# Social Innovation Policy 2020

Information, Technology and Communications Department

Government of Telangana

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# I.  Background and Context

# 1. What is Social Innovation?

In recent years, the potential of social innovation (SI) for bringing about social transformation has been actively explored on a global scale. Several countries, including the member countries of the European Union (EU), have successfully implemented different SI models to find innovative answers for a wide range of social challenges in the context of public health, microcredit, climate change, education, poverty and so on. The European Commission's Guide to Social Innovation defines SI as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations (European Commission 2013).

The solutions provided by SI differ radically from existing policies and solutions in the sense that several actors, starting from governments and the civil society to academia, NGOs, small-scale businesses, corporates and industries convene to become a part of the policy-making process. This leads to more sustainable, dynamic and inclusive solutions. It not only shifts the burden of responsibility from governments but also diversifies the scope of formulated plans and solutions. Social challenges have a public-good nature… prospects of large profits in the social area are limited, which hinders incentives to invest and commit resources to these activities. As a consequence, specific processes and mechanisms should be specifically established to support social innovation activities that aim to address social challenges" (OECD 2011). Thus, collaborations between diverse actors and governments and public authorities is both necessary and also adds to the overall impact of SI goods and processes.

Further, just as the coming together of multiple actors is the catalyst to driving social innovation, it must be understood that social innovations also impact social challenges only when they occur in parallel and are interconnected. There are several components of an SI ecosystem, including the actors, human capital, regulatory frameworks, funding,

research and so on, which work in tandem to implement social change. Hence the term ecosystem, borrowed from biology, is used in the context of SI to highlight that innovations cannot occur in a vacuum. Projects and ideas are interdependent, co-evolving with the cooperation of multiple actors and organisations.

The Social Innovation Policy of Telangana defines Social Innovations as follows:

- Social innovation refers to the application of innovative, practical, sustainable, market-based approaches that achieve transformative social and/or environmental change, with an emphasis on underserved populations.

- The organisation's core business principles and strategies are aligned with the Sustainable Development Goals.

- Social Innovation is developed and diffused via organisations, whose primary purposes are not centred on mere profit maximisation.

- Social Innovation is not unique to the nonprofit sector and can include
    - Politics and government (e.g: new models of public health),
    - Markets (e.g open source software or organic food),
    - Movements (e.g fairtrade)
    - Academia (e.g pedagogical model for children)
    - Social enterprises (e.g microcredit)

- Social innovations usually appear at the intersection of community, business and government sectors.

## The Social Innovation Spectrum

The figure below demonstrates organisations on the spectrum of social innovation. On one end of the spectrum are non-profit organisations that address vital social and environmental needs through charitable interventions, relying on donations as their primary source of funding. On the other end of the spectrum are for profit organisations that are primarily focused on financial bottom line but incorporate sustainability and corporate social responsibility into their operations and culture. In between these two ends of the spectrum are a range of organisations that address social and environmental challenges by innovating new products and services and delivering them via creative structures. This space in between the two ends of the spectrum comprises social innovators and social entrepreneurs.

Purely Philanthropic ⟷ Purely Commercial

| Type | Traditional Nonprofit | Social Enterprise Nonprofit with mission related enterprise | Hybrid | Social Purpose Business | Socially Responsible Corporation | Traditional Corporation w/ strong CSR |
|------|----------------------|-------------------------------------------------------------|--------|------------------------|----------------------------------|---------------------------------------|
| Primary Goal | Tax-exempt social and environmental mission | Tax-exempt nonprofits that have earned income related to social mission | Governance structures+contracts that bind a for profit+non-profit together | B-corps l Lc3 Explicit goal to use business to solve social +environmental problems | Profit driven with social + environmental objectives | Profit driven with social + environmental objectives |
| Examples | • Red Cross<br>• WWF<br>• Teach for India | • Goonj<br>• Pradaan | • Mozilla Foundation/Corp | • d.light<br>• Grameenphone | • Patagonia<br>• The Body Shop<br>• Fabindia | • GE (ecoimagination)<br>• Unilever<br>• Nike |

Figure 1: The Social Innovation Spectrum

# 2. Social Innovation: The Indian Context

The Companies Act of 2013, which mandates that corporations spend at least 2 percent of their net profit on society's well-being, has resulted in a paradigm shift in the mindset towards CSR and has given way to Social Innovation in the country.

With a significantly young demographic, several small-scale businesses and entrepreneurial ventures, grassroots innovations and a vibrant startup culture, especially in the cities of Bangalore, Chennai and Hyderabad which have witnessed massive growth in the IT sector, India can be at the forefront of social innovation globally. In fact, India aspires to become a high-middle income country by 2030. However, that said, it is still home to 176 million poor people and in the absence of infrastructure, funding and technology, social innovations often become the pathway to bringing about sustainable development and poverty alleviation.

