



Social Enterprise Ecosystem
Country Profile
NEPAL

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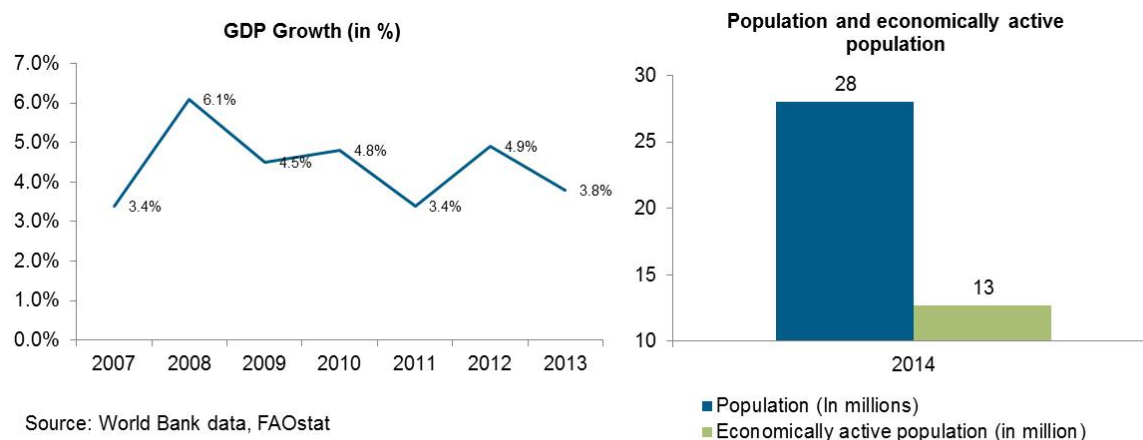
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1. Introduction

Nepal is a landlocked country in South Asia with a population of nearly 28 million¹. The population is largely agrarian, with over 90 percent of the economically active people dependent on agriculture for their livelihood.² The GDP per capita of Nepal, at USD 690, is one of the lowest in South Asia. The country's services sector accounts for 49 percent of GDP, agriculture sector - 37 percent and industry - 14 percent of GDP.³ A well-developed hospitality and tourism industry, agriculture and forestry sector, and the hydropower sector are the key contributors to the economic growth of the country.

Figure 1. GDP growth and population



Nepal has favorable agro-climatic conditions and is also blessed with several high potential renewable energy sources such as hydropower and solar energy that are largely untapped. The key drivers of economic growth for the country are: high remittance income from Nepali immigrant workers in India and the Middle East, and higher spending power of an emergent middle class in urban areas which is driving up domestic consumption in the country. However, Nepal ranks low on most social development indicators and is one of the poorest nations in the SAARC region, with more than 25 percent of the population living below the poverty line.⁴ A decade long violent political conflict that ended in 2006, difficulty in reaching to the last mile due to the mountainous terrain, low population density, and lack of basic infrastructure such as road connectivity, access to electricity, primary health facilities and safe water supplies are some of the key reasons that inhibit socio-economic growth in the country.

¹ World Development Indicators, The World Bank, 2013.

² FAOSTAT 2014 information, FAO of the UN

³ CIA world fact book, 2013 data

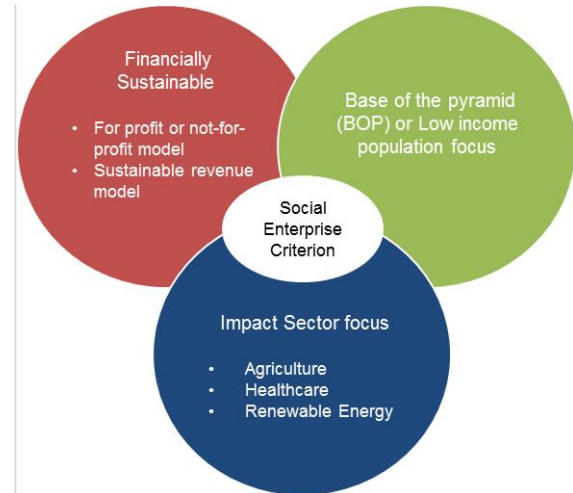
⁴ Third Nepal Living Standards Survey (NLSS-III), 2010-11 Central Bureau of Statistics (CBS)

2. Methodology for Analysis of the SE Sector

While being cognizant of these challenges on definition and perception, this report aims to cover all the enterprises that meet the following criterion:

- **Financially sustainable:** The SE operates as an independent registered business and can be either for-profit or a not-for-profit established on a financially sustainable revenue model.
- **Focus on social impact at base of the pyramid (BOP) or Low-income population:** Empower population at BOP as producers or providers of income-generating commodities, products or services, as consumers of affordable goods and services, and as independent entrepreneurs.
- **Impact Sector focus:** They operate in one or more sectors that have a direct impact on the lives and livelihoods of the BOP population: agriculture, healthcare and renewable energy.

Figure 2. Criterion for SEs



Registered charities and trusts operating purely as charitable organizations delivering a public good/service with no inherent model for financial or revenue sustainability are not considered in the SE criterion for this report. Given the SE definition is still evolving in many countries under study, many private businesses with clear laid out social or environmental goals and that engages with low income communities as customers or as key suppliers has been included in the study.

The research for the study was conducted in two phases. In the first phase an overall SE ecosystem analysis was conducted base on the key dimensions of the SE ecosystem. In the second phase, a sector level assessment was conducted to capture the current state of sector value chains as relevant for creating an impact at the BOP. A firm level assessment to map the presence of SEs in various stages of enterprise development was also completed in this phase.

