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BANASHANKAR MAIN BRANCH, BANGALURU - 560 082.

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Annual Report

2016-2017

Foreward

2016 has marked the start of a redefining period in S3IDF India's history, organisationally and programmatically.

A well-rounded Board-approved two-year plan was implemented in 2016-17 that encompassed sectorial re-focusing, recasting organisational systems, developing fundraising and communications, and not the least- fortifying our governance structures.

The most interesting development has been at the program end. The management, after a detailed strategic analysis, has decided to focus on two sectorial verticals – Waste Management and Farm Livelihoods. This is not an insignificant shift as S3IDF India has historically worked closely in the Decentralised Renewable Energy (DRE) space by implementing innovative livelihood solutions in many locations throughout South India. S3IDF's vision has always been to carry out programmes that are replicable, and which allow for innovation and thought leadership proliferation, eventually leading to market level or systems level shifts.

As a part of that endeavour, S3IDF has hosted the CLEAN Network since 2014. That relationship has developed to a large extent- keeping in mind our organization's history in the DRE sector, as part of S3IDF's efforts to facilitate a network of DRE practitioners in India who can collectively focus on skill training, technology development, policy engagement and access to innovative financing mechanisms. The CLEAN Network is an autonomous project primarily funded by USAID and at the end of two years has made some quick progress, as well as faced some inherent challenges. The CLEAN management along with the CLEAN Governance Board has addressed these issues successfully, and continued progress is being monitored to ensure the project achieves its mandated milestones.

S3IDF's key focus during this reporting period has also been to develop and implement program strategies linked to Waste Management and strengthening Farm Livelihoods. Within the Waste Management vertical, S3IDF India collaborated closely with its Bangalore-based waste sector partners to crowdfund via the portal Rang De to fund small value loans to waste workers in Bangalore. This has been rather unique in the waste sector in India and has demonstrated creditworthiness for an underserved class of people who are marginalised on multiple fronts, be it be caste, class, and/or socioeconomic disparity. The essence of our model is to build a track record for waste workers and to make them 'creditworthy' in order to access organised capital and enhance their incomes whilst also addressing an urgent civic problem that local government fails to solve in the first place. The first financial intervention with a Dry Waste Collection Centre (DWCC) in Bangalore was done in this period and created a template for further such deals in the sector.

S3IDF's intervention in Farm Livelihoods was carried out only after an in-depth strategic analysis. Through working closely with our mission-aligned Farmer Producer Company (FPC) partner Pragathmitra in Sirsi Taluk, Uttar Karnataka, S3IDF successfully prototyped our model of intervention by engaging at the appropriate stage of the FPC lifecycle ('early stage' 18-24 months) with the right balance of technological and business support. With this first intervention, S3IDF has demonstrated the efficacy of our SMBA approach- allowing for several other potential deals with FPCs as it moves forward.

The Farm Livelihoods vertical was also vetted by external experts, and there are strong reasons to believe such key interventions across diverse geographies, crops, and rainfall patterns will only prove the unique strategic value S3IDF adds to this particular ecosystem.

At the non-programmatic end, building long-term organisational financial sustainability has been our other crucial focus area. The fundraising plan has been woven into the programme planning, with an integrated strategy binding project development, fundraising and communications working in close tandem. With a new foundation from which to build more robust fundraising pipelines, we continue to strengthen our organizational stability and allow for organizational growth to be sustained over a 3 to 5 year period.

Lastly, from the human resources/administrative and systems/process end, there has been a continuous focus on bettering internal financial controls, revamping the human resources strategy and recruiting high-quality staff.

At the Governance end, the induction of two new Board members having immense expertise and exemplary credentials has been successful. The contribution from S3IDF US – intellectual, moral and financial, has been superlative during this period. It is expected that the Boards of S3IDF India and US and the respective management teams will work together in this fresh journey to make S3IDF as a whole be seen as more impactful, resilient and most importantly adding crucial strategic value to the overall ecosystem.

