productivity and improving livelihoods for farmers and vulnerable communities will only be achieved through an action-based and resilience-focused approach. Kenya must learn from past failures, build on our successes and strive to reimagine our future. To that end, the traumatic events of 2020 were an important lesson for us: As George Santayana said, "Those who cannot remember the past are condemned to repeat it."

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CIRCULAR APPAREL

EARLY-STAGE FUNDRAISING IN A POST-COVID WORLD: THE INVESTOR'S PERSPECTIVE

By Nancy Charaya

CIRCULAR APPAREL INNOVATION FACTORY
AN INTELLECAP INITIATIVE

SANKALP DIALOGUES
AN INTELLECAP INITIATIVE

THE COLLECTIVE LEARNING SERIES

EARLY STAGE FUNDRAISING IN A POST-COVID WORLD

SESSION PARTNER : AAVISHKAAR CAPITAL

Today we're used to thinking of companies like Whatsapp, Instagram and Uber as "unicorns" that have disrupted the fundamental ways in which we interact with the world. What they all have in common, apart from this, is the fact they all launched soon after the economic recession of 2008, considered the most severe global recession since The Great Depression of 1929.

Crisis however has always spurred innovation, as the flip side of crisis is an opportunity for innovation. Beginning with frugal innovations as immediate responses, to disruptive innovations filling wide opportunity gaps, historically, periods of crisis have always been followed by periods of great innovation.

As we navigate the ongoing COVID-19 crisis, we have much to learn from past experiences of responding to difficult times. 2020 is now being called "the year of survival", for individuals, enterprises and investors. As entrepreneurs navigate the simultaneous challenge of running day to day operations while pivoting and adapting broader business models, fundraising is now, more than ever, the key to post-crisis survival.

Circular Apparel Innovation Factory (CAIF), in partnership with Sankalp Dialogues, has launched the CAIF Collective Learning Series to help entrepreneurs navigate issues such as "Early-stage fundraising in a post-COVID world", the session was designed to help young entrepreneurs understand the impact of the COVID crisis on the fundraising landscape and how to adapt their approach to fundraising in a world that has changed suddenly and significantly.

Moderated by Divya Gupta, Investment Manager at Aavishkaar Capital with a panel of experts in early-stage investing — Sushant Bhatia, Regional Investment Manager at Caspian Debt; Shashwat Rai, Senior Investment Manager at Aavishkaar Capital; Utkarsh Sinha, MD at Bexley Advisors; and Samik Rakshit, at Pi Ventures.

WHAT SHOULD BE THE IMMEDIATE RESPONSE OF THE ENTREPRENEUR, WHILE SURVIVAL TAKES PRIORITY?

- Communicate effectively with the team, you are the best guide for the company
- Maintain transparency with investors on the impact numbers & strategies to overcome it
- Be pessimistic in future planning given the amount of uncertainty
- Be tactful with resources, as they determine your runway
- Focus on a lean team and keep a check on the expenses

It is crucial to direct more mental bandwidth to the points listed above and not make mistakes. As entrepreneurs will need to make quick and bold decisions on contrary investments might become scarce.

ARE YOU PLANNING TO FUNDRAISE? HERE ARE A FEW THINGS THAT INVESTORS ARE LOOKING FOR:

- Time that is required for fundraising might increase, so start reaching out sooner and be prepared for the delays in the process
- Do your homework and set a context when reaching out to new investors, having an ambassador is a plus.
- Involve the leadership team in the conversations with investors, it helps fabricate trust especially in the seed round.

- Due diligence involves a mix of online audits and physical verification, focus on closing all the requirements, share regular updates with investors that gives them a sense of progress and to stay in the priority list of investors.

Investors are looking at a deeper level of engagement with their portfolio companies given the scenario. And there is a significant shift in their mental bandwidth to value protection for existing investors and hence new investments have been facing a lag. But as the investors have already started to look at new investments, you can expect changes in their approach.

HOW ARE INVESTORS GETTING READY TO INVEST IN A POST-COVID ERA?

- The ticket size might be smaller as the threshold for investment has increased, though seed funding will get less affected compared to series A & B given that the ticket size is already small.
- Unit economics will be back in fashion, sustainability and profitability would be very important. Well priced products/services at seed stage might win over top line growth for series B & C.
- A shift in approach is expected from vertical to horizontal and some sectors i.e. telehealth, and zero-contact start-ups will become a priority for investors.
- As the threshold for making an investment has increased, valuations are bound to take a short term hit. So it might help entrepreneurs to be flexible about valuation at an early stage. Although Softbank's money squeezing might also be a reason for the decline in valuations.

WHAT ARE THE POSITIVE IMPACTS THAT THIS CRISIS CAN BRING?

- Reduction in capital vandalism, that will give an opportunity for small businesses to compete with the bigger ones.
- It is a push for the individuals who are at the edge of making this shift to entrepreneurship.

Nancy Charaya is a Senior Associate with CAIF

*This article first appeared in **Circular Apparel***

WHERE DOES TEXTILE WASTE GO?

By Tanushri Shukla

We mapped the landscape of pre-consumer textile waste in India and here's what we learned.

According to some estimates, up to 25% of fabric is lost during the garment cutting and making process[1]. Considering India is a global hub of apparel production, there is clearly a substantial quantity of pre-consumer waste emerging from local production units and tailoring set ups. Surprisingly, there is still no consolidated study on estimating these amounts. With limited research available on these aspects, the quantities of waste generation are yet to be credibly estimated[2]. What is known, however, is that textile waste is the third largest source of municipal solid waste in India[3].

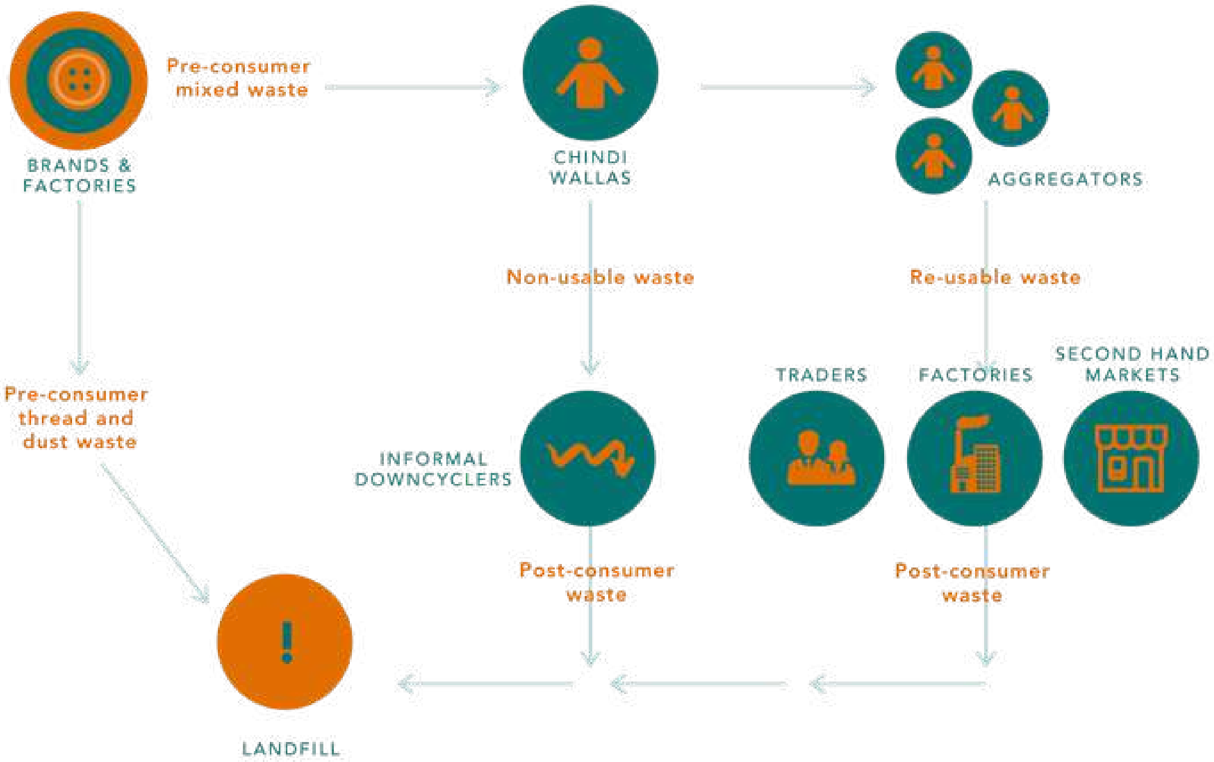
Most of this waste is sold to the large and informal economy of waste workers at nominal amounts of Rs 6-10 per kilo[4]. Commonly known as "chindi-wallas", and many belonging to the nomadic Waghri community of Gujarat, this is the invisible force behind the recycling of textile and in fact most forms of dry waste in India. They have traditionally done the work of collecting, repairing and re-selling used clothing from households around India, driving product life extension through low-cost, cash-based trading[5].

These collected garments and scraps make their way to the numerous informal second-hand clothing markets around the country, such as Mumbai's "Fashion Street" and Delhi's Janpath. Mapping specific enterprises operating in this space is an uphill battle because of the total lack of organization and oversight — these are primarily individuals engaging in cash-based transactions, with no paper trail.
Independent chindi-wallas may also sell this waste to mid-sized aggregators, who are able to collect relatively larger quantities of similar types of waste, which is then sold onward through the following channels:

- To small traders and merchants to convert into products like low-cost children's clothes
- To industries that use it for downcycling, e.g., cement factories, road laying, car seat stuffing, etc.
- To factories for use as rags to wipe oil and grease from machinery — after one use, these rags are landfilled since they cannot be cleaned
- To mattress makers who downcycle it into stuffing for low-cost pillows and mattresses
- This waste can also make it to recyclers — primarily in Panipat where it is mechanically recycled into low-cost and poor-quality blankets for the army, trains, prisons, and donation via Red Cross.

The mark-up on the original cost is not very high and chindi-wallas typically remain trapped in a cycle of poverty and hand-to-mouth existence, travelling long distances to factories to collect and sell waste.

Current value chain of pre-consumer textile waste in India



Waste workers are on one hand the backbone of the textile waste management value chain in India, but on the other hand also completely unorganized and disaggregated.

Tanushri Shukla is Lead for Knowledge & Community Engagement at CAIF

*This article first appeared in **Circular Apparel***

THE CIRCULAR+ INITIATIVE :COLLECTIVE EFFORT AND THE PATHWAY TO CIRCULAR FASHION

By Nancy Charaya and Trina Roy

There is no denying that the current fashion and textile industry is entrenched in a largely wasteful 'take-make-use-dispose' system. Being one of the highest pollution generating industries, the level of waste generated by the industry itself begs for serious reconsideration about its operations, processes and incentives.

A promising way to reduce this environmental impact is by scaling circular business models i.e. strategies that help reduce waste, make more efficient use of resources and extend the life of existing resources and products. Contextualised to India, this approach has an additional dimension that can not be ignored — the social dimension. With roughly 45 million people employed by the Indian textile industry, any discourse on fundamentally changing the operating system must not leave behind the people in it.

Project Circular+ launched by CAIF with the support of the Laudes Foundation is focussed on creating evidence for circular business models that not only achieve positive environmental outcomes but also create social impact. Broadening our understanding of circularity, the '+' refers to going a step further and 'designing for inclusion' within businesses. With this background, over the past seven months, we have worked towards creating industry-wide engagement to co-creating solutions that put environmental and social impact at the very core of their design, while continuing to make business sense. Through a stage gated approach, the Circular Plus Working Group brought together industry stakeholders to collaborate and build solutions that are Circular+, thereby mitigating environmental risks as well as generating sustainable business and livelihoods.

Our experience in the course of these past months have repeatedly stood testament to the potential of and need for collective action. With the completion of Phase One of the project — designing of solutions — there are critical learnings that are essential for initiatives that holistically look to address the challenges of the textile industry.

ENGAGING IN INDUSTRY-WIDE DIALOGUE

Mainstreaming circularity in the current ecosystem necessitates a systemic shift. With the complexities of the textile value chain itself, bringing all key stakeholders to share a common vision and framework of action is a criticality, so that solutions are not built in silos or remain limited in scale. The Circular+ Working Group consisted of a diverse group of thought leaders and practitioners including representatives of brands, SMEs, NGOs and experts on technology, gender policy and early stage investment. The composition of the Working Group was a crucial element that enabled validation built into the process of solution building. Enriched by real time feedback from industry thought leaders and practitioners, the innovators could dynamically tailor their solutions that ensure a market fit.

Moreover, with the project's aim to anchor these solutions in a strong ethos of social inclusion and impact, the perspectives shared by the Working Group members were invaluable to learn about various best practices, challenges as well as failures of the industry in this regard. It equipped the innovators driving the solutions with practical knowledge that enabled them to design solutions responsive to industry needs, increasing probabilities of its large scale adoption.