The ecosystem in which SEs operate refers to interdependent networks of individuals and organizations (actors) and the influencing enterprise environment that act upon those networks, leading to a variety of actors. To this extent, the ecosystem is comprised of enabling or constraints conditions setting the parameters by which SEs operative. Many of these ecosystem conditions result from the decision or behavior of actors or from interactions of actors within the ecosystem and are indeed critical as these can shape the creation, sustainability and scale of SEs. The SE ecosystem was analyzed using framework covering four key dimensions: a) Market landscape, b) Policy, c) Enablers/Intermediaries and d) Capital that are important for promoting social entrepreneurship. The framework was designed to bring out nuanced and actionable insights on market drivers, need-gaps, challenges and opportunities for SEs as seen across each country.

Figure 3. Dimensions for analysis in this report



This sector-level assessment was completed to discuss the presence of SEs across the sector's value chain and the critical needs that these enterprises are trying to address to create impact on low-income populations. The level of organized activity was rated as high, medium or low depending on the number of SEs active in the sector/sub-sector. For instance, a sub sector was rated as 'High' if ≥ 50 percent of the total SEs in the sector fell within this category. Similarly 25-50 percent was rated as 'Medium' and less than 25 percent was 'Low'. This classification was modified based on information collected for the study from each country.

The framework covers the value chain for the agriculture sector consisting of: provision of inputs (pre-harvest), cultivation and plantation (harvest) and process/packaging and warehousing/distribution (post-harvest) across various critical needs and impact areas for the BOP. Similar value chain analysis for other two sectors have been developed and used across the seven selected countries to identify high potential sub-sectors for SE development.

Based on key findings of the ecosystem assessment, sector- and firm-level assessment, key insights and recommendations have been developed and reviewed with ecosystem stakeholders, social entrepreneurs and sector experts. The main study ("Social Enterprise Ecosystems in South Asian Association for Regional Cooperation Countries") and the associated country profiles provide an overview of opportunities in the SE space across the SAARC region and deeper insights across the three focus sectors of agriculture, renewable energy and healthcare.

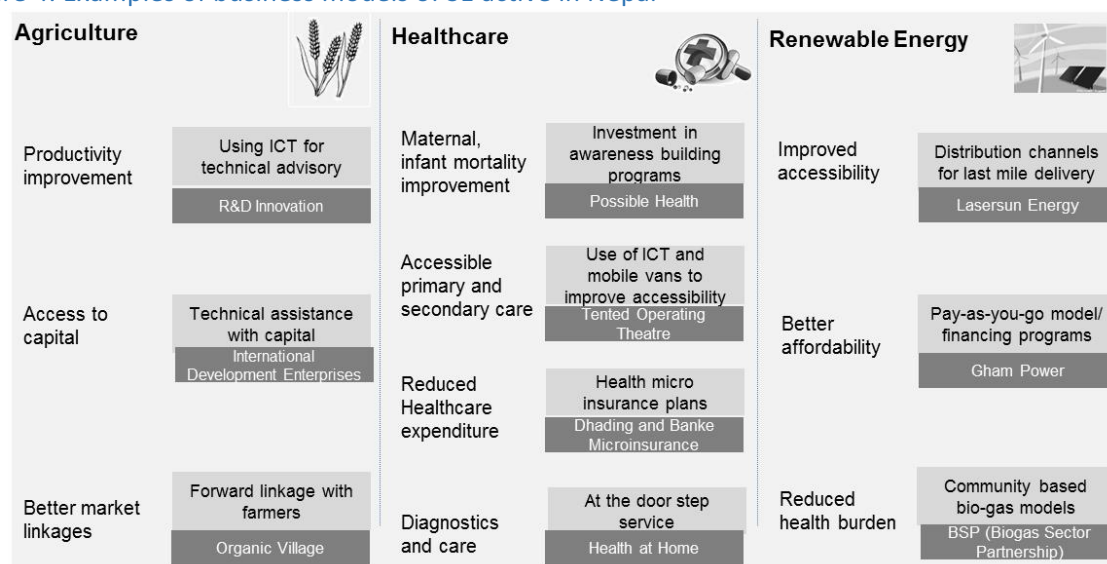
Note on Limitations of the Methodology:

The report is constrained by limited availability of consistent data on SEs active across the three sectors in the seven SAARC countries. In the absence of readily available data on the number of SEs in some sectors, the report relies on data from the field and insights from various stakeholders. The SE activity and its representation across the impact areas are based on interviews with sector experts and social entrepreneurs across the SAARC countries. It must also be noted that the report does not extensively cover all of the critical needs of the BOP and impact areas in a sector, but only the promising, potentially high-impact areas for SEs.

3. SEs in Nepal—An Overview

SEs in Nepal create an economic and social value for their customers and key suppliers by reducing the inefficiencies in the value chain. Many of these enterprises aim to improve the access to products and services while trying to reduce the cost through various financial mechanisms. A few SEs such as organic village have reduced the complexity and fragmentation in the supply chain by providing forward linkages to farmers. Some of the successful SEs in the healthcare segment such as Nepal Ambulance Service and Health at Home provide mobile units for primary healthcare at the customer doorsteps at low costs. SEs in the renewable energy sector such as Gham Power are utilizing innovative ‘pay-as-you-go’ payment systems to overcome the customer’s inability to afford the upfront cost of products and services. Figure 4 summarizes some of the successful business models across the various sectors.

Figure 4. Examples of business models of SE active in Nepal



Source: Intellect analysis

A case study of not-for-profit SE providing affordable ophthalmology services and eye care has been shown in the box below.

Case Box 1: Examining the business model of a hospital providing affordable ophthalmic care

Tilganga institute of ophthalmology (Tilganga) is the implementing body of the Nepal Eye Program, a non-profit, community based, non-government organization with focus on providing high quality ophthalmic care at affordable prices to the general public. Tilganga has initiated several programs and initiatives to serve remote areas and low income population. Through its community eye centers located at various regions across Nepal and mobile eye camps, Tilganga aims to serve people living in remote areas by providing them affordable clinical services and community eye health activities. With the financial assistance of the government and technical support from the Fred Hollows Foundation Tilganga’s has been able to create a sustainable eye care infrastructure and has grown into a high quality ophthalmic service provider in Nepal.