The start of this refreshed journey has already been encouraging. This spirit is expected only to continue over the next years, albeit with the able support of all key stakeholders. The ecosystem challenges are immense, and S3IDF shall play its role with renewed gusto and fervour!

Sincerely,

A handwritten signature in black ink, reading "Samit Prabhath Aich", with a horizontal line underneath.

Samit Prabhath Aich

Chief Executive Officer, S3IDF India

Dear Friends,

The years 2016-2017 saw us engaging with issues beyond energy access. As the headiness of India's new dispensation at the centre persists with its political rhetoric, the narratives of India's complex and real problems continue to unfold. Once again some of its real problems and its real problem solvers run the risk of being forgotten.

Despite the political capital it has recently received (which in itself is very good), keeping Bharat Swachh [Clean India Mission] is turning out to be far more challenging than sloganeering, doing photo-ops and allocating budgets. For example, the Silicon Valley of India, Bengaluru, continues to drown and grapple in its garbage and is unable to shake off its "garbage city" tag that has replaced its "IT city" tag. If there is any cadre that has contributed quietly to help manage this— it has been its informal sector of waste workers— who have picked out, sorted and recovered economic value from the garbage's recyclables. It is estimated that more than 1,000 tonnes out of the total of 3,500 tonnes that Bengaluru generates every day as garbage is recycled through them. This informal sector – in waste but also across many sectors in India – is, without a doubt, the largest provider of livelihoods to our vast populace. And how do we respond? Demonetization. In the name of bringing the unscrupulous rich man to justice, we ask the heroes who actually solve our problems to "sacrifice" their livelihoods! If ever there was anything to explain what the word irony means! The year also witnessed the strong civil society movement, that led to the inclusion of the "informal waste workers" as key stakeholders to the Municipal Solid Waste Management Rules.

The first quarter of 2016 ended with reports of alarmingly high rates of farmer suicides. The nation was recovering from droughts from previous years, and luckily for India, the 2016 monsoon was not too bad. Yet the political capital that small and marginal farmers and their livelihoods— who own close to 80% of the operating holdings and account for more than 50% of all employment in the country— is minuscule. Farm distress and the unviability of farming as a livelihood is an increasingly important issue coming into the broader public discourse. Here again, political rhetoric and election manifestos on doubling farmers income notwithstanding, what has been done to actually mitigate this farm distress have been difficult to find. The small and marginal farmer effectively contributes 50% (net irrigated area) of our produce— they are the unsung heroes working for our food security. Yet their problems and their issues are being forgotten.

While it is later than it should be, it perhaps is now opportune, for us as an organisation to contribute solutions towards addressing these issues. We are choosing, therefore, to apply our principles and skills to try and help with these problems. And most importantly we are choosing to remember and remind others of who the real problem solvers are, and that the most important questions to ask are the questions they have for the nation.

Sincerely,



Avinash Krishnamurthy
Chief Program Officer, S3IDF India



About S3IDF

S3IDF is an international nonprofit organization that builds inclusive market systems to benefit poor and disadvantaged communities. We develop and implement inclusive business models and development strategies that leverage resources, integrate incentives, and mitigate risk.

S3IDF works directly with public and private entities in our projects and programs and through our advisory services.

Through our projects and programs, we support entrepreneurs to run businesses

that generate income while also providing their communities with basic services and employment opportunities. We take a “systems-level” approach to mobilize local bank financing, increase technology options, and deliver direct business support.

Through our advisory services, we build the knowledge and capacity of public and private entities to create and implement inclusive business models and development strategies.

Board of Directors



U.S. Board

President

Russell deLucia

Executive Director
S3IDF

Treasurer

Michael Lesser

Financial Director &
Senior Economist
S3IDF

Clerk

Robin Brenner

Former Owner
Billie Brenner, Ltd

Somak Ghosh

Managing Partner
Contrarian Capital
India Partners

Scott Sklar

President
The Stella Group, Ltd.