CIRCULARITY HAS TO BE TIED WITH A BUSINESS CASE

Positive environmental impact and social inclusion within business practices has traditionally been perceived as a 'charitable activity' rather than a business goal. This mindset has reflected the conventional business priorities towards which a company invests its capital and efforts. This mindset also percolates to businesses of different scales, including micro, small and medium enterprises.

To seriously change the current system, it is imperative that circularity is made to be profitable, and linearity is made to be unprofitable. Unless the goals of environmental impact and social outcomes are embedded within the business goals that ensure revenue and profitability, the adoption of circular business models and practices will remain a mere side activity.

With Project Circular+, our focus has been on identifying and strengthening the business case to generate evidence that the adoption of 'Circular Plus' principles will enable business advantages.

For example, Collections Reloved gives their customers access to pre-owned clothes. This model of reselling helps keep clothes in use for longer, while allowing consumers to access them at affordable prices. This establishes a business case for circularity, but it is slightly complicated to do the same for inclusion. At Collections Reloved, some of the clothes need repairing before they can be resold — upskilling tailors would increase their capacity, which would in turn generate more business, which would result in an increased income for the worker who forms a critical part of the value chain.

ECOSYSTEM PARTNERS WILL PLAY A KEY ENABLING ROLE IN THIS SHIFT

Currently, ecosystems are designed to help linear business models scale and succeed. The ecosystem including the capital infrastructure, venture building support, policy framework, among others are designed to the needs of linear business models.

To truly mainstream circular business models, the ecosystem must not only enable but catalyse the shift to circularity. The questions to ask here are, how can investors integrate a circularity lens in their investment decisions? Can financial instruments be designed to de-risk uncertainties that may come with the adoption of circular business practices? Are regulatory mandates like sustainable procurement policies the need for incentivising circularity?

HAVING A COMMON LANGUAGE AND UNDERSTANDING OF CIRCULARITY

Similar to other sectors, circularity in the apparel sector is at a nascent stage in India. While we have established the need to contextualise circularity to the realities of India, the complementary need is to develop a common language and understanding around it.

As models such as rental and re-commerce gain momentum, the time is right to shape a common agenda around circularity. Without an industry wide common and shared approach that fixes accountability, corporations and brands find it difficult to measure and assess the returns as well as potential that comes with investing in circularity.

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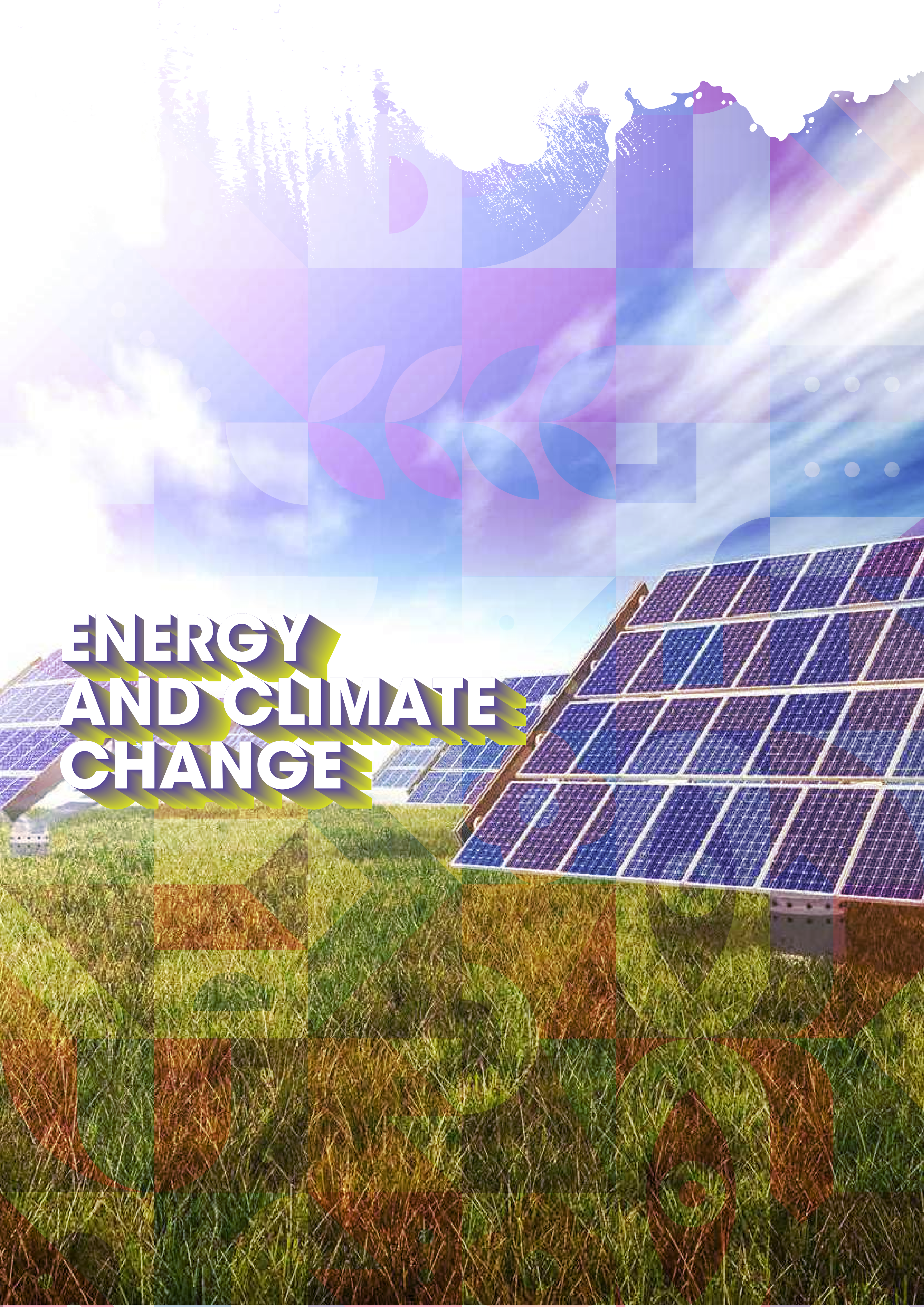
ENERGY AND CLIMATE CHANGE



CLIMATE FINANCE FOR MSMES

By Santosh Kumar Singh and Ankit Gupta

Here's why we urgently need to make climate finance accessible for micro, small, and medium enterprises (MSMEs), and how we can begin to do so.

Micro, small, and medium enterprises (MSMEs) have a dual relationship with climate change. On one hand, they are contributing to it, and on the other, they are vulnerable to its risks.

There are a number of studies that establish the fact that MSMEs have quite a significant footprint when it comes to greenhouse gas (GHG) emissions. For example, according to a study conducted by CSTEP, in 2015-16 the informal sector (which is largely composed of MSMEs) consumed approximately 13 percent (81 million tonnes or mt) of coal and lignite, seven percent (8.5 mt) of petroleum products, and eight percent (3.3 billion cubic metres) of the natural gas supplied in India. Further, this sector emitted 110 mtCO2e (110 million tonnes of CO2 equivalent) in 2015–16, owing to fossil fuel usage.

> MSMEs are also disproportionately affected by climate risks.

We also know that MSMEs are disproportionately affected by climate risks. Both physical risks (damage to infrastructure and assets such as buildings and factories, as well as to people and communities), and transitional risks (policy changes, reputational impacts, and shifts in market preferences and technology) slow down or halt the operations of a MSME, leaving them in need of immediate and considerable financial support.

Given this, it is understandable why MSMEs require an urgent push towards the adoption of technologies that lower their emission footprints and reduce their vulnerability to climate change. Climate finance can help MSMEs make this transition. However, this has remained elusive to a large number of eligible enterprises.

WHAT MAKES CLIMATE FINANCE HARD TO ACCESS FOR MSMES?

The credit gap for MSMEs in India was pegged at about USD 240 billion (about INR 16.66 lakh crore) in 2018. Considering the fact that a large number of MSMEs still struggle to get traditional finance in India, climate finance is a distant dream. Here are some factors that contribute further to the difficulty:

1. **Lack of awareness**
   Lack of awareness about climate finance mechanisms and provisions is a major concern among MSMEs. Majority of the MSMEs in India are micro enterprises (approximately 99 percent). These enterprises are located across the country, including in remote geographies.

   The lack of available information on climate finance and low financial literacy levels limit their understanding of how their businesses could benefit from climate finance. They would not know, for instance, that leveraging climate finance can help them manage some of their business risks, or about the availability of newer, cost-effective technologies that reduce carbon emissions. As a result, they would not know to go looking for these opportunities, let alone think through how they could benefit from them.

2. **Formal financing structures**
It has been observed that only around 16 percent of MSMEs, are being financed by the formal banking system in India. Given that climate finance in India flows mainly through formal financing structures with stringent rules and regulations such as Union Budgets, State Budgets, national climate funds (National Clean Energy Fund [NCEF] and National Adaptation Fund [NAF], for example), private climate finance (Clean Development Mechanism [CDM], for example), and international climate finance (Green Climate Fund [GCF] and Global Environment Facility [GEF], for example), this acts as another barrier.

   What's more, international climate finance institutions and facilities such as the GCF require applications from a dedicated accredited entity or a qualified financial institution working with an entity accredited by the GCF, to propose approaches that deploy financial solutions for MSMEs.

3. **Extensive procedural requirements**
There have been a number of mechanisms and programmes supported by the World Bank, GEF, and others, that have been successfully implemented to bring the benefits of climate finance or development finance to MSMEs, specifically to help them transition to modern, energy-efficient technologies.

   However, participation of MSMEs in these schemes has been limited due to a number of factors, including the necessity of an upfront investment, procedural requirements such as preparation of detailed project reports, energy and emission audits, and so on. These are not feasible for a large number of small and micro enterprises since they don't have the capabilities or resources to do this.

WHAT CAN WE DO TO ENABLE CLIMATE FINANCE FLOW TO MSMES?

There have been a number of attempts to reimagine climate finance and work on the challenges that exist in the current ecosystem. For example, the Ministry of Micro, Small and Medium Enterprises has ongoing initiatives to create awareness among MSMEs about new technologies, along with several incentives and schemes to support them.

However, the attempts so far have been inadequate, in part because most of them require MSMEs to proactively explore climate finance, which, given their informal nature and lack of technical know-how, is difficult. Here's what can be done to change this:

1. **Make the climate finance ecosystem MSME-riendly**
Instead of eligible MSMEs chasing climate finance, the ecosystem should look for eligible enterprises and deliver climate finance to them. While this may sound like wishful thinking, it can actually be built on the blocks of the new initiatives currently being provided by the ministry.

   - **The existing MSME databank** can be further developed to collect data which tells MSMEs whether they are suitable for climate finance, and then guide them accordingly.
   - **The existing Data Analytics and Technical Coordination (DATC) wing** set up to support the MSME sector can be leveraged to understand the vulnerability of a given enterprise to climate risks and develop support measures for them.
   - **Direct benefit transfers (DBT)** can be leveraged to deliver subsidies and social welfare benefits to MSMEs.

2. **Change eligibility requirements for MSMEs and financial institutions catering to them**
The next set of measures needs to focus on the existing eligibility requirements of MSMEs for climate finance. Currently, the eligibility criteria vary from scheme to scheme and from mechanism to mechanism (GCF, NCEF, and others). For example, MSMEs cannot directly avail climate finance from GCF and other similar sources since their funding requirements are significantly smaller than what the GCF provides.

   > There is also a need to have simpler processes of registration for climate finance, as well as for verification of climate benefits.

   There is also a need to have simpler processes of registration for climate finance, as well as for verification of climate benefits. Currently, both these serve as deterrents for MSMEs because of their inability to invest upfront in these processes.

   The other requirement is to have a dedicated climate finance facility for non-bank financial companies (NBFCs) and microfinance institutions (MFIs) catering to MSMEs. Financial institutions access climate finance from GCF or other such sources and then deliver it onwards. This does not work for MSMEs, as a majority of NBFCs or MFIs who are the main providers of finance to MSMEs are either not eligible (due to stringent eligibility criteria) or find it very difficult to access climate finance.

   Thus, eligibility requirement of financial institutions delivering climate finance need to have specific provisions for NBFCs and MFIs that enable them to avail of climate finance themselves. (It is worth mentioning here that climate finance often has restriction of exclusivity on its use, so the financial institutions delivering it have to showcase that the pool of capital that they have accessed from these sources is only being used for financing projects or interventions that have climate benefits.)

There is need for processes and mechanisms so that not just MSMEs, but the financial institutions catering to MSMEs are also able to leverage climate finance in order to build a MSME-friendly financing ecosystem.

3. **Reimagine the role of financing institutions**
Overall, there is a need to develop a mechanism that enables climate finance to reach MSMEs proactively. For this, there is a need to revisualise the role of financing institutions that cater to the MSME sector. SIDBI, NABARD, and IREDA (for green finance) have been primarily focusing on direct financing or refinancing of loans to NBFCs and other financial instituions catering to MSMEs, which are quite insufficient considering the total credit requirement of MSMEs.

