**TISS-NORRAG – Teaching Case Study on India Education Outcome Fund and the Development Impact Bond**

**Transcript of Interview with Mr. N Meyyappan, Nishith Desai Associates**

**M: Yeah, thanks. So, there are specific questions related to the IEOF and the DIB, but I also wanted to understand your views and your understanding of the larger legal and regulatory frameworks that govern this space and what implications it's going to have on the IEOF and the DIB, and finally your insights in this area. What I would suggest is that we start with the first one and you can feel free to respond to the two questions and once you are done with that, you could pause and I can ask you if I have any follow up questions and then we could move to the next segment. Would that be okay?**

R: Yes, we can do that.

**M: Okay. Starting with your engagement with the IEOF and the impact bond in Haryana, can you please share with us when and how did you get involved and also what your specific role will be?**

R: Sure. I think, about a year and a half back or a year back, if I remember correctly, I mean historically… that's when I got personally involved in the IEOF project and I think, by then, they had already tried iterating it, coming up with the structure a couple of times. So, by that time I came on board. To give you a quick background, I think NDA is one of the few firms…the only firm to my knowledge which has a strong social sector practice, which primarily focused on helping not-for-profits, foreign foundations to have operations in India and tell them what is the best way to go about it. You have the social sector practice on one side and then you also had the… NDA historically started out as a tax firm. Usually the Big Four were the accounting firms but NDA was the only firm that had a strong tax practice to start with and initially started as a pure tax firm which then developed other areas. Tax, international tax specifically, with even today 90 percent of our clients being cross border clients, has been a strong area of competence. Thirdly, in some of these structures where… I think the idea with IEOF was in terms of the Indian context was that it was an attempt to come up with a scalable model for having impact investments because they already had some other… UBS had a successful DIB with the Educate Girls in Rajasthan. But it was becoming expensive, from what we understand to replicate that, or it was a small-scale project. They were looking at a way to bring it to a billion dollars and have a large-scale setup which optimized the costs, in terms of transaction cost of doing each deal and see how they could do this and enable a large-scale impact investment sort of a system in India. Keeping that in mind, NDA also pioneered the funds space a decade back. We are one of the first people to get into fund formation. Between tax, funds and the social sector practice, we had the correct mix of competencies to be able to work on this project in the first place. If you don't have the expertise or technical ability to do one of these, this IEOF structure in specific, would have been very difficult to achieve. So, at the time when I was brought on… and I am with the tax team, right, so at that point in time, they had figured out pieces of the structure that we finally recommended, but they were facing some difficulties in terms of tax inefficiencies and in the upstreaming of the money, and even in considering alternative structures. Sometimes GST was a bigger cost. Because these laws were not fundamentally designed to enable impact investments or outcome funding. There has historically been a very sharp divide between philanthropic money and private capital mixing. They didn't want one going into the other and this is across all the laws. I am not just saying tax laws or the CSR law, I am saying that even a simple thing like a LLP Act, for instance. You cannot set up an LLP unless you have an intention to make a profit. We are in the era of social businesses and social enterprises. In other countries like the USA, there are benefit corporations. There are different new legal vehicles which allow for you to do a social business. We ensure that, from a legal perspective, the company is adhering to its social mission and even if it is transferred, somebody else cannot change the core...of the business. We haven’t gotten to that stage yet. In the ecosystem, we have these laws that were intended to draw this line, between FCRA, FEMA, GST, Funds Law, Tax, CSR. In an IEOF platform, you have risk investors, you have private investors who could be in India or outside India. You want outcome funders who could be in India or outside India. They could be philanthropies or charities as well. So, how do you get money from them into a structure in a tax efficient manner that is regulatorily compliant. That’s where it became a challenge, because we were trying to come up with a structure where the law didn’t intend one to be, while you are still being compliant with all the laws that are applicable to it. That was a big challenge, and some time you come up with a structure that works and then you go back. People