Marco Palmieri

President
DECK Associates LLC

Indian Board

Board Chair

Veena Joshi

Senior Advisor, Energy
Embassy of Switzerland

Somak Ghosh

Managing Partner
Contrarian Capital India Partners

T.L. Sankar

Former Principal
Administrative Staff
College of India (ASCI)

Former Chairman
Andhra Pradesh State
Electricity Board

**Member until September, 2016*

Harish Hande

SELCO Solar Light Pvt. Ltd.
CEO SELCO Foundation
**Member until September, 2016*

Advisors

Andrew Barnett

Director
The Policy Practice Ltd.

Nikhil Desai

Independent Energy Economist





Featured Project

Livelihood Development

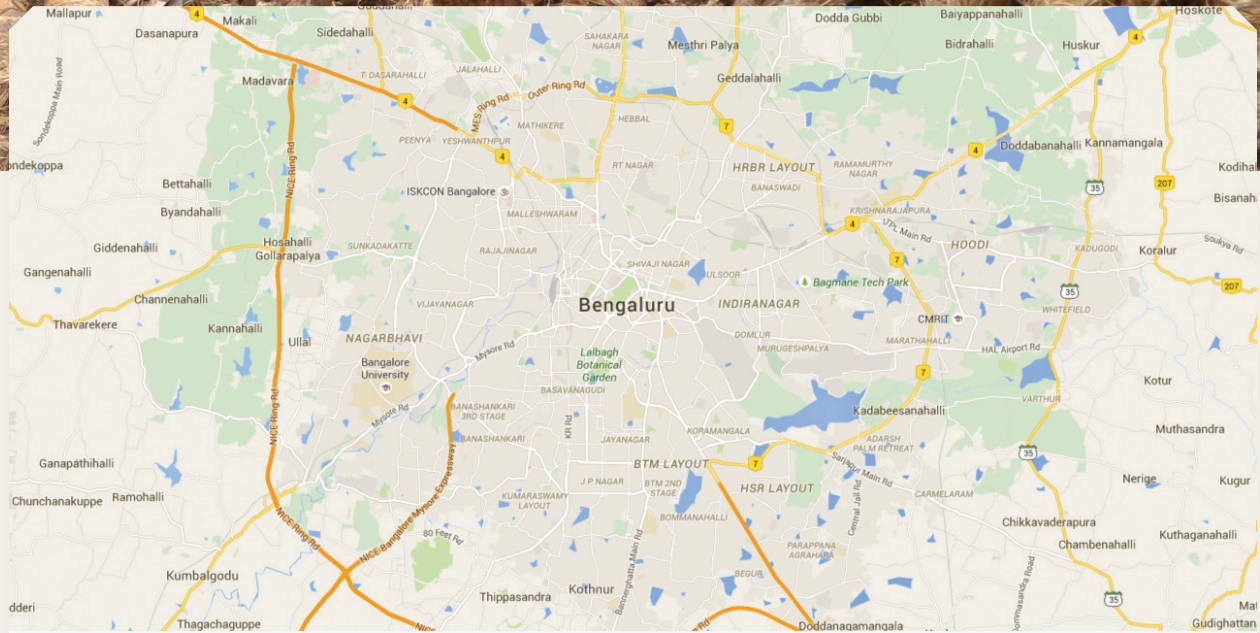
Members of the Pragatimitra Farmer Producer Company (FPC) rely on the areca nut, a highly labor-intensive crop, to support themselves and their families. While our local partner Manuvikasa was successful in increasing laborer employment for the FPC members, the collective lacked access to the equipment, finance and business knowledge required to assist its members in increasing their wages and strengthening their livelihoods.

S3IDF provided a partial loan guarantee of around \$7,000 to leverage a loan of \$15,000 from a local labor agricultural cooperative to enable the FPC to address many of the critical upgrades and investments they required, while also beginning the process of building a formal credit history.