While there have been some successful stories of SEs innovating to ensure value creation for their key stakeholders, there are few instances where the SEs have failed to meet their desired objectives. Challenges ranging from problem in the business model to customer acceptability of the product or service, to lack of strategic and technical leadership have been noticed in Nepal.

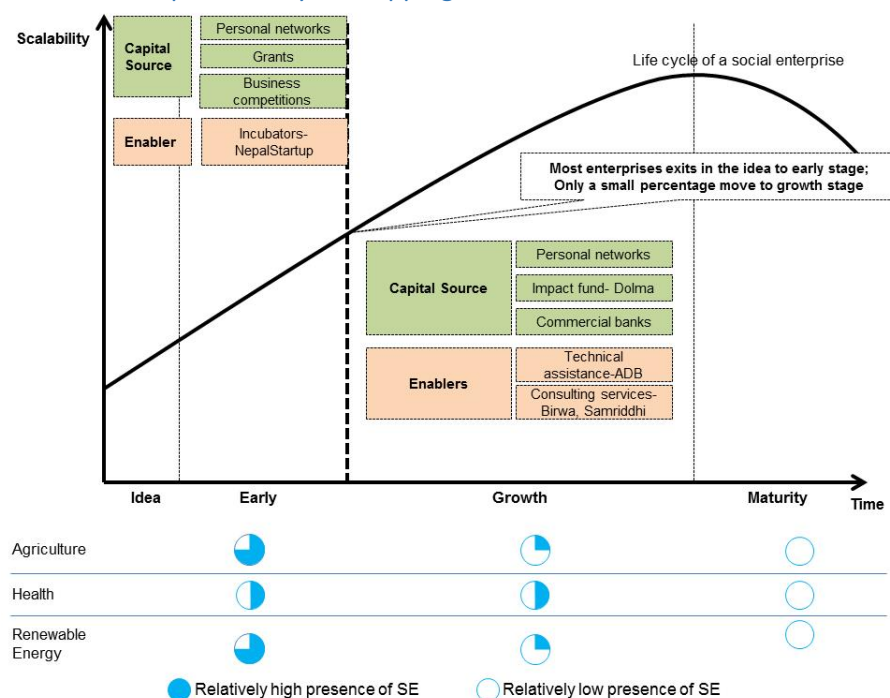
A brief case study on an enterprise active in the dairy and milk production segment has been shown in the box below.

Case Box 2: Examining the growth challenges for a dairy enterprise in Nepal

A medium sized dairy enterprise in Nepal with a well-defined social focus on improvement of farmer livelihoods had to slow down its expansion plans given the severe underutilization of its production capacity. The enterprise had to suffer from the inefficiencies in its supply chain wherein it had high dependency on a few milk distributors and farmers. These suppliers during peak demand season sold milk to other private players that gave them higher commission with less stringent quality checks. As a result, majority of the processing plants of the enterprise were running at an under capacity of nearly 50 percent utilization. Inability of the enterprise to build brand loyalty in the farmers by providing them advisory services or products to improve livestock productivity and lack of investment in the milk powder storage infrastructure led to this situation that impacted the financial stability of the enterprise.

The concept of SEs is relatively new in Nepal and hence majority of the enterprises are still in early stage, both in agriculture and in the renewable energy sector. In the healthcare sector, due to high presence of the private sector in healthcare delivery system for many years, a few SEs have established their operations and can be considered to be in the growth stage. However, for many healthcare enterprises, financial sustainability is a key challenge due to low willingness to pay in the BOP for services and products used. Similarly enterprises in the renewable energy sector are largely dependent on government aid and subsidies to be operational. Also, given the relatively rugged mountain terrain of the country, many SEs find it difficult to reach out to customers beyond the Terai and the hilly regions. The country is also active geologically and faces severe natural calamities such as earthquakes and flash floods that further weaken its infrastructure making it very difficult for enterprises to scale up their operations.

Figure 5. SEs in Nepal – Life cycle mapping



Note: The above analysis was conducted based on inputs from investors, SE, incubators and sector experts in Nepal

Nepal has achieved some degree of political stability after nearly a decade of violent domestic conflict. The country's constitution is still under preparation and hence SEs may face issues with regulatory and legal environment, with less protection for intellectual property rights. Notwithstanding these challenges, SEs active in the country have come up with innovative models and solutions such as the use of mobile communication for enabling technical services, mobile service vans and tented operating theatres to reach the scattered population in remote mountainous and hilly regions. Given that the majority of the SEs in the country are still in the early phase and moving towards the growth phase, the landscape is well suited for impact investors, technical assistance providers, and other key stakeholders to be a part of this growth story.

4. Ecosystem Assessment

The concept of SE is relatively new in Nepal which has a large presence of NGOs. There is considerable private sector activity with financial and social focus in agriculture and renewable energy.

Landscape	Policy
Capital	Enablers

The concept of SE is relatively new in Nepal, with majority of enterprises established for generating a profit, with little focus on achieving social or environmental goals. The past few years have seen a few private enterprises with a social focus being established, largely driven by support and guidance from donors/development agencies. While many of the SEs in Nepal have a profit focus and are registered as private companies, non-profit SEs registered as 'profit-not distributing companies' have emerged in a few impact sectors such as in healthcare. SEs such as Tilganga hospital have sustainable revenue models and operate as not-for-profits on a community based model. There is a very high presence of NGOs and charity based organizations in the country⁵ but majority of these are dependent on external grants aid for their operations and do not have proven and sustainable revenue streams.