Although social innovations have the potential to deliver significant long-term socio-economic impact, their viability is often undermined in the absence of cohesive policies, legislation and regulatory frameworks. For instance, the SARI (Sustainable Access in Rural India) Project in Tamil Nadu was kickstarted with clear goals to utilise ICT to provide internet facilities at telecentres run by private players and NGOs. However, its activities ultimately came to a halt and the project had to be discontinued within a few years of delivering limited social impact, primarily due to financial instability, lack of technical and institutional support (Best & Kumar 2008). Many such initiatives in the country have started off with noble intentions, only to see an untimely end due to the failure of various actors involved in the process. This highlights the need to look closer at scattered SI interventions across the country and the host of factors driving an SI ecosystem. Therefore keeping in mind the fact that India is still a developing country, even though it harbours massive potential for social innovation and has both the requisite institutions of knowledge and institutions for funding, must work further on developing a conducive political environment for SI, along with robust policy and regulatory frameworks to promote public-private partnerships.

# 3. Social Innovation in Telangana

Hyderabad's emergence as a premier city for higher education in the country, with the presence of multiple educational institutions such as IIT, IIIT, NALSAR etc., along with it being one of the most prominent IT (information technology) hubs, has worked well in the favour of propelling Social Innovation in the state of Telangana. Especially taking advantage of the IT boom in urban centres, the Telangana state government also developed several initiatives to foster SI and social entrepreneurship while inculcating skills for innovation and entrepreneurship among the youth in both rural and urban centres. In this context, the Telangana State Industrial Policy Framework, 2014, and the 2016 Innovation Policy are two landmark documents which play a major role in envisioning a sustainable ecosystem for innovation in the state.

The slogan of the 2014 policy framework is: "In Telangana — Innovate, Incubate, Incorporate", while primarily being driven by the vision of "Research to Innovation; Innovation to Industry; Industry to Prosperity". It states manifold objectives including the creation of a regulatory model to perpetuate ease of doing business, promoting development in backward areas, creation of employment opportunities for the youth, harnessing the talent and skills of people and households, and promoting optimum utilisation of available resources.

Further, the framework delves into a detailed classification of "thrust areas and core sectors", a classification of projects, and emphasizes the role of SMEs and micro-industries. One of its most significant contributions is the TS-iPass (Telangana State Industrial Project Approval and Self-certification System), which intends to implement a hassle-free industrial clearance system backed by legislation, with a Right to Single Window Clearance along the lines of the Right to Information provided to all applicants.

In 2015, Telangana witnessed the launch of India's first SI incubator "the Kakatiya Hub" by Kakatiya Sandbox NGO. In 2016, the state came up with a detailed Innovation Policy which focused on harnessing the startup wave and building adequate networks and

physical infrastructure to support SI through a public/private partnership model. It provided Hyderabad's T-Hub and its outposts in tier-II cities as the primary answer to innovation infrastructure, suited both for technology-based startups and rural entrepreneurial ventures. In order to promote a successful SI ecosystem in the state, it called for measures such as the setting up of a T-Fund (Telangana Innovation Fund), an Innovation Cell, the TAC (Telangana Advisory Council), partnerships with leading universities and institutions of higher education, and incubators/accelerators for the growth of startups and rural social enterprises.

Today, in addition to the 2014 Industrial Policy Framework and the 2016 Innovation Policy, there are also several initiatives supported by the state government which encourage the entrepreneurial spirit for bringing about social change. These can be seen as tangible outcomes of a successful public/private partnership between private players, entrepreneurs, organisations, academia and the government. Some of these, which are at the forefront of nurturing a sustainable SI ecosystem in the state, include the Government Mentorship Program, T-Innovation Utsavam, T-IDEA incentive scheme which emphasizes online applications, the Innovation Yatra, Village Innovation Challenge, School Innovation Challenge etc. This points to a new direction in Telangana's journey towards building a sustainable SI ecosystem and demonstrates that the state is fast on its way to becoming one of the country's leading destinations for providing ease of doing business, financial and regulatory support to startups and enterprises, and fostering the skills of individuals and households for Social Innovation

# II. Vision and Focus of the Government

The Government of Telangana intends to make **Telangana the country's leading hub for Social Innovation**. To realise this vision, it is required by the government to play the role of a **catalyst and lay down the necessary foundation for building a vibrant social innovation ecosystem** in the state.

The Social Innovation Policy of Telangana is driven by — **Collaborate, Innovate and Transform.** This policy intends to stimulate the development of a social innovation ecosystem by establishing a framework that will provide the structures, resources and intermediaries necessary to foster social innovation.
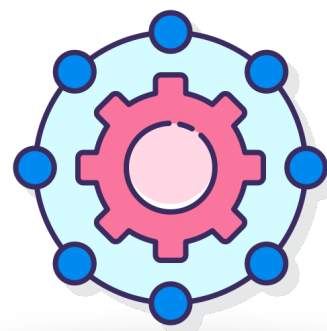
**Collaborate**          **Innovate**          **Transform**

## Objectives of the Social Innovation Policy:

• To promote social innovation in Telangana

• To encourage open innovation to solve social problems.

• To improve the conditions for Social Innovation, Social Finance and Social Enterprises to flourish by capitalising on an enabling ecosystem

• To make networks, individuals and groups the main drivers of social innovation.

• To promote the use of technology for social innovation

• To provide a common platform for cross-sectoral stakeholders to collaborate and innovate.