The FPC used this loan to make essential infrastructure upgrades to the FPC headquarters. These improvements included the purchase of a mobile de-husking machine, the expansion of a shed used to manually de-husk the nuts

so that the laborers would be able to work in the shade, as well as the acquisition of a biomass boiler. In addition, S3IDF helped the FPC formalize the processes by which farmers could to sell their wares, and addressed the needs of farmers to access reliable labor at harvest time.

To promote continued strengthening of the FPC, S3IDF facilitated a relationship between the FPC a national financial institution. Based on our professional relationship, as well as the FPC's demonstrated initial credit history of repaying the cooperative loan at an accelerated rate, Vijaya Bank agreed to extend a collateral free credit line of \$15,000. This loan was the first time that Vijaya Bank offered credit to an FPC. As of today, the investment has yielded positive returns and S3IDF continues to work on strategies for the expansion of the FPC in Siddapura and Yellapura. Our ultimate aim is to create a permanent credit solution that would make our involvement redundant.



Did You Know?

- Small and marginal farmers (farmers with less than 2 hectares of land holdings) contribute around 80% of Indian agriculture
- According to the Economic Survey, farmer income losses from climate change “could be between 15% and 18% on average, rising to anywhere between 20% and 25% in un-irrigated areas”
- 64% of the country’s rural population is involved in agriculture, which in turn contributes 17.9% to India’s GDP

Featured Project

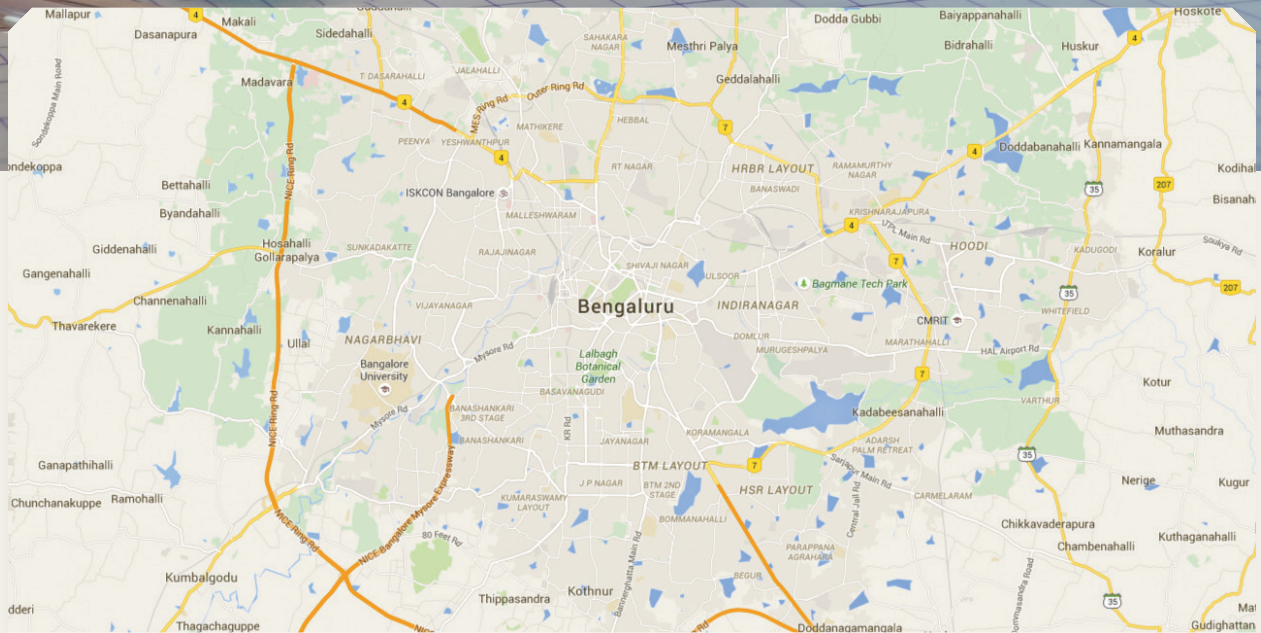
Providing Direct Loans to Informal Waste Workers