do the financial modelling saying that this is the transaction and this is the tax effect, these are the costs for different service providers etc., the returns were sometimes not sufficient enough to probably engage the risk investors. If you tried to do some structures, then we tried iterating into a different form, tried to see where else can we optimize, what if we do it in a slightly different way. But ultimately, what ends up happening is, if you are trying to...when you do a structuring exercise, you look at existing law. You look at how it can be interpreted. You will never find something on a novel structure that has never been tried before. There will be no Supreme Court judgement saying that this is done and tested. Right? There is no 100 percent guarantee that nobody will come and challenge this and say tomorrow that you have done something against the spirit of some law or the other. Right? And Outcome funders or foundations...in this outcome funding ecosystem, you have the risk investors, you have the actual service providers who absorb the capital and undertake the work on the ground, you have the outcome funders and you have the evaluators. The most difficult piece is convincing the outcome founders because the risk investors are still private investors. They are used to an element of risk. If you give them a legal opinion and legal opinions are...at a ‘should’ level, it’s about 70 percent certainty. That’s as good as any law firm would give. That gives risk investors the comfort to move ahead with a structure or an investment. But charities are typically a lot more conservative. If you want to give them comfort, ideally you want to have a ruling that is exactly on point to give them the comfort. When you have a structure with three or four novel elements that’s been put together in a completely different way, that becomes a roadblock. They think twice and then the smaller charities or outcome funders wait for the bigger guys to see what they do. So, if the bigger guys in the room go ahead with it and they are comfortable, the rest will follow. That’s the impression that I got from my interactions. Otherwise nobody wants to...and I don’t blame them, also because the level of risk that they face, to be clear, is that if something were to go wrong, the risk is that their tax-exempt status may get revoked. Their biggest concerns are twofold. The first is that it’s a reputational concern because they say that, you know, X foundation has done some investment and they are in court and that’s the last thing that they want to happen. The second thing is that it is a monetary hit also. If they get their tax-exempt status revoked, the entire assets that they hold will get valued at fair market value and you will have to pay 30 percent tax on it and in subsequent years, you lose the tax-exempt status. The tax department can be aggressive at the initial levels. Foundations are typically not the type saying, okay I will go litigate it and win it at the high court and supreme court. They don’t want to get into those kinds of areas. This is where our involvement was very crucial because we had the legal expertise to try and fit together all these different laws, to try and come up with a structure that can be compliant will all of this and be legally sound. But also, now our efforts are towards how to say...is to bring the other stakeholders on board. The two major stakeholders are...one is the outcome funders. But there also we realized that no matter...there are limitations to how much we can convince them because if the government takes a different view, then it becomes difficult for them. So, now, I think, in the industries, the push is to try and see...people are trying to explore how to get the government to also bless these kinds of investments, this kind of a structure or actually make legal changes or issue clarifications to enable these sorts of investments. Because the meaning of this is...not even a... legally if you give me a provision and I have to interpret it, I will apply what the law is. I will say that the courts have said that this is how you should interpret a provision keeping in mind its object and purpose and things like that. Right? But if the government or the regulator takes a different view, that prevails simply because nobody wants to go to challenge it in court. So, you never know whether it is right or wrong. It is very important in these slightly grey areas like CSR or FCRA. It’s important that the government is on board. Otherwise there are some difficulties. We basically played a legal sort of role and we already had connects both on the funds side and the foundations side, then on the tax side to try and bring people together and help out in this process.

**M: You played a role and you are playing a role with regards to both the IEOF as well as the impact bond, am I right?**

R: I recollect IEOF, I am not sure about the...I don’t recollect working on the...I don’t know if it was a Haryana impact bond. So honestly, for Social Finance, we have done two to three structures. Lot of it was pro bono, so I am not sure what went where or in what form.