The Social Innovation Policy of Telangana will adopt a **multi-sectoral approach** and ensure collaboration with various other departments like **Health, Education and Agriculture Departments** to chart out programs and interventions in the following focus areas:

• Livelihoods

• Social Protection

• Health services  (with emphasis on nutrition)

• Education

# III. The Social Innovation Landscape

# 3.1.Mapping SI Stakeholders in Telangana

Social Innovation does not refer to any particular sector or stakeholder, but to innovation in creating products or services that solve social problems. Therefore, Social innovation can take place in any sector and can include a variety of stakeholders. The figure below is an indicative list of SI stakeholders in Telangana i.e., Social Enterprises and NGOs, Impact Investors and Financial Services, Research Institutions and Think Tanks, CSRs and Foundations and Government Promoted Bodies and Multilateral Organisations.
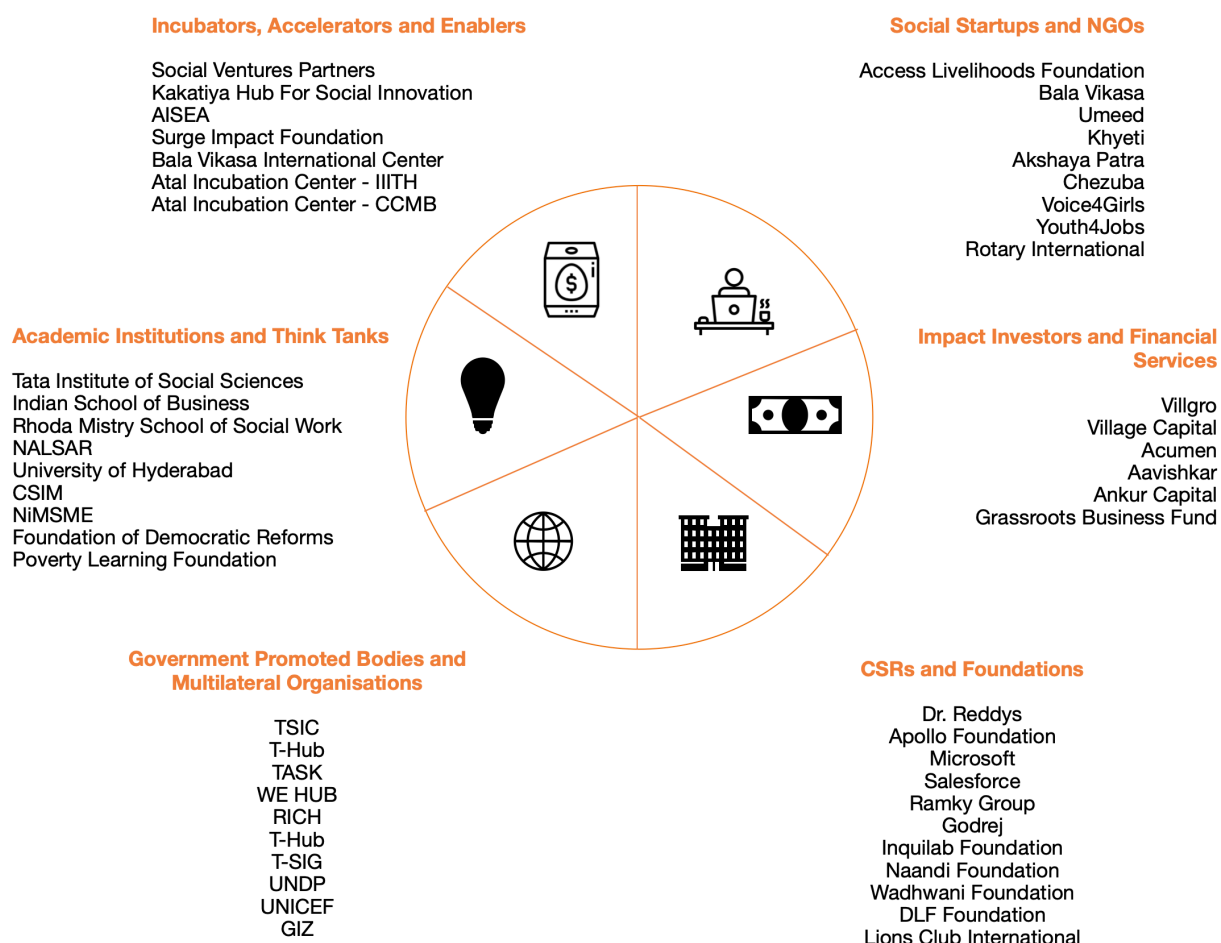
**Incubators, Accelerators and Enablers**

Social Ventures Partners
Kakatiya Hub For Social Innovation
AISEA
Surge Impact Foundation
Bala Vikasa International Center
Atal Incubation Center - IIITH
Atal Incubation Center - CCMB

**Social Startups and NGOs**

Access Livelihoods Foundation
Bala Vikasa
Umeed
Khyeti
Akshaya Patra
Chezuba
Voice4Girls
Youth4Jobs
Rotary International

**Academic Institutions and Think Tanks**

Tata Institute of Social Sciences
Indian School of Business
Rhoda Mistry School of Social Work
NALSAR
University of Hyderabad
CSIM
NiMSME
Foundation of Democratic Reforms
Poverty Learning Foundation