Waste workers are indispensable to India's waste collection, sorting, and recycling, yet they lack many of the crucial business skills and connections necessary to capitalize upon their insider knowledge of the solid waste sector. Regularly forced to rely on predatory informal lenders, with interest rates as high as 40% per month, waste entrepreneurs often are stuck in cycles of loan repayments that limit their ability to invest in themselves, their families and their businesses. This financial exclusion, exacerbated by a lack of financial services access and business acumen, restricts their ability to realize their full potential as members of the waste sector, further contributing to the rampant expansion of India's landfills.

S3IDF collaborated with Rang De, a peer-to-peer crowdsourcing platform, to create an online portfolio that addressed the credit needs of an initial group of 9 informal waste workers in Bengaluru, marking the first formal loan many of these entrepreneurs had ever

received. In order to address the risks of this portfolio, in conjunction with our partner, Hasiru Dala, S3IDF provided a partial loan guarantee. The loans enabled the waste entrepreneurs to make critical purchases such as a truck to improve their household trash collection. The relationship with Rang De also enabled 150 waste workers and their family members access to educational loans.

The relationship and engagement with Rang De, in conjunction with financial literacy training led by S3IDF provided an opportunity for the waste workers to build capacity and business knowledge, including better tracking their cash flows and gain the critical confidence necessary to their ability to interact with the formal system. Additionally, the loans allowed the workers to begin building a credit record that can be later leveraged to obtain additional loans, an essential stepping stone towards promoting formal bankability and their continued financial inclusion.



Did You Know?

- An estimated 1.5-4 million waste pickers in India pick up, clean, sort and segregate recyclable waste, selling it further up the value chain to make a living
- Despite the stigma attached to the sector, waste workers are estimated to save 14% of the annual municipal budget
- India generates over 150,000 tonnes of municipal solid waste per day. Yet, only 83% of waste is collected, and less than 30% is treated

Strengthening Farm Livelihoods



Roughly 85% of Indian farmland is cultivated by small and marginal farmers (less than 2-hectare holdings). Profiting from these land-holdings is becoming unviable. Further, climate change production risks and volatile global produce prices result in increasingly vulnerable farmer and agricultural labour livelihoods and high rates of farmer suicides.

If farmers were organized into strong collectives they would be able to mitigate both production and price risk and enhance the value capture of their produce. These collectives could then become the institutional basis for enterprises that capture greater value on the farmer's crop.

However, while the promotion of small and marginal farmer collectives has gained traction - their capacity to develop viable business ideas and translate them

into sustainable operating enterprises is still missing. Further, the sector lacks an overall ecosystem that can support the FPCs through their journey from inception to becoming a self-sustaining, member-controlled organization that successfully operates a business and effectively strengthens farmer livelihoods for community, market and national impact.

S3IDF engages with small and marginal farmers and related collectives at early stages with our three-pronged approach of facilitated formal financing, access to equipment, and business mentorship. The membership of these early stage collective has reached some critical mass, but they are in search of answers on how to move forward and make the collective useful and meaningful for their participating.

Addressing India's Urban Waste Problem



Blame urbanization and industrialization, but the consequences of the tonnes of waste produced by India's megacities are both tangible and troubling. India's waste predicament presents social and environmental challenges for urban local bodies whose prerogative covers municipal solid waste (MSW) management. There is then the invisible plight of the thousands of informal waste workers who sustain their livelihoods by collecting, sorting, and trading waste. By some estimates, informal waste workers subsidize nearly 14% of the municipal budget annually.

In Bangalore, roughly 25,000 informal workers collect dry waste and recyclables from homes, buildings, schools and other facilities before sorting, grading and baling it, after which the waste is sold to intermediaries for processing.