Majority of the SEs in Nepal are based in the Kathmandu valley region with some presence in the Terai region of the country. The outreach of these SEs is spread across the hills and Terai region with limited presence in the mountainous region due to rugged terrain and unavailability of basic infrastructure such as road network and telecommunications. While most private sector enterprises in Nepal do not directly identify themselves as SEs, they often engage with low income communities as customers or as key suppliers and are active across impact sectors such as agriculture and renewable energy. Many of these enterprises are active in spices, Medicinal and Aromatic plants (MAPs) in the agriculture sector; and in solar products and solar PV segment in the renewable energy sector. The healthcare sector has a large presence of NGOs and a few not-for-profit SEs largely offering primary and secondary care services in both rural and urban parts of the country.

While Nepal has improved considerably on ease of registering a business, access to finance remains a critical challenge for most of the SEs in the country.⁶ Other key challenges that inhibit the growth of SEs in Nepal include lack of basic infrastructure facilities such as road networks, unreliable supply of electricity, and cumbersome regulatory laws and government red tape.

Nepal has several enabling policies/programs to promote small business and enterprises in the healthcare and energy sectors with 100 percent provision for FDI to attract foreign investment.

Landscape	Policy
Capital	Enablers

⁵ The number of NGOs operating in Nepal is not well known though a few agencies put it between 40,000 to 60,000 including small NGOs operating in a very limited region

⁶ Ease of doing business in Nepal 2015 report, The World Bank Group

While there are no specific projects or policies that define or promote social entrepreneurship in the country, the Nepalese government in collaboration with international development/donor agencies has introduced several initiatives to promote private sector and small business activity across the impact sectors in the country. Government agencies and ministries such as the Department of Cottage and Small Industry (DCSI) and Industrial Enterprise Development Institute (IEDI) are responsible to promote private sector activity in the country through dissemination of support services such as information and technology and access to finance for small enterprises. The government is supportive of foreign investments in impact sectors such as healthcare and renewable energy, and allows 100 percent FDI to promote private sector participation. There are however FDI restrictions in a few agriculture segments such as poultry, fisheries and bee keeping.⁷

Though there is an effort from the government to promote entrepreneurship in Nepal, delays in policy declaration, problems in implementation, and lack of awareness have largely prevented many of the enterprises from getting any significant benefit.⁸

Table 1. Policies and projects to support for-profit SEs in Nepal

Policy/Projects	Objectives
Agriculture Development Strategy⁹	<ul style="list-style-type: none"> Nepalese government strategic plan to promote the agriculture sector and make it more private-sector friendly. Focus on FDI and investments from foreign countries Promotion of export-oriented agribusinesses that source from within Nepal, offering a reduced tax rate of 20 percent compared to 25 percent for general businesses.
Nepal Market Development Programme (NMDP)¹⁰	<ul style="list-style-type: none"> The program aims to reduce poverty in Nepal by increasing incomes of 300,000 smallholder farmers and small-scale entrepreneurs The program focuses on entrepreneurs active in dairy, ginger, fish, pig or vegetables segments providing them advisory services to improve productivity, better access to markets and support in areas such as mechanization
Hydropower policy 2001¹¹	<ul style="list-style-type: none"> The key objective of the policy is to attract private sector participation by allowing developers to export hydropower to the neighboring market. The policy was further improved to improve the terms of Power Purchase Agreements for small and medium projects and reduce the time for project approvals
Nepal Health Sector Program– 2: NHSP	<ul style="list-style-type: none"> Aims for collaboration in public/private sector to deliver quality healthcare services Regulatory frameworks will include development of a sectorial Public Private Partnership (PPP) policy

Commercial banking system in Nepal is well developed though access to capital remains a challenge for many SEs. Other source of capital such as angel funds, impact funds are still in nascent stage.

Landscape	Policy
Capital	Enablers

⁷ FDI Policies in Nepal 2014, The Department of Industries, Nepal

⁸ Overview of Nepalese Small and Medium Enterprises, 2008, Intellectap interview with relevant stakeholders

⁹ Agricultural Development Strategy, Ministry of Agricultural Development, Nepal 2010

¹⁰ SME Promotion: Nepal Market Development Programme (NMDP) available at <http://www.swisscontact.org/en/projects-and-countries/projects-by-core-areas/projects/sme-promotion/p/Project/show/samarath-marktentwicklungsprojekt-in-nepal.html>

¹¹ Hydroelectric Development Policy, 2001, Nepal

The concept of SE is relatively new in Nepal and hence it is difficult to obtain clear information on financial intermediation or credit available to SEs. The for-profit SEs may receive investment in the form of equity or debt or in kind such as machinery or equipment; the non-profit SEs are usually dependent on grants or charitable donations.¹² Majority of the NGOs get their funding through international donor agencies, governments/embassy aid programs and some through foundations such as Ford foundation that are active in the country. However there is a restriction on fundraising for foreign charities and NGOs from domestic sources in Nepal.¹³

There are some lending policies for Small and Medium Enterprises (SME) active in impact sectors that may be considered as relevant for most SEs which are likely to fall within this category. Nearly eight commercial banks have SME focused loans backed by development/donor agency funding.¹⁴ Post 2012, the central bank of the country, Nepal Rastra Bank (NRB), had directed the commercial banks to commit 10 percent of their total lending to the agriculture and energy sectors.¹⁵ There is also a deprived sector¹⁶ lending norm wherein the commercial banks have to lend 3.5 percent of their total lending to the deprived sector and small industries through MFIs.

Despite these policies and initiatives, access to debt capital remains a challenge for many SEs. Lack of proper audited financial statements and the requirement of collateral is a major deterrent to raise debt capital. Other sources of capital for SEs such as angel/seed funds, venture capital/private equity players and impact funds are not well developed and not readily accessible in Nepal. There are an estimated six to eight impact investors (including donor agencies), two development finance institutions (DFIs), and one regional fund active in Nepal.¹⁷ However, many of these funds have problems in the deployment and disbursement of capital due to issues on repatriation of funds, access to talent for fund management, or due to difficult market conditions for pipeline development.