**Impact Investors and Financial Services**

Villgro
Village Capital
Acumen
Aavishkar
Ankur Capital
Grassroots Business Fund

**Government Promoted Bodies and Multilateral Organisations**

TSIC
T-Hub
TASK
WE HUB
RICH
T-Hub
T-SIG
UNDP
UNICEF
GIZ

**CSRs and Foundations**

Dr. Reddys
Apollo Foundation
Microsoft
Salesforce
Ramky Group
Godrej
Inquilab Foundation
Naandi Foundation
Wadhwani Foundation
DLF Foundation
Lions Club International

Figure 2 : Indicative list of SI Stakeholders in Telangana

# 3.2.Challenges to SI in Telangana

The social innovation policy of Telangana uses an evidence-based approach to identify the bottlenecks and challenges for the social innovation ecosystem in Telangana. Key stakeholders of the social innovation ecosystem i.e, impact investors, social startups, government promoted bodies, social enterprises, multilateral organisations and NGOs were consulted to identify the key mechanisms, opportunities and challenges of the social innovation ecosystem.

## I.    Financial Challenges

A series of fiscal challenges have been identified that stand in the way of social-impact organisations. This includes interruptions in growth stage finance, unsustainable capital, inadequate CSR inflow, lack of multilateral engagement etc. There is an inherent lack of CSR synergies within the state, where most initiatives in social-innovation are funded through donor finance. Besides, a larger part of the financial appropriation that has been taken since the formation of the new state of Telangana is centrally managed. There is a need to decentralise fiscal activity and accountability to the rightfully decided clusters. Most social organisations also struggle to observe financial sustainability over an extended period of time despite the relative ease to raise funds at the early stages.

## II. Measurement Challenges

Social Innovation, in context to the Indian ecosystem, is loosely defined. There is an urgent need for an evidence-based approach that is yet to evolve in the country. Even with respect to the ideal outcomes that should be followed, a lot of metrics are vaguely measured. This challenge has been appropriately addressed in the policy by establishing a lucid yet precise definition for social innovation along with a list of outcomes that can be considered representative of scalable impact. The absence of relevant definitions has, consequently, led to an unsystematic effort towards ecosystem building.

## III. Institutional Challenges

The social impact ecosystem observes an inadequate capacity to engage with international multilateral partnerships. The organisations are generally self-dependent for all the resources that are necessary for large-scale impact. There have been a host of interventions from the administrative side, but the practical diffusion amongst masses is still deficient. Similarly, a lot of social-innovation enterprises struggle to gather mainstream visibility. Effectively, there is a need to sensationalise ideas like social-innovation, experimentation and prototyping amongst the larger population by the means of coordinated IEC (Information, Education & Communication) campaigns.

## IV. Infrastructural Challenges

There is also an apparent lack of dedicated incubators that work only with social impact/ innovation organisations making it even more difficult for the firms to attract social finance. Most incubation spaces are held to support commercial ventures. Apart from that, there is visible sectoral imbalance in terms of the available support for grassroots innovation and social innovation for the grassroots. There is an urgent need to foster infrastructure capabilities to specifically drive experimentation and innovation in solving systematic rural challenges. A systematic approach that follows a detailed prioritisation exercise, taking into account specific sectors that require dedicated/urgent attention on the level of policy is extremely crucial.

## V. Deficient Human Capital/ Challenges in Human Capital

The innovation ecosystem documents an increasing number of challenges in building human capacity for social innovation. There is a general discrepancy between the skills that potential employers may look for and that which the potential employees have to offer. In addition to that, the secondary education curricula has traditionally eschewed ideas like social-innovation and entrepreneurship. There has been a rising sentiment to proceed towards practical knowledge delivery in higher education but the same is severely lacking in the primary and secondary counterparts. There is also a lack of skilled business incubator managers and facilitators that are equipped to guide and mentor social enterprises.

# IV. Policy Recommendations

# 5.1. The Framework for Social Innovation

The social innovation policy of Telangana takes on a 6 stage framework to explain the the process of driving social innovation and change. However, in reality many of these stages overlap and may appear in a different order. Moreover, social innovations do not necessarily go through all the 6 stages as some of them could be small in scale and locally based. Nevertheless, this provides a useful analytical framework to identify the range of activities that take place at different stages and the resources and support required at each stage.

The 6 stages of social innovation are:



1. Prompts : This step is about diagnosing the problem and framing the right question. The SI policy emphasises on the importance of civic engagement as a means to identify pressing social challenges and define the problems.

2. Proposals: This stage is for idea generation. The policy promotes open innovation as a method to bring different stakeholders together to solve social challenges.