Historically waste workers' inability to access formal financial services and fair markets has kept them locked in a cycle of poverty. These barriers are compounded by the unpredictable nature of their incomes and destabilizing global market forces, such as the falling price of plastic recyclables, linked to the volatile petroleum market. By addressing these challenges, waste workers are able to strengthen their livelihoods, benefiting their families, the city and the environment.

S3IDF works with waste entrepreneurs to enable their financial inclusion through financial literacy training, facilitated loan guarantees and business mentorship. Our hands-on engagement provides the waste workers with critical insight into the formal banking system, arming them with the knowledge they need to improve their lives.

Additional S3IDF Updates



Clean Energy Finance Facility: Central America & the Caribbean (CEFF-CCA)

S3IDF was part of a contract with prime partner ECODIT, to assist USAID in disbursing funds from CEFF-CCA, an innovative financing program with the objective of supporting private-sector clean energy development in the region.

Working in coordination with fellow government institutional collaborators, the U.S. Trade and Development Agency, and the Overseas Private Investment Corporation, S3IDF was tasked with sourcing, soliciting, and evaluating the financing needs of eligible early/seed-stage private sector clean energy projects in the region.

Through providing early-stage grant funding, CEFF-CCA is facilitating public and private sector investment in clean energy projects, addressing the regional electricity shortages and high prices with clean energy solutions.



Clean Energy Access Network (CLEAN)

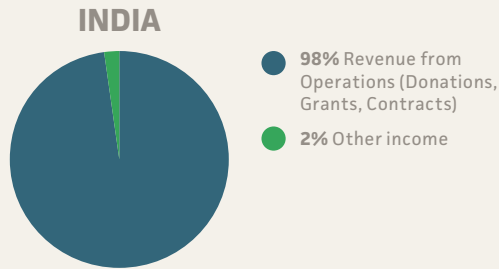
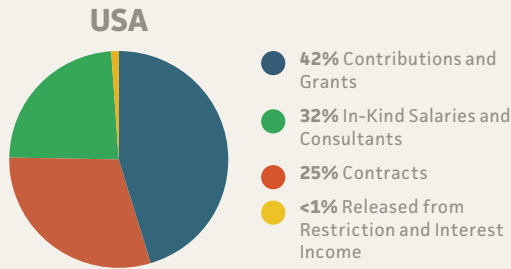
S3IDF was selected to serve as the legal host for CLEAN, an all-India membership-based initiative with a mandate to support, unify and grow the decentralized clean energy sector in India. S3IDF supports its development along its path towards eventual registration as a separate legal entity.

CLEAN brings together diverse stakeholders that are working to improve energy access for the rural and urban poor with members working across a range of renewable technologies such as solar, wind, bioenergy, and small-scale hydropower.

CLEAN is focused on facilitating robust information channels between practitioners and investors to facilitate greater fund flow into the sector, creating a long-term policy engagement plan for all levels of government, development technology standards and certification for products and services in the sector, and enacting guidelines for training and capacity building from the entrepreneurial to technical levels.

Financials

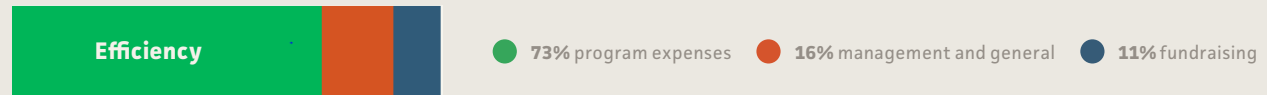
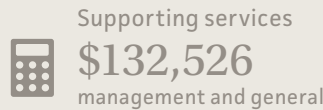
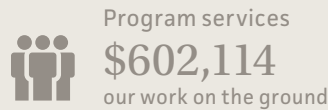
SUPPORT & REVENUE



\$666,926
total support and revenue

₹26,948,296
total support and revenue

EXPENSES (USA)



\$822,303 total expenses

\$831,314 ending net asset balance

EXPENSES (INDIA)

1:2.79*
Our leveraged funding ratio
**local currency equivalent*

Leveraged Funding

S3IDF leverages donations and the development and philanthropic funding we receive to mobilizes capital from local banks, entrepreneurs, and other on-the-ground sources. At the end of FY 16, our leveraged funding ratio was 2.79, meaning that for every 1 rupee S3IDF invested small-scale businesses, 2.79 rupees were invested from other sources.