These institutions (or probably new ones) should focus on unlocking more capital to the MSME sector by first loss default guarantees or other risk mitigation measures that enable more credit to the MSME sector. As we bring more formal credit to them, enabling climate finance will become easier.

As we bring more formal credit to them, enabling climate finance will become easier.

Furthermore, there is a need to build the capacity of financial institutions and include them in the process of origination, application, and delivery of climate finance. This requires building their capacity and providing them easier access to climate finance as well. They should also be leveraged to serve as a guide to the MSMEs. Financial institutions can easily identify potential climate finance beneficiaries by having a few additional questions in the loan applications; they can use this to guide their MSMEs through the process.

Financial institutions catering to MSMEs are the most critical stakeholders in enabling climate finance for MSMEs, and it is almost impossible to think of an effective climate finance ecosystem for MSMEs if we do not leverage them optimally.

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HEALTHCARE & WASH

ROPING IN THE PRIVATE SECTOR IN SANITATION COULD HAVE A MULTIPLIER EFFECT

By Arundhati Das & Tanya Philip

While the government's Swachh Bharat Mission is laudable, creating an ecosystem and nurturing Small and Growing Businesses (SGBs) to participate in the sanitation sector could be a game-changer.

India is urbanising at a rapid pace and cities are becoming hubs for human development. With growing urbanisation, the stress on existing infrastructure is also increasing, which, coupled with changing lifestyles and consumption patterns, has contributed to issues like limited access to sanitation facilities such as toilets, collection and safe disposal of solid and liquid waste, etc.

The impact of ineffective sanitation in India is enormous, affecting the GDP, especially those at the base of the pyramid. It is estimated that India loses more than $106 billion of its GDP (> 5% of total) per year due to inadequate sanitation.

> The Government of India has a considerable focus on addressing the burgeoning issues related to access to safe sanitation. For the last five years, ever since the Swachh Bharat Mission (SBM) was launched in 2014, its main focus has been on eliminating open defecation by constructing toilets and promoting their usage through widespread behaviour change programs.

The mission is moving onto its next phase from Open Defecation Free Plus (ODF+) focusing on solid and liquid waste management along with a special focus on plastic waste management. Additionally, programs like Atal Mission for Rejuvenation of Urban Transformation (AMRUT) and Smart City Mission have also put a lot of impetus on addressing the sanitation challenges of the country.

These initiatives have triggered a growing momentum with greater public and private interest in the sanitation sector in India with the sector witnessing more active policy-based and legislative pushes, as well as an increased investment due to the infusion of viable and remunerative business models. This has provided growth opportunities to various upcoming startups across the sanitation value chain focusing on providing innovative solutions.

> The private sector, comprising Small and Growing Businesses (SGBs) have emerged as a potential partner to address sanitation-related challenges, and concentrated efforts to involve them shall also provide a huge boost to the nodal ministries in the Government of India in addressing the same.

However, it has been observed that irrespective of the Government's initiatives there is still limited participation.

While the main barriers for sanitation businesses echo the more general challenges of doing business in India, there are some peculiarities to the sanitation sector that tend to compound these.

ENTERPRISE LEVEL

- The existence of informal customer interface channels (e.g., in waste management) at the last miles makes it difficult for enterprises to access credit for their operational expenditures.
- Certain solutions tend to be highly capital intensive
- Lack of understanding of the market potential creates a significant entry barrier for new and emerging enterprises
- Due to the lack of awareness of other prominent players, these new enterprises are unable to forge partnerships

INVESTOR LEVEL

- The investor community has limited awareness about the emerging technologies and sustainable business models that create impact
- Limited fund allocation for investment which leads to limited financing in the sector
- The sanitation business models are not seen as lucrative by the investor community
- The Financial Institutes (FIs) do not provide working capital citing unreliable revenue model

REGULATORY/ECOSYSTEM LEVEL

- Price capping mechanisms affect enterprise/private player profitability
- Key schemes that could benefit the enterprises are not widely publicised
- Project, contract, and payment structure are not enterprise favourable
- A limited number of ecosystem enablers such as incubators that possess the expertise and technical knowledge in the sanitation space are also barriers to scale in this sector

> India's macro-economic climate including factors like high-interest rates on loans, limited access to operational finance, and the high cost of utilities like electricity, etc. prove to be the biggest barriers affecting the viability of sanitation enterprises.

Although projects involving the provision of sanitation facilities are eligible for classification under priority sector loans as defined by the Government of India, the reality is that these loans are hard to come by especially in the case of sanitation projects whose revenues solely depend on one or two clients (largely public sector entities).

These SGBs also face working capital challenges primarily due to delayed payments from clients. While access to finance and delayed payments are major challenges, it has also been observed that the cost of partnership in the case of some public-private partnership contracts is too high considering the long-term nature of these contracts and their associated risks. Additionally, risk-sharing mechanisms adopted in these contracts also tend to be somewhat imbalanced. For example, some contract terms do not adequately account for risks such as climate and environmental risks associated with natural calamities or political risks associated with regime changes, etc.

> Since the sector is relatively nascent in India, there remains a lack of awareness among stakeholders especially private sector/ enterprises regarding the attractiveness and business opportunities that exist in the space.

To exacerbate this problem, different states adopt different models and contract structures that private sector players may be unfamiliar with, preventing them from scaling their operations to multiple states. Currently, the sector also lacks skill upgradation opportunities for the workforce across the value chain which would help to enhance the technical (design, operation, and maintenance) and non-technical (management) skill sets to ensure quality services.

> There is a need to adopt an ecosystem-driven approach for shaping up the market and catalysing private sector engagement (SGBs/ enterprises) to nurture businesses in the sanitation sector.

While private sector/enterprises have the talent, resources, and know-how required to help tackle the most pressing problems in the sanitation sector, it is critical to address these entry barriers to help them scale up and support the government in achieving Sustainable Development Goal-6 (SDG-6). These interventions may include developing a government-financed sanitation support infrastructure for SGBs as well as designing financial products to facilitate access to low-cost debts to improve the access to sanitation financing. Additionally, it is also important to create systems to ensure timely payments by putting in place assurances for government payments, innovative mechanisms like escrow accounts to help hedge such risks.

> While the sector has potential, showcasing the business opportunity to build awareness and attractiveness of the sector among private sector/enterprises by sharing various state-specific market opportunities, details on project structures adopted, etc. becomes imperative.

This can be done by designing and adopting model contracts with balanced risk-sharing mechanisms with fair terms for public-private partnerships. To enhance enterprise capabilities, adequate and appropriate skill development and upgradation opportunities should be made available for those working across the sanitation value chain. Systematic training opportunities should be created for upgrading the skill set of the workforce to ensure quality delivery of services both at a technical and non-technical level.

These interventions would help in creating an enabling ecosystem that will aid in accelerating private sector participation in the sanitation sector. Private sector players such as SGBs have a critical role to play in bridging the demand-supply gap that currently exists in a cost-effective manner, thereby creating a meaningful impact.

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IMPACT INVESTING

IMPACT IS THE NEW MAINSTREAM

By Vineet Rai

COVID-19 has brought an end to the 'greed is good' era. There will now be a new economic world order in which the only thing that will matter is an inclusive and sustainable world.

As the challenges of COVID-19 unravel and ravage humanity across the globe, one recurring discourse has been to use this disruption to reimagine the economic architecture. Is it possible to convert the pandemic into a launch pad for a more humane, inclusive, and sustainable world?

The idea of impact investing is one such powerful idea, conceived to challenge the hegemony of greed and the desire to maximise returns at all costs, by taming capital into a more humane, sustainable, and inclusive tool for change.

In my journey of two decades chasing this dream of making impact a real alternative to mainstream global capital pools, I have learnt that money is a complex subject. And because most global capital is regulated by government (but not controlled by it), I've also realised that it is nearly impossible to tame global capital's natural instinct.

But the disruptions caused by COVID-19 give me hope that, despite these limitations, impact investing may have a major role to play over the next decade in reimagining a new world—a world with no hunger, no poverty, and no inequity.

COMMERCIAL CAPITAL IS DRIVEN BY GREED

The global capital pool is roughly USD 300 trillion and its primary objective is to maximise returns within the boundaries of identified risks. Capital markets work on mandates, and so far, they have focused almost entirely on this single parameter—maximising returns.

Over time, there have been significant causes that have knocked on the doors of capital—from philanthropic asks to help the vulnerable and marginalised, to demands to balance the reward equation to avoid concentration of capital, to calls for stopping investment in extractive industries such as oil, mining, and fossil fuels. However, none of these appeals have influenced the mandate of capital in any significant manner.

> Some among the affluent try to make an impact through philanthropy, but the contribution pales against the destruction caused by the 'greed is good' approach.

The disdain for these asks is not because of ignorance of the risks that arise from social inequity or climate change. It is because the leadership of capital markets probably believes that the giant machine of capital allocation has little to do with these asks. They believe that corporate social responsibility (CSR) and philanthropic activities is where these demands should be directed, since capital markets must focus on an unadulterated vision of return at all costs.

Not surprisingly, this leadership represents the privileged and powerful. While they accept in hushed tones the downsides of this approach for the poor and marginalised, they consider them as collateral damage to the holy quest for capital multiplication.

An equally important factor is that while the world of capital plans for long-term risk management, its incentives as a global collective are more aligned to quarter-on-quarter performance. Long-term-ism is a philosophy to pontificate, not to act. While those who are conscious among the affluent do try to make an impact using personal wealth through philanthropy, the contribution pales against the destruction being wheeled in by the mainstream 'greed is good' approach.

THE IDEA OF IMPACT INVESTING

Impact investing—an idea mooted at the turn of century in India and the USA—believes that one can do good to do well. The idea took some time to find a toehold in the world of capital—the early adopters and leaders were focused on demonstrating that making impact has powerful potential to deliver returns. One of the goals of impact investing was also to wean away large pools of commercial capital from its single minded pursuit on maximising return, and instead deploy it to build businesses that were inclusive, sustainable, and impactful, while delivering returns.

During its early days, the idea was seen as utopian, and marginalised as a fringe innovation, as an alternate to philanthropy, rather than a challenge to the hegemony of commercial capital and its bottom-line pursuit. This has changed over the last decade. Today, with USD 500 billion allocated to impact investment, some of the largest aggregators of capital are now committed to this idea and see it as an important tool of change.

As one of the early messengers, I have often wondered if commercial capital has simply co-opted the idea of impact investing to make sure it does not challenge the capital hegemony, by taking away the focus from its true potential. Because, while it has pushed people towards measuring the outcomes of their investment, it has not changed the key architecture of how capital is deployed.

MAINSTREAMING IMPACT INVESTING

Impact investing has the potential to disrupt the global economic order and threaten the established and deeply entrenched world order. And the best way to neutralise a great idea and to preserve the status quo, is to co-opt the idea and mainstream it. Impact investing as an idea is therefore being co-opted by the capital aggregators, so that in the guise of numbers and outcomes, its soul can be trampled.

Today, the language of the impact investing is no different from the language of mainstream capital.

The idea of 'doing good to do well' is being replaced by 'doing good and doing well', thereby separating the impact from the process of capital allocation. This allows for minor tweaks in the current economic architecture and lets us continue to do what the capital world has done for ages, and be seen as impactful and sustainable.

As we stand today, most people who entered impact investing believe that it allows you to have your cake and eat it too. That it is possible to change the world while satisfying your greed. By co-opting the word impact, the idea of change has been diluted and compromised. Today, the language of the impact investing is no different from the language of mainstream capital.

COVID-19 OFFERS US HOPE THAT THINGS WILL CHANGE

To say that COVID-19 is a pandemic and a health hazard is obvious. But it is also a virus that has democratised fear, as it ruthlessly impacts everyone, including the rich and the powerful. Ministers, bureaucrats, CEOs, fund managers on one side, and nation states with powerful armies and some of the highest per-capita incomes on the other, have all found themselves tamed by the onslaught of a virus weighing just a few micrograms.

With the wheels of economies coming to a grinding halt, the managers of capital have seen a decimation of wealth as never before. It has hit those who never thought that such risks could manifest themselves and result in such destruction for them. Moreover, they have no idea as to how deep, long, and damaging this could be going forward.

'GREED IS GOOD' IS DEAD

The privileged minority that controls the USD 300 trillion capital pool, which has always looked at risk and return as a continuum, is faced with an undefined risk that destroys value. It is not about maximising returns anymore, but protecting value. Can they protect the USD 300 trillion from losing its value? For the first time, it is not a question of earning less returns on the capital but actually losing it, and therefore, the focus is on the return of capital than return on capital.

COVID-19 has demonstrated to the money managers that risks that seemed like theoretical constructs by scientists, or showed up as glaciers melting in Antarctica, or rising sea levels in Southeast Asia, can strike and paralyse the global economy. The pandemic has brought the unsustainability of the outside world inside the boardroom of the rich and powerful. There is fear now.