3. Prototypes: Testing of ideas. The policy states the need for an incubator specifically for SI along with vouchers for T-Works, the largest prototyping centre in India
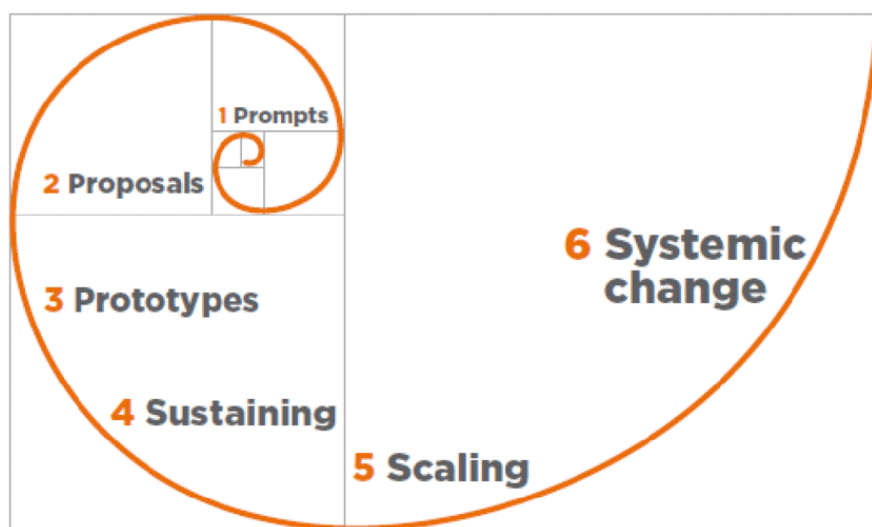
4. Sustaining : Idea becomes everyday practices. The SI policy makes provisions for Social Impact Bonds, PPP and crowdfunding to support social startups.

5. Scaling and diffusion : The growth and spread of an innovation. The policy encourages dissemination of best practices through knowledge platforms, networks and federations.

6. Systemic Change : Ultimate goal of SI. The policy promotes the use of data and technology for social innovation which is necessary for the expansion of new systems.

The Social Innovation policy presented in this report uses this framework as the underlying structure to emphasise the importance of social innovation as a process, rather than merely as an area of intervention. Using this framework as the guiding structure, the policy is built around four key pillars i.e., regulatory framework, enabling ecosystem, Human Capital and Capacity Building and Financial Instrument. Each of these pillars are elaborated in the next section.

# Four Key Pillars for Social Innovation in Telangana

Pillar 1: Regulatory Framework

Pillar 2: Enabling Ecosystem

Pillar 3: Human Capital and Capacity Building

Pillar 4: Financial Instruments

# Pillar 1 : Regulatory Framework

The Social Innovation policy of Telangana lays out a set of rules that institutionalise a systematic screening and vetting process for social innovations. The regulatory framework establishes a mechanism for the stakeholders of the social innovation ecosystem in Telangana to access mentorships, funding opportunities, incubation support and incentives. The SI policy uses the following tools to regulate social startups in the state:

## Social Innovation Portal

The process of registering new social innovators and startups will be digitised through the promotion of online applications on the Government's social innovation portal. The online portal will maintain a database of registered social startups and enterprises across all sectors and intends to build a mechanism that facilitates funding opportunities and business collaborations. Besides registration, the portal will also be used to automate the procurement mechanism of the state. All state procurement requirements will be constantly notified and listed on the portal, thus bridging the gap between startups and state departments.

## Telangana Social Innovation Scorecard (TSISC)

Every startup registered on the social innovation portal will be provided with a detailed assessment report on their social impact score and investor readiness via the **Telangana Social Innovation Scorecard (TSISC).** Moreover, metrics like profitability, financial performance & turnover, operating sector, Impact group, targeted SDGs and beneficiaries etc. will be used to determine the extent to which an enterprise can be considered eligible to receive the statewide benefits and incentives that have been proposed by the government.

## District Evaluation Index

A separate index will also be established to measure the district-wise progress towards achieving the targeted outcomes in social innovation in a decentralised manner. Each district will be evaluated on the basis of some pre-decided indicators like in the case of TSISC. The results of the index can be used to identify sector priorities for the upcoming years apart from indicating the notable precedents executed in the past.

## SDG Alignment

One of most crucial challenges contingent upon the social-impact space is the lack of collaborative partnerships with multilateral organisations. To address these challenges, it is important to align organisational capacities with the relevant sustainable development goals(SDGs) It is, therefore, required that all social impact organisations I.e, social enterprises, NGOs, CSRs, etc. must align their core business values and operations with the SDGs. This will be enabled by having an SDG alignment vertical in every incubator and government department that should identify common trajectories to align impact organisations with international development leanings

# Pillar 2: Enabling Ecosystem

The 2016 Innovation Policy focuses on developing Telangana into a leading hub of innovation by taking advantage of the IT (Information Technology) boom in the state, largely concentrated in and around Hyderabad, in addition to the growing commerce and entrepreneurship prevalent both in urban and rural sectors. Building upon the existing startup ecosystem, this policy proposes an efficient and adequate ecosystem which is essential for nurturing a wide range of social innovations.

The Telangana Social Innovation Policy adopts a **Penta helix model**, where the Public Sector, Private Sector, Academia, Social entrepreneurs and Civil Society co-create and drive specific structural changes. The penta helix model characterises a shift towards systemic, open and citizen centric innovation model. The section below highlights the initiatives and strategies for developing an enabling ecosystem for social innovations in Telangana:

## I. Infrastructure

- A 80,958 sq. ft world class environment and physical infrastructure for incubation and co-working spaces to drive the scaling up of social innovation projects shall be provided at the T-Hub Phase 2, a 3,00,000 sq. ft. facility. The 8th and 9th floors will be dedicated for the social innovation ecosystem and will provide space and support for over 200 social startups.