- Average enterprise investment size: ₹428,970
- Average loan from financial institutions: ₹254,762
- Average S3IDF Direct Financing Deployment: ₹141,416

₹23,024,002 total expenses

₹14,446,073 ending net asset balance

Lead Funders



USAID
FROM THE AMERICAN PEOPLE

TATA TRUSTS

THE CLIMATE GROUP



US Financials

Preliminary Financial Statement*

Assets

Current Assets	2017 (as of June 30)	2016 (as of June 30)
Cash	\$567,757	\$720,587
Accounts Receivable	\$34,107	\$33,632
Advances to Employees	\$1,087	\$868
Prepaid Expenses	\$557	\$3,055
Total Current Assets:	\$601,508	\$758,142
Property and Equipment		
Office Equipment	\$4,641	\$4,641
Less: Accumulated Depreciation	(\$4,304)	(\$3,631)
Total Property and Equipment:	\$337	\$1,010
Other Assets		
Trademark	\$8,376	\$8,376
Investment in SELCO	\$110,000	\$110,000
Total Other Assets:	\$118,376	\$118,376
Total Assets:	\$720,221	\$877,528
Liabilities & Net Assets		
Current Liabilities		
Accounts Payable		\$10,817
Payroll Liabilities		\$35,397
Total Current Liabilities:	\$27,644	\$46,214
Net Assets		
Unrestricted Net Assets	\$557,577	\$694,487
Temporarily Restricted Net Assets	\$135,000	\$136,827
Total Net Assets:	\$692,577	\$831,314
Total Liabilities and Net Assets:	\$720,221	\$877,528

*These numbers are unaudited pending final sign off on review

US Financials

*Preliminary Statement of Activities**

	Year Ended June 30, 2017	Year Ended June 30, 2016
	Total	Total
Support and Revenue		
Contributions and Grants	\$299,129	\$282,676
Released from Restriction	-	-
Contracts	\$229,156	\$164,926
Interest Income	\$981	\$131
In-Kind Salaries and Consultants	\$153,063	\$219,193
Total Support and Revenue:	\$682,329	\$666,926
Expenses		
Program Services		
Projects	\$343,715	\$384,060
Dissemination	\$286,009	\$218,054
Total Program Services:	\$629,724	\$602,114
General and Administrative	\$109,226	\$132,526
Fundraising	\$82,116	\$87,663
Total Expenses:	\$821,066	\$822,303
Change in Net Assets	(\$138,737)	(\$155,377)
Net Assets - Beginning of Year	\$831,314	\$986,691
Net Assets - End of Year	\$629,577	\$831,314

**These numbers are unaudited pending final sign off on review*



Office Addresses

In the US:

The Carriage House

5 Hastings Square Cambridge, MA 02139 - 4724

Phone: +1 617 576 0652

S3IDF is a registered public charity under section 501(c)(3) of the Internal Revenue Service code.

In India:

No.18, 1st Floor, 8th Cross, 23rd Main, SCHBCS Layout,
Opp. R V Dental College, J P, R K Colony, 2nd Phase, JP
Nagar, Bengaluru, Karnataka 560078, India
Phone: +91 (080) 26594880

S3IDF is a registered non-profit company with charity status under Section 8 of the Companies Act, 2013 (Section 25 company under the old Companies Act, 1956) and is registered under Section 12A and 80G of the Income Tax Act.