Table 2. Sources of capital for SEs in Nepal¹⁸

Investor type	Enterprise
Angels/Seed	-
Donor/Development institutions	<ul style="list-style-type: none"> Department for International Development (DFID), World Bank, Asian Development Bank (ADB), GIZ, FMO, Triodos Bank
Venture Capital/Private equity	<ul style="list-style-type: none"> Dolma Impact Fund, Tara Management Pvt. Ltd, One to Watch
Banks	<ul style="list-style-type: none"> There are various other banks to provide loans to SMEs including: 31 Commercial Banks: 80, Development Banks: 50- 60, Other Financial Institutions: 30-35, Micro Finance Banks: 19

There is limited availability of incubators/accelerators and investment intermediaries in Nepal; however, recently a few events and programs to promote social entrepreneurship have emerged.

Landscape	Policy
Capital	Enablers

The enablers for developing the SE ecosystem such as incubators/accelerators, advisory and consulting services providers are slowly emerging in Nepal. Majority of these incubators/accelerators such as

¹² Interviews with relevant stakeholders in Nepal

¹³ NGO Law Monitor: Nepal, 2015

¹⁴ The landscape of impact investing in South Asia: Nepal, Dalberg/GIIN 2014

¹⁵ Market Data Platform for Investments in Nepal: Renewable Energy Sector Report, May 2014

¹⁶ Deprived-sector lending in Nepal is defined as the provision of microcredit to low-income people working in impact sectors such as agriculture and allied services.

¹⁷ The landscape of impact investing in South Asia: Nepal, Dalberg/GIIN 2014

¹⁸ Note- Sources of finance are not for SEs exclusively

¹⁹ Banking and financial statistics report 2013, Nepal Rastra Bank

Rockstart Impact Nepal assist the SEs in reaching out to potential investors or new customers in the early stage of operations. The Nepal government in its budget plan for 2014 has planned to establish a start-up fund to cultivate the culture of entrepreneurship in the country. A few service firms such as the Birwa, Beed Nepal provide advisory on scaling up business operations and capacity building to young social entrepreneurs in the country. A few business competitions such as Surya Nepal Asha Social Entrepreneurship Award aim to recognize and promote social entrepreneurship in the country. However, many of these enablers have limited operations in the country and largely present only in the Kathmandu valley region.

Table 3. Incubators and other enablers active in Nepal

Incubator type	Enterprise
Promoted by the Government	<ul style="list-style-type: none"> Business Incubation Program (BIP) established in 2006, is a program operated under the lead role of the Department of Cottage and Small Industries, with active support of academia, professional organizations and research institutions.
Incubators/ Accelerators	<ul style="list-style-type: none"> Rockstart Impact Nepal, NepalStartup Cup
Advisory Services	<ul style="list-style-type: none"> Biruwa, SwissContact, Lead International, Beed
Technical Assistance	<ul style="list-style-type: none"> World Bank, NEPAL Entrepreneurs for Nepal (E4N), ADB, Nepal Business Forum

DFIs and donor agencies play an important role in developing the SE ecosystem in Nepal. Many of these institutions such as ADB have developed technical assistance programs to promote private sector participation in impact sectors such as agriculture and healthcare. World Bank has initiated several programs such as Project for Agriculture Commercialization and Trade, Supported Extended Biogas Project to promote private sector and small business in the country across various impact sectors. However the uptake of such technical assistance seems to be low at present given the lack of awareness and requisite level of documentation/financial statements available with the SEs.

5. Sector-Level Assessment

This section covers sector level assessment of the SE activity in Nepal across agriculture, healthcare and renewable energy. Each sector assessment study includes a detailed description of the presence of SEs across the sector's value chain and the critical needs that these SEs are trying to address in order to create an impact on the low income population groups.

a. Agriculture Sector

Nepal has good agro-climatic conditions and a well-developed network of rivers that is suitable for a variety of food crops, cereals, and cash crops such as tea and spices. However, the country has the lowest productivity in terms of crop yield in the SAARC region²⁰ and, as a result, one of the highest rates of food import.²¹ The region also suffers from widespread poverty, especially in the rural areas and in the farming community. Moreover, given that the 93 percent of the farmers in Nepal are small land holders covering 69 percent of the cultivated area, makes it difficult to achieve economies of scale due to lack of produce

²⁰ For e.g cereal yield/hectare (2012) in Nepal was 2719 units compared to 2954 in India, 2988 in Bangladesh and 3862 in Sri Lanka

²¹ FAOSTAT database, 2012 statistics

aggregation.²² There is an opportunity for greater SE involvement in the country to ensure food security and transfer of economic and technology benefits to the farmers.