**M: Okay. In terms of legal opinion, you have been giving on what kind of structures and so on. And that’s what gets used in this particular bond or other instruments that they are also trying to create.**

R: Correct. It was iterative because sometimes we are also looking at alternatives...not necessarily alternatives, but let’s say, in parallel. When you go and have a conversation, a lot of them want to put the money into this space. But then, when you get into the specifics, you realize that each one has a different concern or a different pain point. So, you try to structure around that for that particular person. That’s where in outcome funding, all the stakeholders need to be on the same page on day 1. That’s where I think there are multiple versions of it that are currently floating around and the question is, you go to the market, you say that, for different… even on an IEOF type platform, when you have multiple outcome funders and multiple risk investors, the same kind of return, the same kind of… in terms of timing, in terms of rate of return, effective tax rates, their personal position, subject to their own laws in their own country, their requirements change between funder to funder. So, to keep the platform flexible, we had iterated two or three different alternatives in which money could go with different consequences. Some investors may want zero returns, some investors may want 5 percent returns, some investors may need 1 percent return every month. So, to allow for that, we had tried to make it flexible. They used to have conversations with outcome funders or with other people and came back to us, we used to iterate it and sometimes to explain it to the relevant stakeholders, we have also gotten on calls, trying to help them build consensus on this particular structure and explain why it is legally feasible and why it shouldn't be challenged in court or it is in accordance with the laws as it stands currently.

**M: As you mentioned earlier, this is in a way a new area and also brings together regulations that are applicable to multiple sectors, right, the financial sector, then the charity, tax and so on. So, it is important that there is some kind of clarity and it is difficult to bring that in, as you rightly mentioned earlier. That's also something that I was trying to read up on and I was not really quite successful in getting some of the answers. I'm actually going to ask the 10th question here to you. Can you suggest any documents or any papers that might have been written or produced which explains this in the Indian context? Has anybody worked on this?**

R: I did read that question yesterday and I was laughing because as self-serving as it sounds, I can only point you to our own papers.

**M: No, absolutely. I would love to read that. I did look at one paper from NDA on education.**

R: There are two papers. One is actually a… Rahul Rishi heads the Social Sector practice. I work very closely with him on all these social financing impact investment structures. On the Funds side, we have Richi also who heads the Funds practice. What we did was… Rahul and I realized that… to give you a little bit of background about NDA, we actually do spend 30 percent or more of our time on research. There is one academic paper that we actually presented at the University of Lund in an EU sustainability conference and that was specifically on enabling impact investment ecosystem in India and what are the legal changes that are required to be made. That will get published. I am still in the process of completing that paper, it will get published as a book chapter in March in the coming year.

**M: Okay.**

R: Now the 2nd thing is, what we have already published is, in the meantime, we realized that all that high-level thinking and academic papers are fine, but we were thinking that people in the market don't even know. We have friends who also are social entrepreneurs and we understand the difficulties they face on the ground, in terms of even opening a simple bank account. You don't know FCRA, whether you should get it or not and all of this stuff. We worked with Aspen Network of Development of Entrepreneurs, ANDE, and Thomson Reuters Foundation. We did a pro bono paper for them saying that… and that should be available on our website. If not, I will send a crossing email to you right afterwards. The idea behind that paper was to make it, out of the 10 of 11 chapters in it, I think 7 would be relevant to somebody who is absolutely new to the area. Just on a broad basis, you should know that there is a Section 8 company, there is a public charitable trust, there is a society’s registration, how would you incorporate. If you do that, what are the kind of...FDI regulations are there, FEMA is there. We tried to put all the applicable laws as far as possible in one place and briefly explain it.

**M: Oh, that will be fantastic. Yeah.**

R: Even then, it’s a bit of a... it’s quite chunky and it’s better that we got it out with the time we had. I would say that there is still a lot of scope to improve it. But, at least as a first attempt, we wanted to try and put everything in one place. It even has some of the structures that we have ideated as examples to be...that are possible, towards the end of the paper. Those are the ones that could actually be more interesting for more sophisticated investors, but primary parts of the paper were even concepts, everybody uses impact investment in a very different way and they need different things all the time.