RESILIENCE TRUMPS RETURN

If greed is dead, what then is the new world order? It is one where resilience trumps return, where survival and sustainability of capital far outweighs the return that capital can generate. Given this, the best-case scenario for anyone is 'resilience with return', since 'return at all costs' is not an option anymore. This requires asset managers to take a long-term view of their actions on the society, before they take a view on the immediate return.

This is exactly what impact investing offers. It encourages the world of capital to embrace sustainable investing for good returns. It seeks capital to be invested in a way that uplifts people and society, sustainably.

IMPACT IS THE NEW MAINSTREAM

Given COVID-19 and its fallouts, mainstream capital now has to mimic impact investing and look, feel, and act like it is making impact, rather than the other way round.

In the new economic world order, the only thing that will matter is an inclusive and sustainable world. And when that happens, capital, companies, and leaders will look to build businesses that further equity, inclusiveness, and sustainability as a core strategy and seek shareholder returns that draw from this.

THIS NEW WORLD ORDER WILL ALSO BRING ABOUT OTHER FUNDAMENTAL CHANGES

First, capital will have to face a much higher level of accountability and scrutiny on the idea of impact, inclusion, and sustainability, and it may not be enough for a business to just claim impact. The idea of preparing a balance sheet and developing an accounting standard that takes into account the impact on sustainability will be pursued with same vigour over the next decade, as were accounting standards in the last century.

Second, we will require significant technological interventions, because impact investing by nature takes place in remote and inaccessible regions, where one can only work through technology. Digital transformation in the space of impact will be one of the most far-reaching tectonic shifts that we will see in the near future.

> The quest for resilience will force the world of capital to replace the idea of greed with sustainability, inclusion, and impact.

Globally, we will also see a shift in geopolitics—from the hegemony of one or two, to several blocks of power. And even though it has become a cliché now, I think oil is a passé, and we will see investments in greener energy. Climate, energy, environment, and sustainability—these will become buzzwords of the future. There will be new roles for technology, new models of sharing, and new sectors—health, water and sanitation, hygiene, and so on—will lead the way capital is deployed.

Overall, the quest for resilience will force the world of capital to replace the idea of greed with sustainability, inclusion, and impact.

CHANGE WILL COME BECAUSE IT IS ABOUT SELF-PRESERVATION FOR THE RICH

The world has seven billion people but very few control capital. And while 99.9 percent of humanity may forget the trauma of the COVID-19 crisis few years down the line, the few who control global wealth—those with the money and influence—are unlikely to forget the impact of this pandemic.

The world will change not because people will remember the trauma caused by the migrants walking; it will change because the virus has permeated the fear right inside the boardrooms of the largest companies, and the family offices of the richest people. The changes will come as self-preservation for the rich becomes a priority, and global shifts only take place when the powerful are fearful.

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A GUIDE TO ANGEL INVESTING DURING COVID-19: EIGHT TIPS FOR INVESTORS IN EAST AFRICA

By Mercy Mangeni, Jason Musyoka and Arielle Molino

The world has experienced many different crises and pandemics over the years, which have disrupted national, regional and even global economies – sometimes gravely. Although the disruption due to COVID-19 is not novel, its magnitude may be greater than any crisis we've faced in many years. Whether it was the economic recession in the United States and Europe in 2008, or the microfinance crisis in India in 2010, the effects major crises have on the economy of a country and region are profound, and they can vary greatly depending on the regional context.

For instance in East Africa, the COVID-19 crisis is having particularly far-reaching consequences due in part to the prevalence of small and medium-sized enterprises (SMEs). To take just one example, 98% of the businesses in Kenya are SMEs – and other economies in the region are also heavily dependent on the SME sector. These businesses are especially vulnerable to the current crisis due to factors such as the disruption in supply chains, which has increased the cost of doing business for companies with already tight margins, and the loss of income due to pay cuts or job lay-offs, which has reduced the purchasing power of these enterprises' customers. For this reason, many resources have been rightly focused on helping these entrepreneurs survive the pandemic.

But though it's true that entrepreneurs will need financing to ensure that their businesses survive the economic downturn, it's also important to look at the other side of the coin – the funders that are supporting them. Most institutional funds are currently focusing on their well-performing portfolios by providing monetary support to ensure these enterprises' survival, so they may not be deploying capital to new investee companies unless the deal was negotiated to term-sheet level prior to COVID-19. The burden thus lies with angel investors to support these companies in order to ensure their short-term survival – and subsequently, to ensure a healthy pipeline for the institutional investment funds after the crisis has passed.

However, angel investing in East Africa is still nascent, with high net worth individuals opting to invest in asset classes like real estate and money markets, among others. Further, some of these wealthy investors are unaware of the opportunities that early-stage companies present. Therefore, the region's angel investors will need to exercise some level of aggressiveness and adopt a high-risk tolerance in seeking out new investment opportunities.

If you're an angel investor focused on East Africa, how can you ensure that you not only select companies that are likely to succeed, but also that you will get some level of returns from your capital? Below we'll discuss some practical considerations that can guide your investment thesis.

DIVERSIFY YOUR PORTFOLIO

You can consider diversifying your investments based on the sectors you invest in, the financial instruments you use, your geographical focus and the stages of the companies you select. The aim of diversification is to reduce the risk of your investment, while ensuring that financial returns are maximized. In the process, it's good to optimize your diversification efforts by mixing different strategies.

BET ON THE JOCKEY, NOT ON THE HORSE

Consider selecting potential investee companies that have a team and leader who is not only visionary, but is also agile enough to pivot and adapt to quickly-changing situations. This type of leadership will carry the business through the COVID-19 crisis by ensuring that it is responsive to current market needs, which will ensure that your investment survives.

BE SELECTIVE WITH YOUR MONEY

During these times of crisis, be very selective about where and how you invest your capital. You may want to consider how potential investee companies performed pre-crisis, and whether they already had the potential to scale. Equally importantly, consider companies that have lower burn rates and that do not spend their available cash fast. This will ensure that the capital you invest carries the company for a longer period. It might also be prudent to consider the type of currency that you will use when supplying capital to the potential investee company, as this has the potential to greatly affect your potential returns.

DON'T BE A SHARK

Though this crisis presents an opportunity (and a temptation) to undervalue companies, as sharp declines in available capital may make them more likely to accept less favorable terms, be careful not to be a predatory shark. This might seem to provide an advantage to investors, but it also has the potential to significantly affect the motivation of a company's management team, potentially reducing performance (and returns) in the longer term.

INVEST WITH OTHER ANGELS

Co-investment during these times will give you some level of comfort in the investment you make. Look for other like-minded investors who are willing to take the risk and invest together, because if managed properly, co-investing has more potential to generate returns than investing in a deal single-handedly. That is, when more than one investor comes together to invest in the deal, there is higher likelihood of the enterprise succeeding due to the different perspectives and networks that each investor brings. Co-investing can therefore be viewed as a de-risking mechanism.

GET CREATIVE WITH DUE DILIGENCE

Since physical movement remains restricted in many markets, seek out innovative ways to build and enhance trust with the entrepreneurs you're supporting. This can include using technology-driven solutions, such as conducting a virtual field visit tour over Zoom, and/or working with local on-the-ground partners, who may include accelerators and incubators or local consultants. Such partners will be responsible for assessing the market perception of the product/service, getting insights from customers/users of the product, and even speaking to other on-the-ground financiers who have previously evaluated the deal to understand its attractiveness. These measures will ensure that you've established some confidence in the investee company (and vice-versa) before you make the investment.

PLAN TO PROVIDE MORE THAN JUST MONEY

During this time of crisis, companies require more than just the money. Plan to also provide strategic support, knowledge and access to networks to your portfolio companies, to ensure that they have the tools and contacts they need to survive the pandemic. This approach is worth the time and money it will require, because without it, your capital may be used inefficiently, and you could lose your investment entirely.

HAVE REALISTIC EXPECTATIONS ON EXITS

Have an open and honest conversation with potential investees about your return and exit expectations. This is important because, during this crisis period, investment-holding periods may be longer than anticipated, which ties up capital and delays returns for all investors. You may therefore need to work harder and explore other avenues for exits, such as strategic buy-outs, in which a potential acquiring company will acquire the shares from the angel investor, based on the assumption that the acquiring company and the investee company may have synergies in the value chain, thereby increasing the acquiring company's market share.

Intellecap has compiled more guidance around some of these practical steps here. We hope it will help angel investors navigate the many challenges – and find beneficial opportunities – during these unprecedented times.

Mercy Mangeni is a Senior Associate at Intellecap Africa

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This article first appeared in ***NextBillion***

THE FUTURE OF START-UPS: IMAGINING THE NEXT DECADE FOR THE ENTREPRENEURIAL SECTOR

By Vineet Rai

The pandemic has brought in some new thoughts and start-up entrepreneurs may want to carefully look at how global and domestic capital pools are looking to reset expectations

The pandemic has brought in many resets, the most stunning one has been to the start-up world where the founders have to suddenly be concerned about the bottom line for their survival from a euphoric growth and scale-at-all-costs model. I am repeatedly asked questions why investors prefer growth at all costs and not a sensible profitable model and I have explained that if you are raising money from a closed-ended fund seeking an alpha return, scale and the speed of achievement of scale will always trump profitability as a desirable or credible metric.

The pandemic has brought in some new thoughts and start-up entrepreneurs may want to carefully look at how global and domestic capital pools are looking to reset expectations. One thing that COVID has done is it has brought into sharp focus the need for a resilient and sustainable world. The world of capital, which roughly has the US $300 trillion assets under management, does not like to be disrupted. COVID has suddenly brought the fear of long-term disruption to the boardroom of these multi-trillion dollar managers and thus, you would see a significant flow of capital to the businesses that include sustainability or its better known alternative ESG (Environment, Social and Governance).

I have always believed that major disruptions take place and real global and national trends are formed in business when high-quality talent starts spending significant time using technology to disrupt traditional sectors. As investors, we are always looking for emerging trends by keeping an eye on what problems the talent is trying to solve and if there's a case of technology in scaling these disruptive ideas. As capital providers, our job is to follow these trends and back the best talent in the right sector. As young entrepreneurs prepare to look at new problems to solve that are worthy of becoming disruptions in the next decade, I would like to stick my neck out and predict one global mega-trend, one Indian mega-trend and one serious disruption that would define the next decade.

My first prediction is that climate start-ups and solutions will be the global megatrend in the next decade. The maximum amount of global capital across all asset classes would be invested in making the world sustainable through climate action. It could be in mobility, sustainability, fuel or simply recreation of nature, but this would be the real global megatrend and it would impact every line of business from Housing to Mining. My suggestion to all entrepreneurs is to look at this megatrend carefully when you look for new ideas.

My second prediction is that AgriTech would produce a large number of unicorns in India in the next decade. The agriculture sector is seeking some of the most unique convergence of interest with this traditional sector, seeing massive curiosity from the best Indian talent to solve problems using technology at scale. What convinces me about its future is that rarely does policy, framework and capital align themselves to support this disruption so early.

My final point is that in the post-pandemic world, work from home is not an option but is the new strategy. The future of work would thus be a unique new disruption that would bring new talent to the market, a new opportunity for gender balance and a new economic movement like the gig economy.

As I conclude I want to see the next decade pushing us to build a world free of hunger, poverty and inequality. I aspire to see impact unicorns that touch a billion lives while delivering a billion dollars in market capitalisation.

Vineet Rai is the Founder & Chairman of Aavishkaar Group

This article first appeared in ***Edex live***

LIVELIHOODS

1 BILLION PEOPLE LIVE IN INFORMAL SETTLEMENTS WORLDWIDE: HERE ARE 7 KEY CHALLENGES THEY'RE FACING DURING COVID-19

By Margaret Nakunza

As the COVID-19 pandemic continues to overwhelm countries around the globe, it has transformed the way we live, work and even interact within our communities. A major part of this transformation are the full or partial lockdowns that most countries have undertaken to ensure that their citizens are safe. This "stay at home" legislation is based on the assumption that one's home provides protection against contracting and spreading the virus.

However, this isn't always the case – at least not for the most vulnerable communities in cities around the world. Globally, approximately 1 billion people are living in informal settlements/ encampments/slums. Among this 1 billion, approximately 238 million people are in sub-Saharan Africa. Even in the best of times, conditions in these informal settlements are often grossly inadequate. The communities are over-crowded, and families living there have no adequate water, sanitation or regular income. That leaves them unable to perform the main elements of COVID-19 prevention, like social distancing and hand washing.

To address these issues, various organizations are taking urgent actions to assist the families living in these communities, but most organizations are still testing the waters to see what works and what doesn't. Some are adapting already-existing measures to better suit the crisis, but all are piloting and pivoting as they go. With most African countries facing similar challenges, from poor and ill-equipped healthcare systems to overrun informal settlements and congested public transport, there's a great opportunity for these initiatives to learn from each other, within and across borders, to lessen COVID-19's impact.