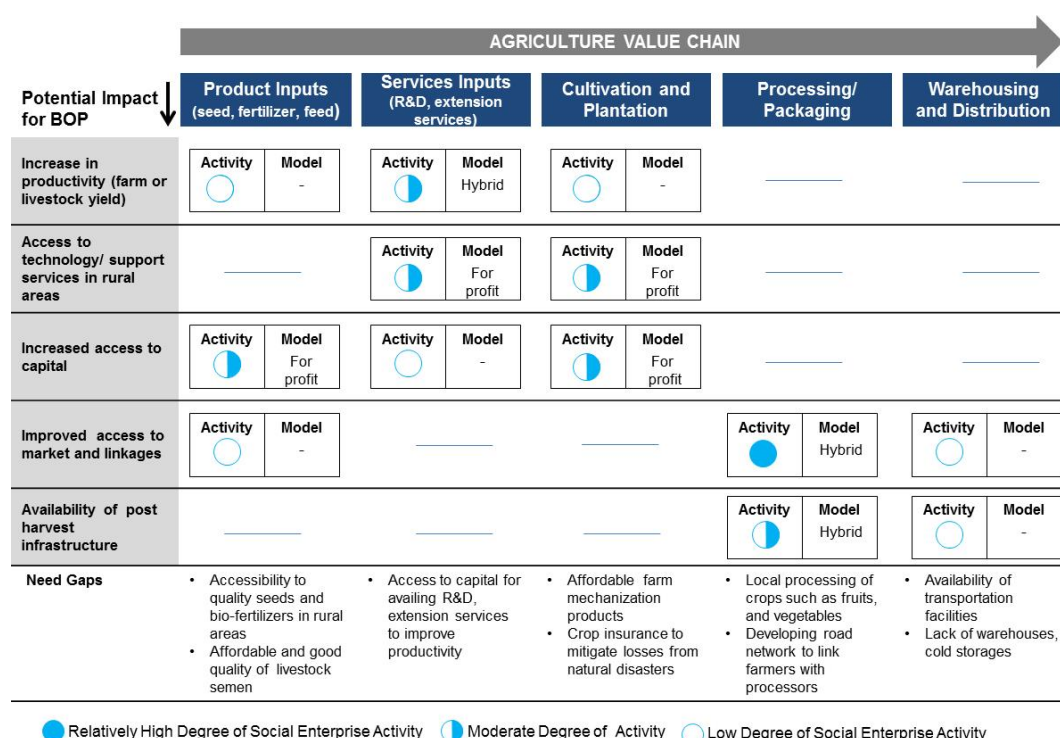
Majority of the SE activity is concentrated in providing market linkage to farmers, especially for export oriented segments such as spices. A few enterprises offering advisory and technical services to improve agriculture productivity have emerged in the last few years.

Majority of the SE activity is seen in the post-harvest stage of processing and packaging activity for cash crops such as tea and coffee, spices and MAPs. Many of these enterprises such as the International Development Enterprises (IDE) aim to provide better market linkage to farmers to ensure that inefficiency in the supply chain due to the high presence of intermediaries is reduced. The pre-harvest value chain for seeds and post harvesting value chain for dairy is also well developed with a good number of private sector players. However most of these players are for-profit businesses with no clear social goals and hence may not be considered as SEs. There is a large presence of cooperatives in the agriculture sector (especially in the dairy segment) that are involved in various activities such as supply of farm inputs, marketing the farm produce, and providing credit services to farmers. However, majority of these cooperatives are small entities with limited geographic outreach and scalability. A few community-based forest enterprise development programs run by development agencies such as DFID are also active in the country but only in a very limited geographic area.

Given the concept of SEs is relatively new in the agriculture sector in Nepal, majority of the enterprises were established for achieving financial gain. Many of these enterprises such as Organic Village have made a transition towards meeting their social goals in terms of extending financial and technical benefits to the farmer groups; however they continue as for-profit enterprises. SEs such as Ashapuri Organic and Women's Off-season Vegetable Production Group are active in the harvest value chain primarily in the cultivation and plantation of crops and vegetables. There are few enterprises such as R&D innovation active in the pre-harvest value chain of providing extension and advisory services and that follow 'not-for-profit' model, but such examples are very few.

Figure 6. SE landscape in agriculture sector in Nepal

²² Smallholder Farming in Asia and the Pacific: Challenges and Opportunities, IFAD 2011



Source: Insights from relevant stakeholders, Intellect analysis

Future opportunities for SEs in providing improved access to inputs such as quality seeds and extension services and in post-harvest infrastructure for warehouses and transportation network.

High potential areas for SEs in Nepal include pre-harvest areas for providing improved access to inputs such as quality seeds and extension services and in downstream areas in warehousing, storage and transportation. Nepal has one of the lowest agriculture productivity in the SAARC region and is dependent on food imports for meeting domestic demand. Farm productivity could be substantially improved if the farmers are provided with better quality inputs (such as high yield seeds) and adequate technical and advisory services. Given the hilly and mountainous terrain of the country, there is good potential to use ICT to provide technical advisory services for remotely located farmers. Opportunities for SEs are also seen in the in the post-harvest infrastructure segment through development of warehouses, cold storages and transportation facilities to enable market linkages.

SEs active in the agriculture sector face several challenges for managing their operations and expanding their outreach. Firstly, SEs find it difficult to raise capital from the available channels of funding such as commercial banks due to requirement of collateralization and a proven profitable model. Secondly, there is a dearth of skilled manpower in the sector as the jobs are not lucrative for the young aspiring population. Thirdly, lack of infrastructure facilities such as road and transportation networks, inconsistent power supply, and lack of warehouses for storage impede SE activity in the country.