**M: Right.**

R: These could be confusing jargons for somebody who is actually getting into this space. Like I said, Rahul has been in the social sector, I have been primarily doing tax. I have had an eye on this but I got into this only a year to a year and a half back. Having gone through that learning process, I thought this is something that would be useful for people and I think that would be your best resource and once this other chapter is published, or even completed, I am happy to share a draft version with you.

**M: Okay. That will really be fantastic because what I am also trying to grapple with, which I want to bring in the case study also, which is this kind of a regulatory regime within which these experiments are taking place. And also, what the challenges are. To some extent, I think that the challenges and constraints are triggering innovative instruments coming up, and in a way, people are trying to work within what the boundaries are.**

R: Correct.

**M: Which is good in a way, because new instruments are coming up. But at the same time, there is a limit to which people can work within the constraints and hence, to what extent can the legal framework also be stretched, to what extent does this framework have to be streamlined, reformed. Those are also some of the questions I had.**

R: I agree. My perspective on that is, and I have realized, as a lawyer, I can give opinions. I have given several structures. We have spent 800 hours or more trying to ideate different kinds of structures. What I am seeing and this is based on the research I have done for my book chapter as well, I have seen studies being done in other countries like the UK and some other countries, where they said that government support is the major reason for that industry to flourish. And here, the mentality is...and frankly if you have to take a very neutral look at it, CSR is great. It’s doing something good. But the original idea of CSR was to incorporate responsible practices while in the conduct of the business. Instead what we have done is a 2 percent of your net profit, you have to set aside for A, B, C, D purposes. That is effectively a tax. It doesn’t change the way you are doing business. It’s simply saying that you will pay 2 percent cess or tax towards these particular objectives.

**M: Cause.**

R: Yes, that is not what CSR was originally meant to be. So, the government mentality, even while trying to help, my point is that they are not watering down that dividing line between private capital and philanthropic capital in a sensible way. I am not saying that you should make investments with philanthropic capital and take the upside. But there are ways. We have made recommendations to CSR committees saying that at least investments should be made and if there are any upside or returns, let that be reinvested...mandatorily in these kinds of areas and sectors. That’s because otherwise, grant...the main reason why impact investing came up in some form or manner is because some people were thinking on the recipient side that they are constantly going and collecting grants. So, most of my energy goes into raising funding. I am not focusing on other stuff. On the grant giver side also, there are two things. One, I give a grant, but I have no accountability. I don’t know whether my outcome is achieved or not or whether it is even being most efficiently used or not. They also want that if there is a chance to recoup the principal, then they have the ability to further give it to somebody else in the future. I am not saying that philanthropy doesn’t work, it has a place, but impact investing also came about for a particular reason. So, the government also has to be the...it’s a mentality shift that needs to happen, saying that it is okay, it is happening around the world, there are ways to open up this sector by pushing beyond the strict private capital versus philanthropy divide. That’s where they are still not getting comfortable. But there are some positive notes with the announcement of the Social Stock Exchange and things like that. To give you a background, I have worked with the government for four and a half years as part of the Solicitor General’s office before I joined NDA. So, I understand how the different ministries also work internally. The good thing is that normally these kinds of initiatives are driven by...let’s say under the Ministry of Corporate Affairs. They only have control over company law, CSR and SEBI regulations. There are a lot of changes that can be done there on the legal side. But the important thing with the Social Stock exchange committee is that for me, I see the Finance Ministry members also participating. There is a real chance that somebody will hear a recommendation and change something in the income tax law, which is just another big hurdle. That alone may not be enough for some of these structures to hit their full potential because you may need changes in FCRA, you may need changes in something else, for which you need the Ministry of Home Affairs to come on board as well. The second the government is on board, then the conservative outcome funders get the confidence to be a part of these projects.