AVPA, in partnership with Sankalp Dialogues, kicked off a webinar series in April, to find out what various organizations across the continent are doing to #CrushTheCurve. The virtual convening is ongoing, and it aims to:

- Share examples of how program implementers are responding to the outbreak, ranging from preparedness to mitigation
- Hear from voices on the ground and discuss how best to address upcoming challenges and reduce their impact
- Share solutions that can be easily embraced and implemented effectively, efficiently and quickly

Before we could talk about what organizations are doing to address the pandemic's challenges in informal settlements, we took some time to identify the most critical challenges for those living in Africa's settlements. A few key issues came up during the conversation with Tunapanda Institute and Safe Hands Kenya in the first webinar, "Preparing Informal Settlements" – we'll highlight them below. The issues introduced in this webinar informed the topics of our subsequent webinars.

ACCESS TO FOOD

Most of the people living in informal settlements live hand-to-mouth. Due to COVID-19 lockdowns, businesses are either slow or at a standstill because the majority of the people living in informal settlements are day laborers. This translates to no cash to buy food for the family. Making matters worse, even for those who have saved up a little money, the current inflation in food prices – for instance, in Kenya – makes it hard to survive. The most common question that arose during the webinar was: Which is better, giving food directly to the families most affected, or giving them cash?

SECURITY

In the face of unemployment and greatly increased stress levels caused by the pandemic, the level of insecurity is rising. This includes crime, gender-based violence and especially domestic violence, all of which are on the rise. Another form of insecurity involves the risk of COVID transmission, as people are often hiding the symptoms they have due to the stigmatization they may face.

REDUCED INCOME OPPORTUNITIES THROUGH LOSS OF EMPLOYMENT

As mentioned above, most of the individuals working in informal settlements are day laborers. With the economic slowdown and the need for social distancing, most workplaces that utilize day laborers have been forced to shut down and send people home until further notice. Additionally, most of the global development organizations and enterprises that might have provided support or employment for these workers are still trying to navigate the process of taking their businesses online - hence there are no work opportunities for informal workers.

ACCESS TO EDUCATION

Most schools have moved their education to online platforms until further notice. However, some families living in informal settlements have no access to electricity, the internet or devices to enable e-learning. This inequitable access to online education will only exacerbate the gap between the poor and the rich.

SOCIAL DISTANCING PROBLEMS

Families living in informal settlements are faced by overcrowding on two fronts. Most of them have six or more individuals living in a small space, and the separate housing units in informal settlements are built closely together. Due to these factors, social distancing is impossible.

INFORMATION ON COVID-19

There is so much information about COVID-19 being circulated from different sources that the truth about the virus has been obscured. One webinar participant suggested that there should be a specific messaging channel for individuals living in informal settlements, such as a community newspaper, or posters and fliers with essential and accurate information. Tunapanda Institute, an organization that participated as speakers in this webinar, is coming up with a digitized manner to spread this sort of information.

ACCESS TO HEALTH, WATER AND SANITATION

In any effort to provide relief to informal settlements, it is important to note that food is not the only necessity that most families lack. They also need access to health facilities – even medical expertise provided from a distance via telemedicine or phone consultations. Additionally, these families often lack water and sanitation, which are essential to preventing the spread of the virus. Some organizations are responding to those needs, including Safe Hands Kenya, which was formed in March 2020 by an alliance of Kenyan companies to deploy free hand sanitizers, soap, face masks and surface disinfectant to the families in Kibera (the largest slum in Nairobi) as a first line of defense against COVID-19.

As development organizations, businesses and local governments try hard to flatten the curve, people in informal settlements will continue to bear the hardest economic impact – and we don't know for how long.
So the broader question of what we can do to provide adequate support to families in informal settlements will lack a conclusive answer: It will depend on what the future holds as Africa, and the world, continue to navigate these challenging times. Upcoming webinars in our "Crushing the Curve" series will explore emerging solutions to many of the challenges highlighted above – stay tuned.

Margaret Nakunza is an Associate at Intellecap.

*This article first appeared in **NextBillion***

OUR SELECT CASE STUDIES

ROLE OF COMMUNITY LED GROUPS & ENTERPRISES IN BRIDGING DEMAND-SUPPLY GAP IN THE SANITATION VALUE CHAIN AND ATTAINING SDG 6

The impact of ineffective sanitation in India is enormous, affecting the GDP, especially those at the base of the pyramid. It is estimated that India loses more than $106 billion of its GDP (> 5% of total) per year due to inadequate sanitation . Many government initiatives have triggered a growing momentum with greater public and private interest in the sanitation sector in India. This has provided growth opportunities to various upcoming start-ups across the sanitation value chain, focusing on providing innovative solutions.

The private sector, comprising of micro-enterprises, Small and Growing Businesses (SGBs), and in some cases large corporates have emerged as potential partners to address sanitation-related challenges, and concerted efforts to involve them shall also provide a huge boost to the nodal ministries in the Government of India in addressing the same.

In addition to the large, medium, and small growing businesses, the convergence of Government's flagship programs like Swachh Bharat Mission (SBM) and National Urban Livelihood Mission (NULM), has provided an opportunity for Self Help Groups and other community-led collectives to emerge as second in line to the private sector in bridging the demand-supply gap and addressing the last-mile delivery of sanitation-related goods and services. While few successful groups and models have emerged from the state of Odisha, Andhra Pradesh, Telangana there are still many groups that have not been able to reach scale.

Some of these key areas that required interventions to enable these collectives to scale up as enterprises are:

- Capacity building and skill upgradation of these SHGs and collectives both on technical and business front including managing data and accounts to run the business is important.

- Access to capital is one of the biggest challenges faced by SHG's, and financial products like credit guarantee mechanisms can be designed to enable access to low-cost debts. Additionally, it is also important to build sector awareness among financial institutions.

- Inclusive contracting mechanisms, since most of the contracts are issues by Urban Local Bodies, for operation and maintenance of FSTPs, community, and public toilets, etc., can be customized for SHGs to apply. Additionally, to make these contracts more economically viable, multiple projects can be bundled into one.

- Payment delays from the government can be addressed by including market building mechanisms like bridge financing, escrow accounts, etc., to help hedge such risk.

We believe that these interventions would form the cornerstone for developing a conducive ecosystem that will aid in accelerating the community collectives to participate across sanitation value chains thereby creating meaningful impact.

Image Courtesy – NFSSM Alliance

*This case study first appeared **here***

EXCLUSIVE FINANCIAL ADVISOR FOR ONE OF THE LEADING AFFORDABLE HOUSING FINANCE INSTITUTIONS IN INDIA

CLIENT

Sewa Grih Rin Ltd. (Sitara)

CHALLENGE: ENABLE SITARA ACHIEVE SCALE IN THE AREAS OF –

- Expanding geographic presence into newer States of India
- Consolidating present areas of operations through strategic alliances
- Becoming the Affordable Housing Finance lender of choice for women in the informal segment in India
- Establish a sustainable model at lower ticket sizes than established peers that are targeting higher ticket sizes to formal segment

APPROACH

The Investment Banking Group at Intellecap shortlisted investors that aligned with the mission and vision of SGRL. We were also looking for investors who had a long term horizon, were focused on creating significant impact on the ground and impact took precedence over commercial returns. Also, we wanted investors who could do a small secondary purchase of two existing minority shareholders.

TRANSACTION HIGHLIGHTS

Intellecap identified and negotiated with Oikocredit, a Netherland based DFI, to lead the round with Omidyar Networks and HDFC Standard Life to jointly participate in the round. The total investment size was INR 67 crore. This transaction also provided an exit to two existing shareholders who are Government institutions.

OUTCOMES

As of September 2020, Sitara had created consolidated impact for its beneficiaries in the form of –

- 25,000 lives touched
- ~3,500 Pakka Homes built
- ~1,100 houses repaired
- ~4,400 homes financed with women as primary account holders

ABOUT THE ORGANIZATION:

Sitara was founded by SEWA Mutual Benefit Trust with the support of SEWA, an organisation with a five-decade-old legacy of helping poor self-employed women. It was established with a vision to help women and their families, from the bottom of the social pyramid, realize their dream of having their own home.

> “As millions of families living in the urban space rely on the unorganized sector for a living, they continue to remain financially excluded from formal banking systems due to tenuous land tenure rights.”

Sitara has been committed to creating positive social impact for women workers, by creating a holistic affordable housing ecosystem that helps them accumulate the financing means to build / improve their pakka houses (all weather, concrete). Through its innovative use of progressive tenure documents, the organization has brought many women and their families into the financial services fold who could not avail formal housing loans for lack of clear title to property.

By offering extensive loan support to the informal workforce in urban India, Sitara is fulfilling the pressing need for basic housing and hygiene access to them Pan-India. The loans provided are in the ticket size range of INR1-25 Lacs and include the purchase, construction, extension and renovation of a house for personal as well as commercial use.

SEWA Mutual Benefit Trust has investment from RNT Associates, the investment arm of Mr. Ratan Tata, Tata Sons Ltd chairman emeritus Ratan Tata.

This case study first appeared ***here***

ASSESSING OPPORTUNITIES TO FINANCE WOMEN LED MICRO AND SMALL ENTERPRISES IN SOUTHEAST ASIA

CLIENT:

Women's World Banking

CHALLENGE:

The engagement required market analysis of key women-led micro- and small-enterprises (MSEs) in select value chains in Indonesia, Cambodia, Philippines and Vietnam and then designing a practical blue print that can improve access to finance for such enterprises.

Women led micro and small enterprises face challenges in accessing formal finance across several countries in South-east Asia[1]. IFC's SME Finance Forum estimates that there is a significant credit gap in case of women-owned MSMEs across the four countries as described below[1].

Formal Credit Gap

- $1.2 billion in Cambodia
- $21.2 billion in Indonesia
- $75.8 billion in the Philippines
- $6.2 billion in Vietnam

[1] Unlocking Credit For Women-Owned Enterprises in Southeast Asia through Value Chain Digitization, Women's World Banking

OBJECTIVES

- Assess how women-led MSEs' financing needs in these value chains are currently being served
- Assess the opportunity to develop and expand formal financial services that help women- led (MSEs) in select value chains in Indonesia, Cambodia, the Philippines and Vietnam grow their business
- Assess how expanded access to and use of financial services can help women-led MSEs grow their businesses
- Assess digital finance opportunities across shortlisted value chain on the basis of value chain transaction mapping and stakeholder analysis
- Develop a DFS ecosystem design that would best meet the need of women-MSE in selected value chains
- Identify key actors that could play a role in enabling digitization in the selected value chains and lessons on expanding access to DFS and credit for women-led MSEs

OutcomeA blue print for digitization of payments in (a) food services value chain in Indonesia and (b) garments manufacturing value chain in Vietnam.

Approach

1. Description of the women-led MSE market in each country (Cambodia, Indonesia, Philippines, Vietnam)
2. Recommendation on top 3-5 and 2 priority value chains per country
3. Recommendation on 2 priority value chains and 2 countries
4. Design digital finance blue print for the selected value chains in the 2 countries

The digitization blueprint was based on synthesis of various factors such as

- Existing levels of digitization
- Transactions flows in the value chain
- Behaviour of the value chain actors in terms of banking, savings, etc.
- Pain points associated with handling cash
- Understanding of their credit needs and gaps
- Challenges in access to finance

Intellecap formulated digitization pilot designs through extensive on-field interactions in Indonesia and Vietnam. We identified the key players as well as potential partners for implementing the digitisation programs. The recommended design focused on compelling value propositions for all stakeholders, including the financial service providers. Critical success factors needed to implement the design were also laid out.

KEY INSIGHTS

- The solution needs to be secure and the technology must be easy to use
- Interoperability is critical for higher adoption of a digital platform; built-in payment gateway within the same platform will be necessary
- There is a need for rationalizing high costs of digital transaction in case of inter-wallet transfers

- Regulatory reforms to overcome barriers such as wallet balance ceilings and inter-transfer charges are also required for driving adoption and sustained usage
- Ensuring ownership of the change management process while implementing the design is easy to overlook but is a critical success factor

This case study first appeared ***here***

CIRCULAR CHANGEMAKERS: INDIA'S FIRST INVESTMENT READINESS PROGRAM FOR CIRCULAR & SUSTAINABLE FASHION STARTUPS

PRESENTING PARTNERS

Circular Changemakers is an initiative by Intellecap's Circular Apparel Innovation Factory (CAIF) and Circular Design Challenge (CDC), India's largest sustainable fashion award launched by Lakmé Fashion Week, R | ElanTM "Fashion For Earth" & United Nations Environment Programme (UNEP).

BACKGROUND

A range of enterprises with a potential to deliver innovative solutions to address the critical industry challenges and expedite the industry's transition to circularity are emerging across the textile and apparel value chain in India. Theses enterprises are working on developing innovative product, process and service offerings or combinations thereof at critical points in the value chain as shown in the exhibit below. Through extensive adoption and at scale, many of these solutions can potentially disrupt existing linear approaches to manufacturing, retail and consumption.

However, dearth of access to finance and capacity building support currently limits such enterprises to push for greater adoption and scale. Therefore, despite harboring significant promise to drive change, most of such enterprises continue to operate at small scale.