b. Healthcare Sector

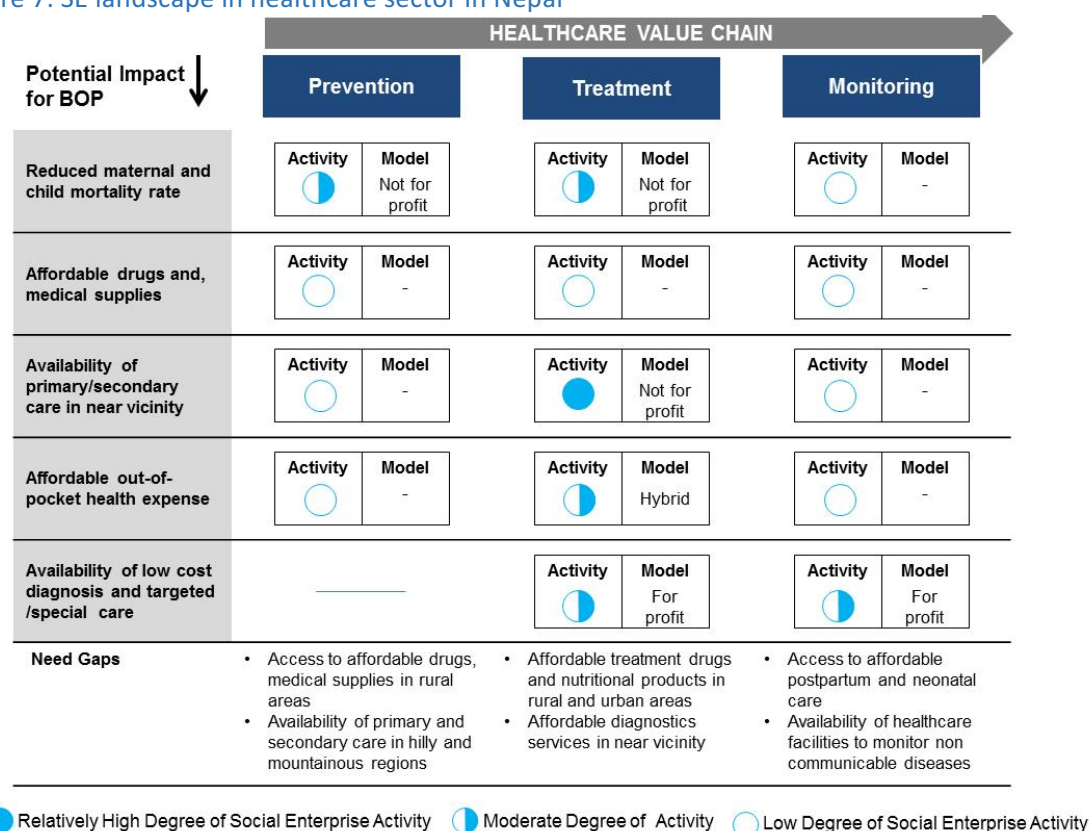
Key health indicators such as life expectancy, maternal care, and incidence rates of communicable diseases in Nepal are much higher than the global averages, though there have been some improvements in the last few years largely driven by the growing private sector. The healthcare landscape in Nepal is dominated by the private sector, except in primary and secondary care systems where the government has set-up low cost and subsidized primary clinics and public hospitals. Private expenditure is more than 60 percent of the total annual spend on healthcare. The number of private sector enterprises in the healthcare sector

is more than 3000²³ but very few of these have well-defined social goals and hence may not be termed as SEs. More than 95 percent of these enterprises are active as standalone diagnostic centers or as primary clinics with profit focus and no clear social objectives. There is a good presence of not-for-profit SEs active in the healthcare sector.

SEs in the healthcare sector are active in providing affordable primary and secondary care in both rural and urban areas of Nepal.

A few private enterprises with low cost models and focus on low income population groups may be considered as SEs, though they may not explicitly define themselves as SEs. In this particular group, majority of the enterprises are active in providing primary and secondary healthcare services for curative care, both in rural and urban areas. Not-for-profit SEs such as 'Possible Health' target outreach to the poorest and most marginalized patients through mobile vans while IMPACT Nepal has created portable and tented operating theatres in which surgeons volunteer to carry out medical camps in the remote areas of the country.

Figure 7. SE landscape in healthcare sector in Nepal



Source: Insights from experts, Intellectap analysis

A few SEs have emerged in recent years offering affordable out-of-pocket health expenses for expensive tertiary care. For profit Lumbini Eye Institute (LEI) offers high-quality and high-volume affordable eye care services in to the rural population through a multi-pronged approach. Similarly, not-for-profit Tilganga hospital provides specialty eye-care services at affordable rates and operates rural community eye centers in the hilly and mountainous districts of Nepal to cover remote locations. Dhading and Banke Microinsurance aims to lower health risks and increase utilization of health care by poor families through the implementation of community-based micro insurance schemes. Targeted special care is another

²³ Annual Report 2011-12, Department of Health Services, Government of Nepal

segment that has seen some activity with SEs such as 'Health at Home' offering customized home based nursing solutions for the old people.

Affordable diagnostics services and medical supplies in rural and semi-urban areas have potential opportunities for SEs in near future.

Though the diagnostics and drugs segment in Nepal has high presence of private sector enterprises, very few of them seem to focus on low income population groups in terms of providing affordable medical supplies and diagnostics services. Further, many of the diagnostics centers are located in urban areas with limited presence in semi-urban and rural areas, thereby making it difficult for the low income population to access these services. SEs can potentially bridge this gap by offering affordable services to these population groups.

Majority of the SEs in the healthcare segment in Nepal are not-for-profit and provide services or products at very low costs or free of charge while depending largely on grant or aid money. While a few enterprises such as Nepal Ambulance Service have given adequate focus to their revenue streams and financial sustainability; many others would struggle in case grant or aid money dries up. Also majority of the enterprises face challenges related to access to capital given the capital intensive nature for many segments such as tertiary care, diagnostics in the healthcare sector. Limited presence of formal sources of finance other than commercial banks may potentially limit their expansion to various other parts of the country.