**M: Right.**

R: Then this area can really go forward. To some extent...earlier maybe there were a lack of structures but having seen the number of...personally at some level, it is a little frustrating when we come up with all these structures which is...and we test it internally to make sure that it is really viable. You don’t want to go out with something new which is causing a risk for anyone. But at the same time, it is what it is, commercials. There are risk investors who are willing to take more risk, there are certain stakeholders who are unwilling to take more risks and the only way to bring them on board is through legal changes or more clarity which only the government can give. So, this is where we are currently in this area.

**M: I’m just wondering that there are several parties involved even within these bodies, like the IEOF or even the impact bond that is going to begin. There are several parties and each party also have their own set of legal advisors and other constraints within which they work. Even getting people on the same page and as you were saying, things are sometimes ambiguous and therefore it is a matter of interpretation also, in a way it’s an untreaded territory. There are risks involved just on account of the fact that this is the first of its kind.**

R: Correct.

**M: Is there any input from the government on this? Is there any consultation with them to clarify anything at this point of time? Just to understand...not in terms of what is articulated, of course it’s there in terms of the legislation. But the sense of what their interests are, motivations are and how are they responding to these things?**

R: There is no coherent response. Like I said, my starting point for the legal changes is that it has to be an ecosystem change. It is not just one law we are talking about. But at the same time, the way these policy changes typically happen is that you find someone who is willing to give you an ear and then you try convincing them. If they are willing to put it up to their superiors and depending on where they are placed and what is the ministry or the minister’s agenda for the year, then it either gets taken up or gets put on the back burner. When it is something that the minister or the ministry is interested in, it’s part of their agenda, then I think you want to, or people would want to show off something as a success story. But at the same time, something that is too innovative or risky becomes an issue. Something that requires...if I go to someone and say, you only have to make a small tweak. If you do this through a clarification, then 1 billion dollars will come in. That’s a lot easier to sell, than if I say that I need 4 legislative amendments, 3 notifications and 2 clarifications across 5 ministries, then that’s a bigger ball game. So, you need to know that process and unfortunately, like you said, the industry can sometimes undercut itself because they do...when you go to a regulator, take the CSR committee that came up. It just means that from a government side they are looking at it from an individual perspective, right. They are looking only at CSR. That's why I said the first time that the Social Stock Exchange was a move in the right direction because I saw both the Ministry of Finance and the Ministry of Corporate Affairs at the same table which itself is a big deal. This itself used to be very difficult in the past. Out of the most difficult laws, these two would account for, let me say, 55 to 60 percent of the issues. You can at least enable some of the structures, if not to the full potential, if those two can be brought around. With the recent announcement on Social Stock Exchange, they do want private capital from abroad to...the sense is that the government is serious about getting private capital from abroad to go to not-for-profit and other social enterprises in India. There seems to be some kind of political will at this point to maybe consider how to open up the ecosystem and we don’t know. It’s a question of time before we know how much of these changes that we want actually will go through and are palatable to their mindset. So, things are looking brighter. Things are improving and even globally, the ESG movement is becoming a lot bigger. There is a lot more pushback on the way the current state of capitalism is and how companies are profiting. That’s one of the things that we had written in our book chapter, the unpublished chapter. We were looking at how, for companies that anyways want to be ESG compliant, you don’t need any legal changes. They will do it on their own. For the companies that don’t, let’s say the profit motive is the prime driving factor. Even then, it only makes sense to have some kind of enlightened long-term mission, even if it’s on a profit motive, to stick to ESG criteria, only because that you will have a sustainable business that is profitable in the longer run. I am not even saying, starting out from a motivation of wanting to do philanthropy and help the world. But, even from a pure business perspective, my sense is that eventually businesses will wisen up and increasingly start shifting towards ESG. There are enough studies that say that companies that follow ESG criteria are actually more profitable. There is the upside of the branding that they get and things like that. So, keeping those also in mind...and of course there are efforts to green wash and do impact washing and pass off your [inaudible 00:30:28] with mainstream capital trying to come in. The problem is that, in this kind of context, you have ill-informed...I wouldn’t say ill-informed regulators. Let’s say that they are not up to speed on the global development, some of these kinds of things...you know, of very traditional mindset. When you go to them and you need to have a clear industry representation that everybody can get onboard. Now even within the industry, nobody can agree on what is impact. Some people say that ESG is not impact, only the outcome funding is impact, because outcome funding is tied to a measurable impact. In some places, if the ESG criteria is not strong enough, then technically that is a kind of impact washing. Me reporting on whether I have an ESG policy in place, if that’s sufficient to be ESG complaint, is not going to suit the purpose. Different people have different goals and objectives. I think they try putting multiple representations to the government guys in these limited opportunities and the government guys get confused. Then it gets even worse. Then they are really...so the ideal thing is that...and we have worked on representations for two different stakeholders in this area. They are slightly different but it would really help the industry if, at least in the initial stage, they stick to a common baseline and approach the government in one voice and they do keep moving the conversation forward over a period of time. But that sort of thing doesn’t seem to have...it is a small community, I think it is possible. But I think it’s going to take a lot more coordination and talking within the community.