- Based on the lines of the Kakatiya Sandbox in Nizamabad, the government aims to establish 4 additional sandboxes that will provide infrastructure and support for social innovators in rural parts of Telangana.

- The government will collaborate with IKP Knowledge Park to set up a facility specifically for Social Innovation

- Separate Social innovation outposts will be created in the IT Towers of 5 Tier-II cities - Nizamabad, Warangal, Karimnagar, Mahbubnagar and Khammam to ensure that both urban and rural enterprises have access to networks and events by the SI

ecosystem in Telangana. They will act as key access points to incubators and accelerators for rural and social enterprises in the state.

• Similar outposts will be created globally for networking, receiving funding and mentorship, beginning with key destinations prominent for their social innovation culture and for facilitating entrepreneurship.

# II. Incubators , Accelerators and Enablers

The Social Innovation Ecosystem of Telangana consists of 3 **independent units** that facilitate different parts of the SI process. The key ecosystem partners i.e., TSIC, RICH, T-Hub, WE Hub, T Works , TASK and Emerging Technologies Department will be the key stakeholders in driving each of the units :

**Social Innovation Lab:** Provides mentoring and coaching support to social entrepreneurs and innovations. The lab will also be investing in the research on social entrepreneurship and social innovation. **TSIC** will act as the hand holding agency by connecting social and grassroots entrepreneurs to the relevant ecosystem partners and **TASK** will play the role of mentoring, coaching and creating new social innovators

**Social Innovation Accelerator:** Provides support network for social entrepreneurs. They will look after tasks like IP protection, obtaining incentives and product development. **T- Works** will guide the innovators with prototyping, product development and IP protection. T- Hub and WE Hub accelerators will help social innovators strengthen their value proposition and scale up.

**Social Innovation Diffusions:** Upscaling and diffusion of social innovations. **The Emerging Technologies Department** and other government department will scale projects which are viable and socially innovative ideas and **RICH** will act as the nodal agency for identifying these scalable products and services.

# III.Collaborative Spaces

Collaborative spaces are crucial in an ecosystem to enable organisations and individuals to share and engage in ideas for social innovation.

**InnoLabs** will be created as a collaborative space for individuals and organisations working on solving social challenges.

- InnoLabs will provide a physical space that offers the infrastructure required for individuals and organisations to meet and collaborate. Each lab session will run on a pre decided focus area wherein stakeholders from across all sectors will come together and solve a complex social challenge.

- Innovation labs, events, programmes, learning spaces and initiatives that support social change.

- Government will establish pilot projects for viable ideas that are proposed by InnoLabs.

**LivingLabs** is virtual platform will be dedicated to the SI ecosystem in Telangana. The living lab is a network that integrates human centred research and open innovation. The aim of the living lab is harmonizing the innovation process among the five main stakeholders - Government, Corporates, Civil society organisations, Academic institutes and Social Startups.

The virtual platform will include a civic engagement tool that involves citizens in the decision making process by giving them the opportunity to raise their concerns, volunteer or engage in participatory  budgeting. The platform also acts as a market place for impact investors and social startups.

# IV. Networks and Partnerships

Network building, partnerships and coordination programs help organisations and institutions to build ties with key stakeholders in their region and sectors. These networks will facilitate in forming new partnerships to tackle societal challenges in a collaborative manner. Apart from partnerships with the startup ecosystem partners i.e., TSIC, RICH, T-Hub, WE Hub, T Works and Emerging Tech Department, the Government of Telangana will also engage in the following :

- In order to provide a conducive environment for a diverse range of innovators, TSIC shall foster partnerships based on the PPP (private-public partnership) model with both global and national industries in the private sectors, collaborate with **T-SIG (Social Impact Group) for CSR initiatives**, and invite organisations such as COWE, ALEAP and FICCI-FLO which work with women entrepreneurs.

- The Government of Telangana will create a network for social startups **T - Social Startups** Network which will bring together all the key stakeholders like startups, incubators and accelerators to share insights and co-create products or services.

- The Government of Telangana shall partner with international organisations such as the World Bank, WHO, UNICEF etc. to fund, assist and implement projects on social causes in the state, involving the role of rural enterprises.

- The Government of Telangana shall partner with both international and domestic organisations such as Inqui-Lab Foundation and UNICEF to host the **School Innovation Challenge**, provide monetary assistance and scholarships, and to **promote innovation among school children, particularly in rural Telangana.**

# Pillar 3: Human Capital and Capacity Building

Human capital plays an important role in spreading knowledge, improving skills, connecting stakeholders and fostering the overall culture for social innovation. The section below highlights the initiatives and programs for developing human capital for Social Innovation in Telangana.

## I. Research and Knowledge Management

The social innovation policy uses research and knowledge management to create a common learning process that includes current research trends and the best practices identified through academic research. Academic institutions, research organisations and think tanks play a key role in expanding the knowledge base for social innovation. The following goals have been set by the government in order to encourage research in the field of social innovation and facilitate knowledge transfer among various stakeholders:

- Encourage universities and research institutions to focus on research that delivers impact and creates social value. Research on sustainable business models for social enterprises and models for financing social businesses will be given priority.

- Establish an **academic led social innovation network** that can facilitate knowledge transfer on new approaches and best practices.