The appetite for exploring circular innovations among Indian corporates and brands is gradually rising. However, enterprises developing and delivering such solutions lack the necessary technical capacity in the form of knowledge and network linkages to potential buyers, strategic investors, critical for mobilizing testing, adoption and scaling of their solutions.

OBJECTIVE

The objective of the Circular Changemakers program is to:

- Provide capacity building support to enterprises with circular solutions on aspects such as capital raising process, business & financial modeling and investor pitch training
- Facilitate visibility & access to networking avenues for enterprises with investors, potential partners, manufacturers, brands, and other key stakeholders from the industry
- Provide enterprises with a platform to present their businesses at India's first ever investor pitch for circular fashion, at Lakmé Fashion Week's sustainability day, to a panel of eminent investors and industry experts

APPROACH

Applications for the Circular Changemakers program were invited through an indepth marketing and social media outreach initiative led by IMG Reliance on the Lakmé Fashion Week platform supported by CAIF. CAIF also reached out to stakeholders in their network & ecosystem, which includes circular enterprises, academia, incubators, accelerators etc.

This season, the program received over 45 applications from innovators across fibre / yarn, alternative materials, packaging, rental & reuse business models, traceability & supply chain solutions, waste water treatment and circular inclusive businesses across the country.

A cohort of 6 enterprises was selected based on an evaluation framework created by CAIF with support from

Aavishkaar Capital. The enterprises had to go through a rigorous online enterprise bootcamp created by CAIF with a curated set of industry experts to fine tune their business models, financial models and presentations. The mentors for the bootcamp included Ms. Divya Gupta, Associate Director, Aavishkaar Capital ; Siddharth Bharadwaj, Portfolio & Innovation, Social Alpha ; Ateet Sanghavi, Partner, Purple Ventures ; Sriram Sabhapathy, Founder, Last Bench ; Somatish Banerji, Associate Vice President, Intellecap followed by a series of 1:1 investor pitch training sessions with the CAIF team.

On 22nd October, Day 2 of Sustainable Fashion Day of Lakme Fashion Week the cohort of Circular Changemkaers pitched to an emminent investor & strategic partner panel comprising of Ms Disha Gandhi, Associate Director, Aavishkaar Capital, Ms. Marieke Lenders, Head – Reweave Program, Enviu, Mr. Vineet Gautam, CEO, Bestseller India and Ms. Pinar Ademoglu, Investment Director, Sagana Capital.

OUTCOME

The Circular Changemakers program was successful in creating a cohort of enterprises which work at different segments of the value chain in an effort of making fashion truly circular. Areas of value chain where these enterpirses operate in include Traceability & supply chain solution (Infinichains), Packaging (Phabio), Customer & Retail Model (Twirl Store), End Use & Upcycling (Desi Hangover), Social Inclusion (Paiwand Studio) and Technology Innovation (Big Thinx)

CIRCULAR CHANGEMAKERS ENTERPRISE PROFILE

InfiniChains® is a leading Blockchain based technology company that help brands deeply engage with their users and build lasting trust through transparency. They are building a pilot with Pratibha Syntex for the application of blockchain in supply chain transparency in the apparel & textile industry.

Phabio creates PHA (Polyhydroxyalkanoates) pellets from organic waste and/or by-products. They have created a sustainable loop that create plastics which comes from nature and goes back to nature. Phabio claims to be on-course to become the first PHA producing facility in India and to bring the manufacturing cost of pellets down to the price of traditional polymers.

Twirl.store has a mission to reduce cloth wastage, ensure women empowerment, conserve natural resources and meet the clothing needs of the poor. Twirl.store is perhaps the only Indian platform which offers a distinct buy-back policy for all clothing bought from the store.

Desi Hangover's vision is to be a global sustainable, conscious fashion brand that elevates underserved communities using the forces of capitalism for good. Their mission is to develop rural craft clusters through social innovation, ensuring a secure and sustainable livelihood for artisan communities in India.

Paiwand's mission is to design for circularity and longevity by producing authentic up-cycled fabric and apparel by creating employment opportunities for handloom weavers, artisans and unskilled/semiskilled workers. Within 20 months Paiwand has up-cycled 700 kgs of waste from such designers and is still left with 2000 kgs of waste to add value to. Their mission is to repurpose 40,000 kgs of textile waste by 2023.

Bigthinx is an AI company operating in the $2.5 trillion fashion and retail industry, offering 3D mobile body scanning, clothing size predictions, virtual avatars, digital clothing, and virtual fashion shows, to address problems of clothing fit and look, e-commerce returns, and human body data. These avatars can be used to visualize clothing look and fit, to solve an additional 30% of the reason for clothing returns.

CAIF exists to help answer critical questions that plug key ecosystem gaps in the move towards a circular economy in the future. CAIF is accelerating the transition towards that future by leveraging its lineage as part of Aavishkaar Group in creating impact at scale by providing access to capital, knowledge and networks throughout an innovator's journey.

This case study first appeared ***here***

SUPPORTING THE WORLD BANK GROUP IN IDENTIFYING HIGH-POTENTIAL "INSURE-TECH" BUSINESSES FROM SOUTH AND SOUTHEAST ASIA

As a part of the Global Index Insurance Facility (GIIF), the World Bank supports farmers and micro-entrepreneurs to gain better access to finance and manage financial losses arising from adverse weather conditions owing to climate change through index-based insurance products in the agriculture sector. However, the potential of agriculture insurance in reducing vulnerabilities of small-holder farmers (SHFs) is often restricted by challenges faced throughout the lifecycle of an index-based insurance product. Some of the key challenges faced by index-based insurance products include poor availability and quality of time-series weather data, low level of financial literacy, poor awareness of insurance products among SHFs, poor last mile connectivity which impacts an insurance provider's ability to service clients, and complicated methods of claim assessment and processing .

In order to overcome many of these challenges, the GIIF partnered with Sankalp Forum to operationalize an Agriculture Insure-tech Forum which also encompassed an Innovation Challenge.

The Forum aimed to discover Asian enterprises capable of offering index based insurance products to the SHFs and support them to either establish a proof of concept or pilot an innovative business model or scale its crop insurance portfolio.

AN OVERVIEW OF THE INSURE-TECH FORUM AND THE INNOVATION CHALLENGE:

The forum started with an opening plenary which discussed the current status, enablers and barriers to scaling agricultural insurance among smallholders and the role that technology innovations can play in driving design, distribution and adoption of agricultural insurance solutions.

Government	Government of Maharashtra, ICRISAT, PMFBY, Ministry of Foreign Affairs, Government of Netherlands
Private Sector Enterprises	Swiss RE, IBM, Google, IRICB, Bharti AXA, RMSI, CropIn, Stellapps, HDFC Ergos, Hara Indonesia
Impact Investors	Ankur Capital, Menterra Venture Fund, Bharat Innovation Fund, Aavishkaar Capital
Donors and DFIs	World Bank Group, GIZ

As a part of the Forum, Intellecap also curated action-oriented discussions across three themes:

a. Data and Analytics
b. Sales and Distribution
c. Premiums and Claims

The forum saw participation of several subject matter experts from different categories of organizations including the Government, Private Sector Businesses, Impact investors, Donor Agencies, and DFIs, thus helping the audience to develop a comprehensive and holistic

Top 21

- Coastal aquaculture research institute
- CropIn Technology Solutions Pvt Limited
- Dhwani Rural Information Systems Pvt Limited Future First India
- GramCover
- Green Delta Insurance Company Limited
- HARA
- HDFC ERGO GIC LTD
- HF-MLOG Co.,Ltd
- ICT For Agri Pvt. Ltd.
- Krishi Janani
- Lennon Agritech Pvt. Ltd. (FarmGuide)
- Mooo Farm
  Niruthi Climate and Ecosystem Pvt Limited
- payAgri Innovations Private Limited
- Pula
- SatSure India Analytics Limited
- Skymet Weather Pvt Limited
- Stellapps Technologies Private Limited
- Upar aiSYS
- Weather Risk Management Services Pvt. Limited

Nine Winners

- Stellapps Technologies Private Limited
- Mooo Farm Private Limited
- Niruthi Climate and Ecosystem Private Limited
- ICT For Agri Pvt. Ltd.
- HARA
- HF-MLOG Co.,Ltd
- GramCover
- Coastal aquaculture research institute
- Dhwani Rural Information Systems Pvt Limited

knowledge of technology based solutions, specifically with respect to opportunities in the space.

The event concluded with the announcement of the Agri Insuretech Innovation Challenge winners. The Awards recognized some of the Asia's most promising entrepreneurs who are using technology to address challenges in providing agricultural insurance to farmers. The 9 winners, selected from 21 challenge finalists and 105 applicants across the three themes, won cash awards worth US$ 270,000. In addition to the cash awards, the winners received an opportunity to collaborate with WBG's Global Index Insurance Facility to fine tune and co-develop their solutions to improve agricultural insurance products and their uptake, particularly in the Asia Pacific region.

Key Lessons from the Agriculture Insure-tech Forum:
The Insure-tech forum highlighted several key lessons for enterprises with respect to designing insure-tech products: In addition to lessons from enterprises, the Forum also saw Investors being highly vocal about their interest to explore the Insure-tech space, signifying that the space has tremendous potential in the near future:

Critical Success Factors:

- Three key factors that will improve efficiencies in agri-insurance are – 1) product designs that respond to the needs of farmers, 2) speedy settlement of claims; and 3) appropriate cost of insurance
- Lack of human touch or interaction in some of the new-age technologies such as data capture via drones or IOT devices can cause some anxiety and fear in the minds of farmers. It is therefore, critical to gain the trust of farmers by clearly communicating the use and benefits of such technology-enabled data collection.
- Data collection is only one piece of the equation in the insuretech space. The collected data needs to be converted to actionable information which can then be used to design products to mitigate agricultural risks. Data analytics plays a pivotal role in this entire process and hence is as critical as data collection and is integral to the business of insurance and reinsurance for assessing risks.
- With respect to weather data, farmers should not only know what the weather is bringing but also what the weather is leaving behind. They should therefore, be informed about aspects such as soil moisture, root-level soil moisture and root-level temperature since these aspects have critical bearing on irrigation decisions.
- Continuous interaction and handholding of SHFs to implement good agronomical practices are necessary to gain trust of the farmers. Fostering a long term relationship with farmers, and having a high touch model for not only insurance but also for other advisory and allied services has been effective in getting a buy-in for insurance products.
- Claim settlement is a key driver of insurance sales. Education and awareness regarding insurance products and setting right expectations for claims is important for retention of customers.

Investor Perspective:

- The agri-insuretech market has tremendous potential both from an impact and a financial standpoint for potential investors. There is serious interest in the sector from the investor community, provided the enterprises have a well-articulated strategy, clearly defined technology and a good team.
- The agri-tech space, thus far only being explored by impact investors, is now beginning to attract interest from mainstream technology investors as well.
- Given the diverse horizontal components of the agriculture sector and the perceived high risk of agri-insuretech solutions, enterprises offering multiple solutions covering insurance, lending etc. might be more attractive to investors than those offering stand-alone insurance services.

*This case study first appeared **here***

SOLVING FOR PLASTIC POLLUTION CAUSED BY SINGLE USE PACKAGING IN APPAREL

BACKGROUND

The apparel and textile industry is struggling with plastic waste. According to an estimate by the Central Pollution Control Board (CPCB), India generates almost 26,000 tonnes of plastic waste daily. Around 43% of manufactured plastic in the country is used for packaging purposes, most of which is single-use, according to a fact-sheet on plastic waste released by The Energy and Resources Institute (Teri) in 2018.

While packaging plays a key role in protecting, marketing and advertising offline and online retail clothing, the complete lifecycle of this packaging is not thought through. Most of the packaging incorporated within these processes includes industrial materials like HDPE, LDPE, Poly Propylene, PVC & Polystyrene and are often single use. Neither do these materials disintegrate into the earth's natural cycle nor are there any feasible systems to keep them in a closed loop, hence creating hazardous waste.

While India has started to find alternatives and is recycling plastics from food packaging, FMCG, PET bottles, etc. there is a need to find alternatives and create alternate systems at scale for packaging in the Fashion and Apparel Space.

OBJECTIVE

ABFRL and CAIF launched the #BetterThanPlastic Challenge to co-create with the industry and solve for this issue along with innovators, manufacturers and start-ups in the ecosystem. The challenge aimed to find new materials, systems and business models that demonstrate the ability to curb the negative environmental impact of plastic packaging and be integrated into the businesses in the coming year(s).

> How might we replace single-use plastic packaging with non-pollutant materials & systems?

APPROACH

In order to arrive at solutions to solve the single-use plastic packaging challenge CAIF invited submissions from several stakeholders in the ecosystem such as packaging manufacturers, academia, industry bodies such as AIPMA, IMC, FICCI, incubators, etc.

Up to 18 submissions have been shortlisted to present to ABFRL and an external jury for a round of discussion. The jury comprised of industry experts with backgrounds including materials research, sustainability experts, scaling new businesses, brand marketing, packaging decision, etc.