**M: You were mentioning global experiences. Are there any lessons which we can draw from any other jurisdictions in terms of...if one were to look at reforms in this area or streamlining, are there any other jurisdictions from where we can draw some lessons?**

R: We have seen many number of social stock exchanges being set up in different forms, if that is something we are serious about, we can draw from their experiences and see how to go about it. In fact, I was on a call yesterday with someone who is helping a committee member with recommendations and because they have done so much work on the legal side, she was saying that maybe it’s time that the committee actually hires us officially as their legal retainers to help them come up with what legal changes need to be done. Maybe in a couple of weeks, we may get onboarded, I don’t know, but the thing is that, of course there are lessons that can be drawn. But again, it’s not that everything that happens abroad is directly transplantable to the Indian context. And specifically, because there, the policy making apparatus is a lot more streamlined. Here, each ministry has its own goals. So, I think it requires a different approach on the ground. Maybe on technicals, maybe on metrics, these are all the stuff that we can borrow from abroad, there is no reason to reinvent it from ground up. That’s something that the industry desperately needs like common impact measurement metrics, how to measure outcomes. That’s because without this kind of benchmarking, it is difficult for the industry to go up in scale. Benchmarking will allow for comparability of different kinds of investments, that will automatically bring in a lot more money and will enable an exchange, will enable large scale projects. Otherwise you’re doing bespoke smaller projects, where for that particular project, you have an impact measurement metrics in place. I know for a fact that several stakeholders have tried coming up with interventions, trying to figure out how to measure that intervention, impact of that intervention. That process itself takes two to three years.

**M: Right.**

R: So then when do you put in the money, when do you see, and the legal structuring comes after that. So, it’s a costly process which...if you want scale, you need to reduce transaction cost, you need to enable the legal system. Metrics also have to go hand in hand on the side. Also, capacity building for social enterprises because if you are typically set up as a not-for-profit, you don’t have the money to have...you don’t have the financial acumen to behave like a for-profit business enterprise. Maybe you are very good on the ground in doing the intervention and doing the work that you do. But to scale up, it requires different people and more money and they need to be trained as well. Capacity building of social enterprises are required so that they can absorb the capital and give the confidence to the investor that we can scale up and continue this business and give returns. Again, there are building blocks that you need to put in place and all of this has to come up together. What I am trying to say is that there is no point if there is a billion dollars waiting outside India and you change the laws and then you realize that there are not enough businesses with the ability to absorb the money and deliver.