- Strengthening **international links** by collaborating with foreign research organisations to enhance research on social innovation and promote academic excellence. These collaborations will be helpful for benchmarking processes and for understanding the best practices for social innovation worldwide.

- Develop an **online platform** for knowledge sharing which provides resources, toolkits and connects academicians with practitioners to ensure that the research is turned into practice.

- Improve **data availability** by opening up public datasets and platforms for citizens and potential innovators.

# II. Capacity Building

Capacity building for social innovation is still in its nascent stages in Telangana. The policy strives to foster the development of a social innovation ecosystem through initiatives in capacity building for students, startups and innovators and civil servants and government officials.

## For Students:

- Academic institutions will introduce modules on social innovation and social entrepreneurship for final year students which will be delivered by a government run not for profit organisation - **Telangana Academy for Skills and Knowledge (TASK).**

- Schools, Colleges and universities will have social innovation clubs where members will acquire skills required for social innovation like human centred design, impact assessment practices, sustainable business model, e.t.c through seminars and workshops.

- **School Innovation Challenge** will be implemented by all the districts of Telangana to promote innovation among school children particularly in rural Telangana.

- Ensure that the curriculums in schools include subjects like design thinking, environmental education, global citizenship education (GCED) at relevant stages as mandated by the National Education Policy 2020.

- Encourage high schools students to take interest in social innovation and social entrepreneurship by including field visits to impact driven organisations and workshops on social innovation.

- Promote fellowships, internships and volunteering through the **TSIC fellowship program** and other dedicated internships that foster social innovation.

## For Startups, innovators and enablers:

- Through the **Government Mentor Program**, the government will offer support for human capital development by providing training to social startups and enterprises on improving their business models and their ability to engage in public service delivery through public procurement.

- Potential innovators and social entrepreneurs from grassroots will be trained on the principles of social innovation through the **Village Innovation Program.** Through this initiative, the innovators will have the opportunity to interact with social entrepreneurs, government officials and work with them to solve social problems in their area.

- A crash course/ training program for social entrepreneurs, CSRs and NGOs on relevant SI skills and toolkits through organisations like **CSIM and NiMSME.**

- A training program for social business incubator managers and facilitators to increase their understanding of social business incubator models,  financing social startups and enterprises, monitoring and evaluation, designing mentoring programs, etc.

- E-learning and remote accessibility for skill development will be ensured for potential young innovators through regular broadcasts on Telangana government's **T-SAT network channels**, supported on both DTH and Xstream mobile application by Airtel.

- Potential innovators will be provided e-platforms for training, certification and workshops to enhance their skills through the TSSM's (Telangana State Skill Mission) skill development web application.

## Civil servants and Government officials

- Capacity building for government officials on social innovation and impact assessment practices.

- Training course to encourage public servants to talk to their local communities and markets to design better services for the public.

- Training for officials at the grassroots i.e., district and mandal level, such as Sarpanch, DEOs, MEOs and other village level officials.

# Pillar 4 : Financial Instruments

The erstwhile state innovation policy mandated T-Hub as the primary anchor to drive interventions in social innovation throughout the state of Telangana. However, after a series of deliberations, the role has been appropriated to the state innovation cell or the "Telangana State Innovation Cell". The state innovation cell, in its delegated capacity, is expected to come up with coordinated efforts to ensure a conducive fiscal environment for all the social impact organisations based out of Telangana. With respect to that, we have classified recommendations in two categories: Tied Commitments and Untied Commitments. The tied commitments are contingent on factors like monetary budgets and the fiscal priorities of the state at a particular period in the year. The untied commitments are less complex are largely autonomous of the government's financial capacities.

## TIED COMMITMENTS

## I. Social Impact Bonds

The government of Telangana shall launch the revolutionary social impact bonds-where it agrees to pay for measurable outcomes of social projects, thus, incentivising an inflow of social investors. Social Innovation Bonds are widely used in the EU but remain obscure in most south-asian economies.

## II. Social Innovation Fund

The first step towards building a conductive fiscal ecosystem is to establish a social innovation fund that should be centrally appropriated and a proportion of whose should be de centrally managed at a cluster/district level. The 2016 innovation policy mandated a host of financial appropriations in the form of a T-Fund, a T-seed fund and a phoenix fund. In addition to that, a novel social impact fund should be curated by the state

department in consideration with the prevailing fiscal capabilities and at a favourable time period. Approximately, 15% of this fund can be in the form of grants and the remaining 85% in the form of small working capital loans.

# UNTIED COMMITMENTS

# I. Differentiated Accounting

It is also important to lay out the difference in financial outcomes between organisations categorised on the basis of the nature of their work and sector that they operate in. There should be an established distinction between social impact startups, NGOs & foundations and corporations (with proactive CSR verticals). Each of these organisations have financial needs that operate in ways that are not homogenous. As such, rightful categorisations are extremely potent.

An effort must also be made to separately account for the fund requirement at the early stages and later at the growth stage of an organisation/initiative. The problem of financial sustainability at growth stages would require condoning the very fact that the fund requirements are largely variant in the life of an social-impact organisation.

# II. Incentives:

The financial incentives that were laid down in the innovation policy, in 2016, must also operate for all policy interventions related to social innovation. This includes separately placed incentives for social impact incubators, startups, NGOs & Foundation and CSR verticals.