The solutions with high techno-commercial fit for the industry will be announced as top solutions and be invited to run prototype/proof of concept with ABFRL. The top solutions and learning's will also be showcased to the Indian Apparel industry through the CAIF platform.

OUTCOME

As an outcome of the packaging challenge with ABFRL, CAIF came up with a long list of solutions, which can broadly be classified as the following solution directions –

1. Sustainability by material replacement : Using sustainable materials that could be replacements to single use plastic packaging such as –

- PLA / PBAT based solutions : Alternative solutions to traditional plastics that are composed primarily of PLA (Polylactic Acid) & PBAT (Polybutyrate adipate terephthalate). Both of which have been derived from plant based starch and can be processed using most conventional polymer processing methods.

- Biodegradable / Adding bio-compounds : These are plastics whose monomers are derived from natural and renewable sources which correspond to agricultural raw materials such as remains of corn, cereals, cassava, starch and vegetable oil derivatives and contain no conventional plastic.

- New Materials & technology : We are seeing research driven green technology players, changing how industrial and consumer products are made, used and disposed with reduced cabon footprint & eo-toxicity, by conserving resources. The outcome is innovative solutions sourced from incubators or enterprises, which are not available through conventional channels.

2. Integrated closed loop solutions : Solution providers which reduce the generation of single use plastic in the eco system by collecting the waste packaging material from business/ end consumers, recycling it and converting it back into usable products. Such solutions fundamentally address the habit of waste disposal rather than just replacing the material by programs or creating mechanisms to collect all the recycled plastic products from various distribution points in the chain.

This case study first appeared ***here***

CATALYZING PRIVATE SECTOR PARTICIPATION FOR FAECAL SLUDGE AND SEPTAGE MANAGEMENT (FSSM) IN INDIA

THE CHALLENGE

In India, as per the 2011 Census, 81.4% of urban households had access to toilet facilities of which 32.7% were connected to sewer systems and 38.2% to septic tank or Onsite Sanitation Systems (OSS).

With the launch of Swachh Bharat Mission (SBM-U) and its impetus towards making the nation open defecation free, it has led to increase in toilet coverage to 100% with the construction of about 61 lakh individual household toilets and 5.82lakh Community/Public Toilets facilities in urban areas .

However, around 60 % of urban households are still dependent on OSS and the remaining 40% are serviced with the sewerage system. Though government targets to cover the 60% households with sewerage facilities under AMRUT by 2022 , but it seems a long drawn process. Moreover, it is not practically possible to connect every household to the sewerage system. Hence, to achieve a sustainable sanitation ecosystem and manage the OSS there is a need for effective evacuation, transportation, and treatment of waste (faecal sludge and septage) along with reuse or responsible disposal of the treated product.

It is estimated that the required capacity for faecal sludge treatment will rise to 61 Million Litres per Day by 2024 . At least 2000 Faecal Sludge Treatment Plants (FSTPs) will be needed to meet this demand along with investment required to the tune of INR ~6000 Crore over the next 5 years .

While there has been a concentrated effort from the government, involving the private sector can provide a huge impetus in addressing the demand-supply gap in Faecal Sludge and Septage Management space (FSSM).

NEED FOR PRIVATE SECTOR:

In order to service the demand for faecal sludge treatment, it is critical to catalyze and scale participation of private sector players in the FSSM value chain. Engagement of the private sector is expected to lead to reduced burden for ULB staff, provision of technical expertise, higher service levels, fast track implementation as well as increased innovation.

MODELS FOR PRIVATE SECTOR ENGAGEMENT:

The FSSM value chain provides multiple modalities for the private sector to capitalize the huge potential. Urban local bodies (ULBs) outsource the value chain activities partially or completely to the private sector. Private players can be involved in emptying of faecal sludge from households and transporting it to the FSTPs. They can take up construction and operations of these FSTPs as well. Some ULBs also allow private players to integrate both conveyance as well as treatment related activities.

One such public private partnership (PPP) model launched by the state of Andhra Pradesh for FSTP construction and operations is the Hybrid Annuity Model (HAM) on a Design, Build, Operate and Transfer (DBOT) basis. Under this model, private player undertakes construction, operation and maintenance of a cluster of FSTPs for a period of 10 years. Swachha Andhra Corporation (SAC) monitors construction, operations & maintenance and performance of these FSTPs. Even as 50% of the capital investment comes from the private player, the remaining 50% is paid by the government to the player in form of annuity payments along with fixed O&M cost.

FSTP SHOWCASE:

Banka Bioloo Ltd. is one such player operating a cluster of FSTPs under the HAM model in Andhra Pradesh. One of the FSTPs is in Rajam, with a capacity of 15 KLD. The company uses geotube based dewatering technology to separate bio-solids and water.

The water produced is treated by a combination of treatment regimes and is rendered fit for recycle; while the separated bio-solids are self-composted, assured of nutritional and safety levels and dispatched as soil conditioner. The plant has very little electro mechanical dependency, is energy efficient and thus is very easy to scale.

CONSIDERATIONS FOR CATALYZING PRIVATE SECTOR PARTICIPATION:

In order to develop a cohesive ecosystem to encourage sustained participation of private sector, there is a need to focus on multiple components such as:

- Showcasing the market opportunity to potential players from allied sectors such as solid waste management, liquid waste management etc.
- Alternate revenue models for FSTP operators
- Access to low cost debt
- Skill upgradation for the consultant pool to be able to design Detailed Project Reports (DPRs) for FSTPs and supervise construction and operations of FSTPs
- Balanced risk sharing mechanisms in the agreement between State/City level bidding authority and the concessionaire
- Assurance of timely payments made by the bidding authority

INTELLECAP & FSSM:

Intellecap is working towards building an enabling ecosystem for catalyzing private sector participation in the construction and operations of FSTPs. Some of our initiatives include:

OUTCOMES:

- Increased participation of private sector players bidding for FSTP tenders in 5 states
- Enabling collaboration among players by way of JV formation for bidding purposes
- Innovative financing mechanisms for FSTP operators
- Capacity building of financial institutions for FSSM lending
- Creation of pool of 20 FSSM consultants to serve as ready reference for the ecosystem
- Design of FSSM specific training curriculum for consultants

This case study first appeared ***here***

BRINGING MHM FROM THE PERIPHERY TO THE CORE WASH AGENDA | #ITSTIMEFORACTION

Menstrual Hygiene Management (MHM) can't wait for the COVID-19 pandemic to end. It is time to bring it from the periphery to the core WASH agenda by accelerating action, catalyzing capital, alliances and innovations.

Over 1.9 billion women and girls globally menstruate between two and seven days a month[1]. While menstruation is a normal and healthy part of women's life, Menstrual Hygiene Management (MHM) remains a neglected and peripheral component of WASH that affects the life course of many women and girls worldwide. It is estimated that around 500 million women and girls globally face constraints in their needs to manage their menstruation well (i.e. approximately one-fourth of the global female population of reproductive age[2]). The key barriers faced by these menstruating women/girls include lack of awareness, societal taboos, low access to affordable high-quality menstrual products, and limited access to well-managed Water, Sanitation, and Hygiene (WASH) infrastructure. This results in poor MHM and negatively impacts women's empowerment, education, health, environmental, and economic outcomes.

The situation is not different in India, which currently has over 355 million menstruating women and girls, with millions facing a significant barrier to the comfortable and dignified experience of menstrual health. In addition to this, the global pandemic (COVID-19) has also created a severe disruption in the production and distribution of MHM supplies, largely due to physical distancing norms and re-purposing of manufacturing plants for Personal Protective Equipment[3]. Additionally, it has also reduced the accessibility and affordability of available MHM supplies due to a reduction in available income and mobility restrictions. Although a lot of impetus has been given to hygiene for hand washing during the pandemic, MHM still features as a peripheral issue.

Current MHM interventions largely focus on the product side; other components of the value chain remain unnoticed

While there is an increased momentum from International donors, the National government, and NGOs to address problems related to menstrual health, the focus and funding have largely been towards creating awareness and improving access to MH products. The current efforts towards MHM are either sporadic and/or lack certain key aspects of the MHM value chain (such as safe and environmental disposal of such products).
In 2017, it was estimated that more than 5.8 billion units (i.e., sanitary pads, tampons, and panty liners) were sold at a value of more than INR 28.6 Billion (US$415 million). With a projected compound annual growth rate of 8%, the market is projected to grow to more than 10.3 billion units with sales exceeding INR37.8 billion (US$643 million) by end of 2021[4].

This presents a huge market opportunity for the private sector, comprising of micro-enterprises, SGBs, small enterprises, and large corporates to address MHM challenges. While, the market is highly concentrated with the few top suppliers such as Procter & Gamble (P&G) and Johnson & Johnson (J&J), innovators, small collectives and growing businesses are also emerging across the MHM value chain. While startups like Aakar innovation, Saathi Pads, Eco Femme are manufacturing biodegradable new-age sanitary napkins; the ones like Saral Designs and PadCare Labs are working to address larger challenges of accessibility and waste management related to MHM.

Although some of these innovators and SGBs have been able to demonstrate a successful model, there are still many that have not been able to commercialize and reach scale.

Some of the key areas that require interventions to enable these businesses to scale up are:

Skill and Capacity Building: The SGBs that rely on scattered supply chain partners; often lack technical and non-technical skills like distribution marketing, sales to function. Although the government of India has undertaken a multi-pronged approach for skill development, an entrepreneurship-focused program to build skills in financial, operational, and management aspects would help these businesses scale.

1. **Skill and Capacity Building:** The SGBs that rely on scattered supply chain partners; often lack technical and non-technical skills like distribution marketing, sales to function. Although the government of India has undertaken a multi-pronged approach for skill development, an entrepreneurship-focused program to build skills in financial, operational, and management aspects would help these businesses scale.

2. **Access to capital:** Most SGBs rely on internal funds, cash from family or friends, and government/ foundation grants to launch and initially run their enterprises. They face challenges in accessing finance for further R & D, commercialization, and scale-up. Thus, there is a need for investment from financial institutes and venture capitals in MHM aligned business.

3. **Assigning a nodal agency for MHM:** At present, there are multiple ministries like the Ministry of Health and Family Welfare, Ministry of Drinking Water and Sanitation, and Ministry of Women and Child Development, involved in managing several MHM programs with multiple department and guidelines. Identifying and assigning one nodal agency would create a streamlined approach to lead the MHM agenda.

4. **Enabling regulatory environment:** Menstrual hygiene is a complex issue with shared responsibilities by manufacturers, product users, and regulators. Currently, there are limited standard and monitoring agencies for identifying, supporting, and certifying innovative technologies in the MHM space. A central department or authority can help certify and scale up these innovative and affordable MHM solutions. Additionally, implementation of extended producer responsibility (EPR) would encourage safe collection and disposal mechanisms thereby supporting the SGBs working in this space to scale up the operations.

5. **Awareness:** Although various government departments and big manufacturers are perusing large-scale strategies to promote awareness on MHM, there is limited awareness among users about the availability of new MHM solutions. Innovative solutions like biodegradable pads, menstrual cups, tampons, or environmentally sound disposable mechanisms are still limited to specific geography as awareness is a resource-intensive task. A collaborative platform approach by public and private stakeholders can be used to share innovative solutions, a variety of products, best practices, and the safe disposal of MH products.

While these areas need interventions to strengthen the MHM, we can definitely learn and adopt few models/solution successfully implemented in other coutries
such as:

Innovative financing model to catalysing capital toward MHM
KOIS (impact finance fund) along with the French Agency for Development (AFD) and the French Ministry of Foreign Affairs have devised a Development Impact Bond (DIBs) to promote healthy Menstrual Hygiene Management (MHM) practices in Ethiopia and Niger. The objective of this impact bond is to empower women and girls by implementing a holistic Menstrual Hygiene Management programme encompassing awareness raising and access to affordable sanitary products as well as MHM-friendly sanitary infrastructure[5].

Common platform for discussion and knowledge sharing
A national coordination mechanism exists in Mongolia for discussing MHM, it includes government officials across departments with responsibilities for strategic policy , planning, implementation and coordination of Environmental Health, Health Education and IEC, and Child & Adolescent Health Care. This mechanism is supporting the formative research and pilot activities under the UNICEF’s WinS4Girls programme for advocacy and capacity building on Menstrual Hygiene

Management through Water, Sanitation and Hygiene in Schools Programs' (WinS4Girls)[6].

6. **Enabling policy environment**
   In Kenya, the Ministry of Health published MHM policy that encourages private sector participation and public-private collaboration. This will facilitate sustainable menstrual hygiene management solutions by promoting investment and innovation to develop effective menstrual waste management systems for storage, collection, transportation, treatment and disposal. The policy also talks about instituting effective M&E systems at all levels to ensure coordinated and sustained improvement of MHM[7].

We believe that these interventions would form the cornerstone for the development of an enabling ecosystem that will aid in accelerating these businesses to participate across the MHM value chain, thereby creating meaningful impact.