**M: Right. I am also thinking with regards to the point that you had also made earlier. Where does the expertise lie even to identify the areas that need to be changed because within the government, as you said, perhaps currently there is a paucity of that, and hence they might...**

R: I would tend to say that there are several areas that from a macroeconomic perspective, the government may want to prioritize. They do it with priority sector lending and they give guidelines to banks saying that you have to lend to A sector, B sector. But at this point, it is currently being picked up by or driven by the goals of the foundations or the risk investors or people who are putting in the money. It depends on what they want to see. Do I want to see more children educated better, do I want to support healthcare, do I want to support water and sanitation? So, it’s driven by them at this point and not really by the government. Maybe that is the better way to go about it. I mean, I don’t know how much of government regulation into saying that you should spend on these things and that’s something that I would like. But from an investment perspective, if I had to prioritize something, I will prioritize the sector where the metrics are the most evolved to start with. Because like you said, unknown territory, let’s get it off flying in as a success in a place where metrics are most developed. So that could be education sector, it could be healthcare sector, and then try and take the learnings from that. As and when the metrics and measurement criteria improve, broaden that model and replicate it into a different sector with a different intervention. That would seem to me to be a prudent way of going about it. That’s because, at a nascent stage, if something is a huge failure, you will drive away more people than you will attract. It is better to take safe and sure steps and grow organically and then later open it up to whatever. But at this stage, that’s what my recommendation would be.

**M: In this initial period, what I am also seeing is that because things are still unclear and that is one of the reasons why it is taking much longer to address them, the costs are also escalating, right, in that there are delays, things do not start on time and...**

R: Yes. Even on the legal side, my hourly rate is 400 dollars an hour. We have done a lot of pro bono work. That’s the only reason why some of these structures have even gone out. If you are actually looking at the real cost of these things, even then it’s only in a large-scale investment, like a billion dollars, where it makes sense engaging a service provider like us. I do consider this as crucial. Without this, you won’t be able to get it off the ground. Maybe if the laws are made simpler and then it’s easier and some structures are shown to be successful, transaction cost should come down. If it is a tried and tested structure, you don’t need to spend this much on legal advice and other things. Everything will be new for the first time. The documentation, the assessment, the talks. That does put a significant...how do I say...that significantly increases costs and when every person has a slightly different objective or concern and you try re-tweaking the structure, it is not so easy. Sometimes you have to come up with something fresh altogether as well. That’s where it is becoming a costly enterprise for all these guys.

**M: I was hearing from some of the people that I was speaking to, that even things like formulating contracts is different. This is a different kind of a contract that has to be put together. People would have to really go back and forth on something as simple as what would have happened routinely. This requires a different set of expertise. The assumption or rather the expectation is that once things are done properly this time, it will save costs the next time.**

R: Correct.

**M: I guess some of it is inevitable. But I think it would have been simpler if there were lesser issues with the way regulations are structured currently.**

R: On an evolutionary timeline, I think other countries have taken the step forward in terms of recognizing that you can blur the line between private and philanthropic capital. Here, there is still that bit of doubt, that charity is charity and private money is private money, you make profits. You shouldn’t mix both. That mentality has to be broken down and for that we can show learnings from other countries and say that it is acceptable. This is the new normal and it is okay to do this. It is not so out of the world. If that mentality shift can happen, then things become easier. See, once you accept that it is possible, then you start thinking about, now how do we change the laws to fit that new reality, right? Till the time you keep thinking that it is wrong for philanthropic money to go into an impact investment, you will never make progress.

**M: Right.**

R: So, it is more of a mentality shift. For making the legal changes, if somebody engages us, within two weeks, we can say, which law, what is the provision to be changed. We can give draft provisions as well. That’s not the problem. It’s the mentality that is the problem. It’s an old mentality, if you ask me.

**M: Yes. I had one last question which is not directly related to this, but it stems from this. I think there is a need to build expertise on this subject across, right? This teaching case study that we are doing will hopefully go to students who are enrolled in an education program or perhaps some government officials. I can imagine that something like this is required in a law school.**

R: Yes, at least the government officials is my hope.