The fiscal incentives for a relevant social enterprise would include;

1. State Service tax reimbursement: Reimbursement of service tax (SGST) of all social-impact startups and NGOs incubated at a government supported/recognised

incubator.

2.  Reimbursement of Patent Filing Cost: The cost of filing and prosecution of patent application will be reimbursed to the incubated startup companies subject to a limit of Rs. 2 lakh (0.2 million) per Indian patent awarded.

3.  Startups that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover, subject to a limit of Rs.10 lacs within a period of three years from the date of incubation.

4.  Proposing to remove/ease turnover restrictions from public procurement of social startups. Most startups encounter some common hindrances to secure state procurement-most of them arising out of turnover restrictions. As such, the state would take efforts to ease the turnover conditions to facilitate relatively larger interactions with social innovation/impact startups.

5.  Government will also act as an underwriting institution to back letters of credit (LC) for domestic producers (directly or indirectly through state funded banks), to facilitate uninterrupted trade between the domestic producers based out of Telangana and the international manufacturers operating worldwide. The idea is to facilitate more transactions that rely upon LC based contracts.

Some of these incentives have already started taking shape in certain state departments while others are proactively looking for systematic ways to bring them in place. The government has also started progressing towards easing eligibility restrictions for state procurement particularly for startups.

# III. CSR Engagement

CSR linkages serve as one of the most prominent sources to fund capital for social enterprises. Necessary efforts must be made to establish formal relations between CSR vertical and social impact initiatives. A starting point can be a network forum between CSR heads and organisations that are looking for funding. All CSR activities will be coordinated by the recently established "Telangana- Social Impact Group". T-SIG will act as nodal agency to drive initiatives to seek a greater percentage of CSR funds in Telangana.

# Conclusion

Social Innovation requires the involvement of multiple stakeholders and partnerships to translate ideas into tangible results. The journey from draft proposals, potential ideas and roughly mapped out innovation models to real-life sustainable solutions and actual systemic change takes time. This process also presents its own set of barriers and critical challenges, which can only be overcome by the combined efforts of the public, private and development sectors on a large scale. Further, one way of charting the trajectory of successful partnerships in the arena of SI is to understand the role of intermediaries in the overall process.

Intermediaries are individuals, organisations, networks, or spaces which connect people, ideas and resources The social field generally lacks specialist intermediaries of this kind. As social innovation becomes more widely understood, new institutions are coming into existence to fill this gap (Murray, Caulier-Grice & Mulgan 2010). Thus, intermediaries can include physical infrastructure, incubators/accelerators, technology, various sources of capital and funding, and avenues provided by academia and R&D units. As the significance of SI and businesses with social impact has come to be acknowledged with greater intensity, the number and roles reserved for intermediaries in the SI ecosystem have also grown commensurately. These intermediaries play a critical role in different stages of planning, testing and evaluation of projects. However, for them, and especially for the individual innovator to thrive, the existence of a robust policy framework, along with legal and regulatory frameworks, is equally necessary.

Today, social innovation is no longer understood as the task of the third sector, the social economy, NGOs, and community organisations. Instead, it has become a symbol of joint, symbiotic efforts between multiple stakeholders and different sectors to implement systemic change.

Annexe:

| Pillar | Challenges | Solutions | Outcomes |
|---|---|---|---|
| Regulatory Framework | Loosely defined outcomes | Social Impact Score card | Improved digitization complemented by an organised mechanism to define interventions in social innovation. |
| | Lacking application of evidence | Telangana Social Impact Scorecard | |
| | Lack of Multilateral cooperation | SDG Alignment | Resonance to international standards in the form of increased multilateral collaboration & financing. |
| | Unsystematic procurement process | PPP Procurement | |
| | | | |
| Enabling Ecosystem | Lack of physical spaces - coworking spaces and infrastructure | Physical infrastructure | Availability of affordable coworking and incubations spaces for social startups |
| | Lack of incubation spaces and support mechanisms for social startups | Incubators, accelerators, enablers | |
| | Unavailability of platforms for collaboration | Collaborative spaces | Increased opportunites for collaboration and networking for social innovation and social impact |
| | Lack of networking and partnership opportunities | Networks and partnerships | |
| | | | |
| Human Capital and Capacity Building | Discrepency in the skills required and skills available in market | Research and Knowledge management | Enhanced research and knowledge management practices in social innovation; translation of research into practice. |
| | Secondary school curriculam bereft of any practical modules in the lines of innovation, entrepreneurship and vocational studes. | Capacity building for students, social innovators, intermediaries, govt. officials | Inclusion of social innovation and enterpreneurship modules in educational institutions to foster social innovation among the youth. |
| | | | |
| Financial Instruments | Absence of a dedicated financial appropriation | Social Impact Fund | Greater financial appropriation dedicated towards social innovation and a necessitated shift from conventional methods of impact finance. |
| | Dependance on conventional sources of social finance | Social Impact Bonds | |
| | Lack of pre-directed CSR activities | Differentiated accounting | |
| | Limited execution of incentives | CSR engagement | Untied commitments to incentivise enterprises and a state-directed engagement with CSR verticals. |
| | | Incentives | |