This case study first appeared ***here***

6 START-UPS SHAKING UP THE CIRCULAR FASHION SPACE AT LFW 2020'S CIRCULAR CHANGEMAKERS

Intellecap Circular Apparel Innovation Factory in partnership with Circular Design Challenge an initiative of R|Elan, United Nations Environment Programme and Lakmé Fashion Week, presented the second edition of Circular Changemakers 2020, in a digital-first format, on Day 2 of Sustainable Fashion Day of LFW, where circular startups presented and showcased their ideas.

The coverage was basis a talk with the finalists of the second edition of Circular Changemakers by LFW 2020 about the concepts behind their unique start-ups and how they are planning to change the industry with their own perspective of Circular Fashion via this platform.

Six start-ups recently presented their ideas promoting circular fashion in the second edition of the Circular Changemakers which started in 2019.

Presented by Intellecap's Circular Apparel Innovation Factory (CAIF) in partnership with Circular Design Challenge, an initiative of R|Elan, United Nations Environment Programme and Lakmé Fashion Week, the programme took place on Day 2 of Sustainable Fashion Day at LFW 2020. **Infinichains, BigThinx, Phabio, Twirl Store, Desi Hangover and Paiwand Studio** were chosen to present their business models to an esteemed panel after having gone through a rigorous online enterprise bootcamp to fine tune their business models, financial models and presentations.

The investor & strategic partner panel comprised industry experts namely, Disha Gandhi, Associate Director, Aavishkaar Capital, Marieke Lenders, Head – Reweave Program, Enviu, Vineet Gautam, CEO, Bestseller India and Pinar Ademoglu, Investment Director, Sagana Capital. The changemakers undertook a rigorous bootcamp by CAIF which focused on three modules, Capital Raising, Business & Financial Modelling and Investor Pitch Preparation, delivered by industry experts.

Darshana Gajare, Lead Sustainable Fashion at IMG Reliance, said, "This year, we have a very promising cohort of enterprises doing some incredible work across the value chain". Our vision is to enable strategic partnerships, through the online bootcamp curated by CAIF, we could already see great synergies for these start-ups to work together," while Vikas Bali, CEO, Intellecap, chimed in, "Circular Changemakers Program is a great example of a platform that can provide both investment support and facilitate strategic collaborations for innovators with circular solutions to help them scale."

Each of these enterprises works at different segments of the value chain aiming to make fashion truly circular. A talk with the Circular Changemakers sheds light on their prospective business models, their utility in different avenues of the fashion space along with their aspirations of leveraging this platform to propagate their business in the industry.

PAIWAND STUDIO

Launched in 2018 as an upcycling textile studio by Ashita Singhal, Paiwand believes in adding value by repurposing waste garments. With willingness to help designers who lacked time and resources to repurpose waste materials, Ashita explored weaving with textile waste to produce upcycled yardages for apparel, which later led to her winning an International Business Grant of US $ 25,000 by Laureate International Universities Network, USA to support her social enterprise, Paiwand Studio.

"Following a B2B model, we collaborate with design houses and fashion brands and help them upcycle their textile waste through various handcrafted techniques like handloom weaving, patchwork, knitting, embroidery and felting, says Ashita, continuing, "We then sell the fabric back to the fashion houses at a higher price so that they can create an exclusive upcycled sustainable product range for their respective clientele, opening up a revenue channel for brands collaborating with them."

In their B2C model, Paiwand designs upcycled range of products including apparel, home textiles and accessories retailed through multi-designer stores and online platforms.

TWIRL STORE

Twirl store works to solve the endless issues of excess and unwanted clothing. Sujata Chatterjee, Founder of the start-up, says, "At Twirl.store, customers are urged to send their unwanted clothes, and in return are rewarded with points which they can redeem to buy new things from our online portal www.twirl.store. All the unwanted clothes that Twirl receives are either donated or upcycled to form fabrics for new collection."

Adding to this, the start-up employs rural women to upcycle the fabric, thus giving them a source of livelihood. Their offerings include bags, accessories, gift items etc. retailed through omnichannel portals.

"We also hope that after being a Lakmé Fashion Week's Circular Changemaker, more people will join the Twirl Circle and actively send unwanted clothing as well as embrace our handcrafted, upcycled products" says Sujata.

BIGTHINX

BigThinx was Chandralika Hazarika and Shivang Desai's idea to aid customers who face issues during online shopping due to incorrect sizing, leading to returns and further losses incurred by businesses. Chandralika says, "Realising the problem, we started working on our AI-based products in 2017" while Shivang elucidates, "The business model is a Software as a Service (SaaS) B2B model working with products that include 3D body scanning to help one find the perfect size in any clothing from any fashion brand, and personalised digital avatars to try on any clothing virtually and see how it looks, fits and drapes before purchasing."

These products are API based and can easily integrate into any existing website or app, or even in-store via interactive displays. Consumers can carry out body scans or create avatars to instantly find their size and browse inventory of thousands of items with just a click of a button. Retailers benefit from an average 20 per cent increase in order values, 40 per cent decrease in product returns and up to 250 per cent greater conversion rates.

"Our suite of products – mobile body scanning, digital twins, virtual showrooms, and virtual fashion shows – significantly contribute towards reducing emissions and apparel waste and saving freshwater" says Chandralika.

DESI HANGOVER

Inspired by the craftsmanship of the artisan communities across small villages of India, Hitesh Kenjale along with Abha Agrawal and Lakshay Arora launched this start-up in 2014, to share each of their expertise globally.

"Our business model is extremely simple, and glocal as we say – Handcrafted in India for the world," expresses Hitesh, while Abha adds, "We attempt to tell the story of our shoemakers, based in a small village in Karnataka. We deliver conscious fashion for your feet."

The start-up upcycles leather in the production village, treated using natural ingredients like turmeric and the barks of the Sal tree, and later used to handcraft 'Desis'. Their mission was to develop rural craft clusters through social innovation, ensuring secure and sustainable livelihood for artisans in India. Hitesh maintains, "Through LFW's platform, we wish to send across a global uniform message to fellow brands, customers, and anyone else concerned – that fashion can be healthy, harmless, and yet beautiful."

INFINICHAINS®

After working closely with Shreyaskar Choudhary from Pratibha Syntex about challenges in the textile industry around traceability and sustainability reporting to brands, Parth Patil, Ravi Agrawal and Jitesh Shetty launched the blockchain start-up InfiniChains®.

"We provide a traceability dashboard to the brands that allows them to visualise the supply chain for sourced products, check claims associated with them and inspect the origin of the raw materials" explains Parth, while Jitesh says, "We charge the brand an annual licensing fee for the use of our platform that is proportional with the volume of products they are tracking on our system."

For the suppliers and vendors of the brands, there's no cost to use the system and they get their own dashboards and login from where they can submit data for the supply chain stages they are responsible for and also get visibility into their upstream supply chain. Through LFW, the start-up wants to work with prospective partners to understand the challenges that stand in the way of rapid adoption of sustainability practices and engage brands by sharing their expertise and technology to become 100 per cent sustainable.

PHABIO

Sukanya Dikshit started Phabio with the zeal to curb the environmental impacts posed by single use plastics by working on a cutting-edge technology for low cost production of an exact replacement of plastic. This material is a biopolymer known as PHA (polyhydroxyalkanoates) and is made from microorganisms using waste organic byproducts from various food and beverage industries. It is 100 per cent naturally biodegradable under home and marine composting conditions. Their business model involves direct sales of bioplastic resins to product manufacturers and also, licensing of the technology to third parties interested in taking up production.

"We want to help the world reimagine and redefine plastics with us. Not everything that is plastic needs to remain in the nature forever and the Circular Changemaker programme is a hopeful start," says Sukanya.

*This case study first appeared **here***

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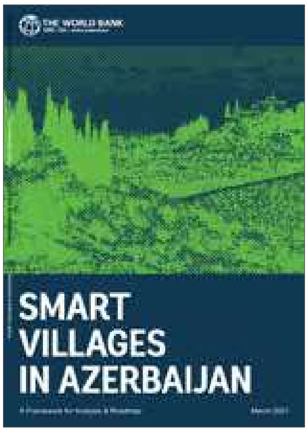

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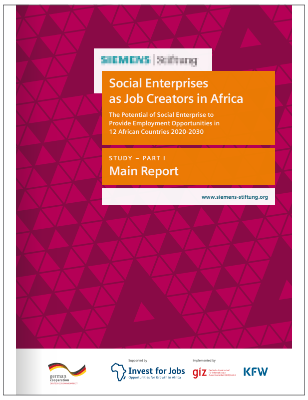

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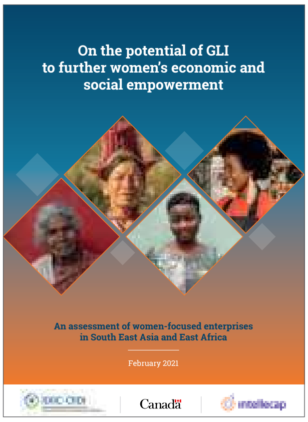

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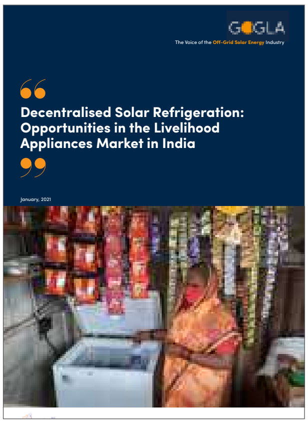

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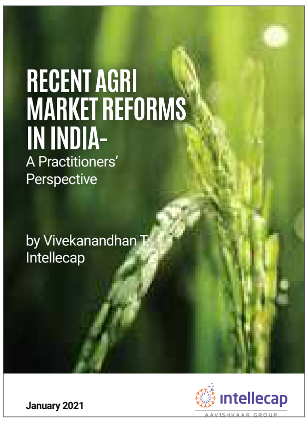

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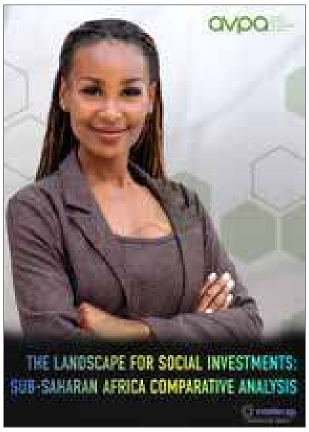

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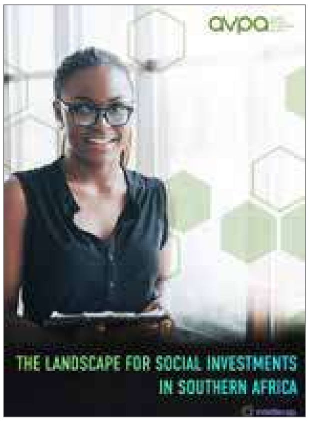

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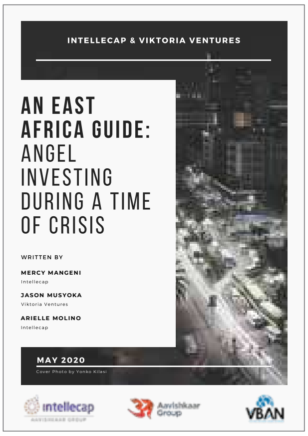

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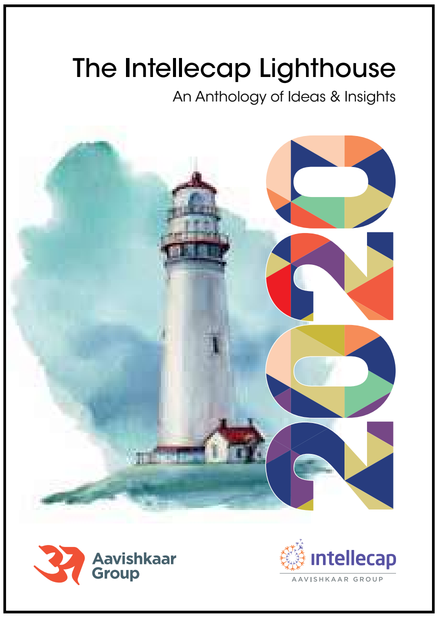

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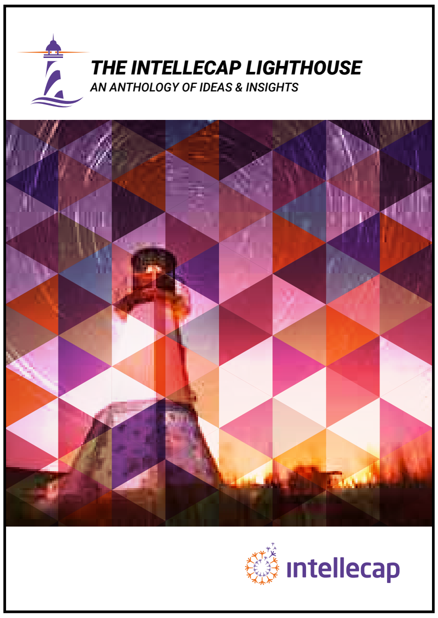

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