**M: Yes, I hope we are able to run something like this...**

R: Hearing it from your voice, I think they might think that you guys are a bit more neutral and once you say it, it’s more trustworthy than a practitioner saying that we should open up the sector for investments.

**M: Right. I can imagine that and this will be tucked in one of these programs that are run for administrators, education administrators. Because overall, there is very little awareness, there is a learning curve involved and this is new and I am hoping that even law schools, for example, I don’t think they have courses on this. Or even Finance institution related MBAs. They may have it actually, though I have not seen.**

R: These are all very niche areas. To give you an example, in Law school, they don’t teach you FCRA. They simply don’t teach you. It’s all practised. You get into a firm, you practice it and you learn and some of these laws are not just what is written in the...especially FEMA and FCRA and even CSR, these are very regulator-driven. Honestly, the text of the law may say something, but then if the regulator takes a view on that, then even the courts sometimes may not take a different view. That’s where some of these become a bit more tricky, even difficult to teach and learn as well. It’s just practice.

**M: Yes. So, this was just something that I was thinking that there is definitely a need to have.**

R: There is definitely a need to train and it’s only going to become bigger. Because with ESG coming in, the focus on impact measurement and metrics, ESG accounting, auditors doing this kind of work, I think that is the future. Whether it takes 3 years, 5 years or 7 years to become big, that’s only a matter of time. That’s because even for CSR, the first couple of years were different from the experience now. It’s suddenly picking up and becoming a lot bigger. Companies are voluntarily trying to do CSR and stuff. Initially there was a lot of resistance. In the same way, I think, for these in some form or manner, less than ideal manner, something will come in and then from there we will take it forward and see what are the changes that need to be made.

**M: Well, thank you very much for your time. This was the kind of conversation I was looking for, because specifics will eventually come and get published in the prospectus. But I wanted this high-level perspective from you. Thank you very much. I hope you are able to write more and I hope you all get some interns to write more because I was looking at literature and I am finding papers written elsewhere, but nothing on India. So, I was like...who should we...**

R: Yes. Brookings also came with more of an economic study, I think saying why we need the money for impact investment, maybe that’s worth looking at.

**M: Yes.**

R: And McKinsey also had a report on what impact investments were and what kind of returns they generated. But on the legal side, I think we are the only people. But of course, to be very honest, the way the revenue model of the firm works is that you look at upcoming areas and then you put in the research and then you monetize it later because by the time it becomes a big thing, you are an expert and you can provide answers straight away. Of course, I have spoken with Rahul and we make sure that the pro bono work that we can do, to the extent we do. But at some level, we do also have the obligation to show some revenue to the firm. So, in this space...I am actually...in the last year we invested a lot of time, energy and effort into this. I think now, the market also generally recognizes us as the experts in this. And we have done so many structures now. The other area that I look at also is taxing of digital companies and other stuff. So, I am probably taking a little bit of a step back from this and focusing on that a little bit more in the coming year. So maybe the publications may not be as much because whatever time we have we would be focusing on client work and representations. We are doing a... we are trying to figure out a structure for UNDP and trying to see how to interact with the government and bring them on board as part of the process. And we have been engaged by a couple of others on similar projects. So, I think that is going to take precedence, but if there is any writing, it will probably be short pieces. But I am happy to do conversations because that’s easier. Knowing all of this is great and it is easy to explain over a call. But if I have to put it on paper, it takes me 20 hours.

**M: That is really difficult. I can imagine. But thank you very much for your time. What I will do is, I will send you the transcript, once it’s ready. And later, once I have put it together in the draft, I can also share the sections in which I would have...you know...not direct quotations, but referred to some of the challenges that you have talked about. What I will really appreciate from you is the paper that you mentioned that was written for Aspen and Thompson Reuters and that can definitely be something which I can quote as well. I think that will be really helpful.**

R: I can share that right away.

**M: Yes.**

R: I will drop you an email after the call.

**M: Yes, thank you. Thank you very much.**

R: Alright. Bye Bye.