



## **Financial Gradients: Methods and perspectives for financial policy in sustainable development action**

### **Teaching Note**

#### **CASE SUMMARY**

The Lighting a Billion Lives (LaBL) case study focuses upon how financial gradients, as a methodology, can be applied in the field of sustainable development. This case explains that financial gradients can be seen as an approach for analyzing financial flows; it can develop indicators to assess the health of the project. The key financial challenge to implement projects related to sustainable development is to secure long-term, stable finances. The capital inflow analyses demonstrate how the LaBL project diversified its sources of funds and how the project scaled up funds from all the sources.

#### **LEARNING OBJECTIVES**

- To understand the interactions of finance and sustainable development action.
- To understand requirements of financial policy for creation of robust financial gradients.

#### **TIPS FOR FACILITATORS**

Before we begin the case study, it may be worthwhile to explore the objective of the case study to make the exposition and practice of the financial gradients simpler. The objective for the case is to infer on the health and viability of a sustainable development program; and this is being done by looking into the nature and sources of the financial inflows over a period of time. Another objective of the case is to help form the key financial indicators to assess the health of the program in sustainable development. The relevance of forming financial indicators can be backed by financial policy and therefore in this light the need for financial policy can be understood.

In the case, a sign of health for the sustainable development program is when the ratio of the grant component to non-grant component decreases over time. The increase in equity is also seen as an important indicator.

It may well be that different sectors or programmes will have different types of financial indicators which will be used to comment on the health of the programme. In corporate finance and financial accounting as well, companies belonging to different sectors and regions will have different financial indicators.

Inferring the health of a programme using financial indicators should decrease the monitoring costs of the program as well. In corporate finance and investment analysis, financial ratios calculated from the financial statements of companies are used the world over to comment on how well a company is being managed. This is one of the advantages of the financial system of the world, that financial indicators can be used to infer on the real activities of a company; it not only helps in lowering transaction costs, but also in augmenting investment flows into a company from all over the world.

Once the health of a programme is ascertained, the long term financial flows will be much easier to maintain.

## **FACILITATION OF THE LEARNING PROCESS**

Slide one and two: Introduction and contents. (Before going into slide three, the objectives can be discussed)

Slide three: The need for financial gradients. The discussion points are as below:

- The importance of finance as the stepping stone in sustainable development; it is required throughout the process.
- The financial gradients approach looks at the nature and sources of finance.
- The post 2008 crisis situation has made availability of grants and public expenditure based redistributive allocations acute.

Slide four: Case study: Lighting a Billion Lives – brief on LaBL.

- TERI committed to bringing light into the lives of one million rural people over four years at the annual meeting of the Clinton Global Initiative in 2007 by displacing kerosene and paraffin lanterns with solar lighting devices and providing opportunities for livelihoods both at the individual and village level. This initiative since then has been expanded to the Lighting a Billion Lives (LaBL) Campaign to benefit many more people in India and around the world.
- The campaign was formally inaugurated by the Honourable Prime Minister of India, Dr. Manmohan Singh, on 7th February 2008 during the Delhi Sustainable Development Summit.
- LaBL has been able to engage with government interventions under Sarva Shiksha Abhiyan, Madhya Pradesh Rural Livelihood Project, Rasthriya Gramin Vikas Nidhi and facilitating mobile telephony with support from Department of



Telecommunications, GoI. LaBL has successfully engaged the private sector and leveraged on corporate social responsibility (CSR) initiatives as well. Notable among these are Power Finance Corporation, Rural Electrification Corporation, Uninor, ICICI and Union Bank of India.

- LaBL is a unique and measurable sustainability initiative that effectively demonstrates how public-private-people partnerships easily support rural schemes mooted by the government, particularly in the areas of health, education, environment, women's empowerment as well as overall rural development. The campaign has support from public sector units and corporates, among its various partners to aid the execution of the program at the scale at which it exists today.
- Present situation: check website  
<[http://labl.teriin.org/index.php?option=com\\_dir&task=all](http://labl.teriin.org/index.php?option=com_dir&task=all)>

Slide five: Given in slide; Slide six, seven and eight: Financial inflow analysis given in the paper; Slide nine: Takeaway; Slide ten: video link on a discussion on financial gradients.

Note: Time will be the prerogative of the instructor.