c. Renewable Energy Sector

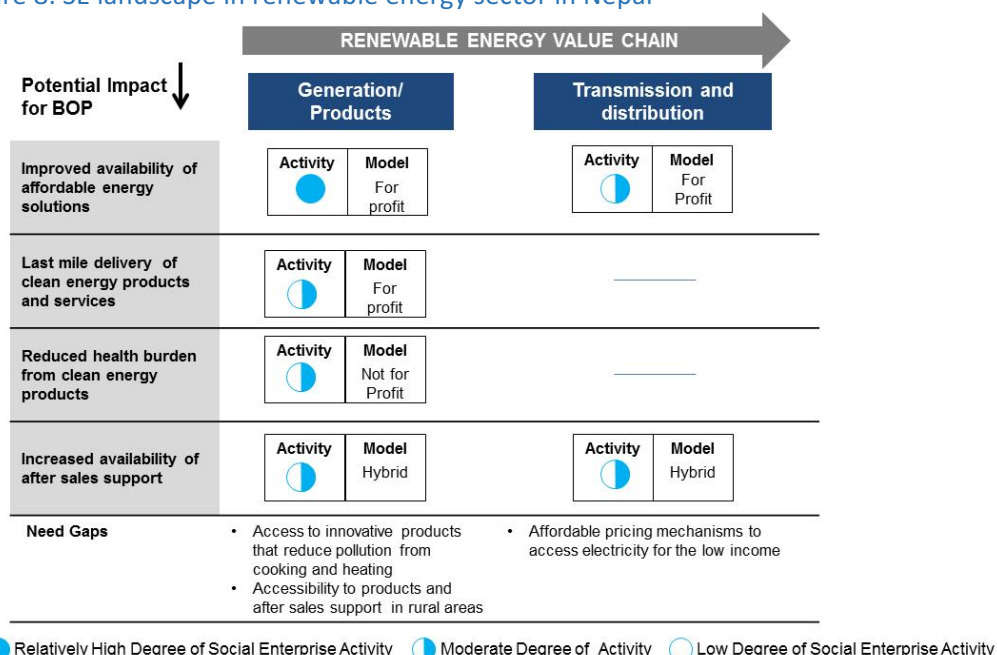
There is considerable renewable energy potential in Nepal that can be tapped and utilized to meet the increasing power requirements of the country. Access to electricity is a challenge in the country with the situation worsening in rural areas where only 20 percent of the population has access to electricity.²⁴ For the population with access to electricity, there is an extreme gap in demand and supply that leads to very long hours of load shedding that could range from 6-12 hours per day.

SEs are active in providing affordable solar products and solar PV to both urban and rural areas of Nepal. A few enterprises are active in setting up community and village based mini/micro hydropower plants.

Majority of the SE activity in the sector is in off-grid energy solar products segments such as solar lanterns and solar PV panels with the enterprises providing affordable energy solutions. Most of these SEs are profit oriented though they might depend on government subsidies to stay profitable. SEs such as Lasersun Energy provide cost effective and reliable hybrid solutions such as pico powered solar lanterns that serve the dual purpose of lighting as well charging of the mobile phone. Gham Power has established a few solar PV mini/micro grids at the village and community level to reach remote rural areas in a cost effective way. Given the tremendous hydropower potential of the country, a few not-for-profits such as Tukee Nepal have supported rural communities with mini/micro grid development through small hydropower projects. These not-for-profit models are largely dependent on grant and aid money or subsidies from government agencies such as APEC.

²⁴ Reegle policy database, available at <http://www.reegle.info/countries/nepal-energy-profile/NP>

Figure 8. SE landscape in renewable energy sector in Nepal



Source: Insights from experts, Intellect analysis

Products such as clean cook stoves and operations and maintenance of mini/micro grids with affordable pricing mechanisms offer potential opportunities to SEs in Nepal.

Potential opportunities for SEs exist in bio-mass/clean cook stoves that aim to reduce air pollution and associated health burden in low income households. Firewood is the most common form of cooking fuel used by over 85 percent of the households in Nepal.²⁵ There is very limited SE activity in the segment with few enterprises such as BSP (Biogas Sector Partnership) active in the country.

6. Conclusions and Recommendations

There is limited SE activity in Nepal with the majority of enterprises established with a for-profit focus, especially in the agriculture and renewable energy sectors. The healthcare sector has few successful cases of not-for-profit models of SEs, with SEs achieving growth stages in this sector.



Figure 9. Key areas for SEs

Agriculture	Healthcare	Renewable Energy
<ul style="list-style-type: none"> Access to technology/support services in rural areas Increased access to capital Improved access to market 	<ul style="list-style-type: none"> Reduced maternal and child mortality rate Availability of primary/secondary care in near vicinity Affordable out-of-pocket health expense 	<ul style="list-style-type: none"> Improved availability of affordable energy solutions Last mile delivery of clean energy products and services Reduced health burden from clean energy products

²⁵ Reegle policy database, available at <http://www.reegle.info/countries/nepal-energy-profile/NP>

For many SEs there is high dependency on donor/aid, personal capital and government subsidies to remain financially viable. Limited domestic market impacts the scalability of SEs in the country.

Table 4. Summary of findings of the SE ecosystem in Nepal

Landscape	Policy		
<ul style="list-style-type: none">Private sector enterprises do not identify themselves as SEs; but some engage with low income communities as customers or as key suppliersMany SEs have a profit focus and are registered as private companies, non-profit SEs registered as 'profit-not distributing companies' have emerged in healthcareMajority of the SEs are based in the Kathmandu valley region with some presence in the Terai region	 <ul style="list-style-type: none">No specific projects or policies to promote SEs100% FDI allowed in healthcare and renewable energy sectors to promote private sector participation. FDI restrictions in a few segments such as poultry, fisheriesPromotion of export-oriented agribusinesses through reduced tax of 20% compared to 25% for other businessNHSP to include development of a sectorial Public Private Partnership (PPP) policy in the healthcare sector		
Capital	Enablers		
<ul style="list-style-type: none">Source of capital include banks, angel funds and impact funds which are still in nascent stageFor-profit SEs may receive investment in the form of equity or debt and non-profit SE are rely on grants or charitable donationsRestriction on fundraising for foreign charities and NGOs from domestic sources in Nepal	 <ul style="list-style-type: none">Limited availability of incubators, angel networks and investment intermediariesInstitutions such as ADB have developed SME focused technical assistance programs in impact sectors such as agriculture and healthcareUptake of technical assistance seems to be low due to lack of awareness, unavailability of documentation / financial statements		
Relatively high SE activity Agriculture, Healthcare	Policy 100% FDI provision, 10% PSL	Capital Private networks, Donor/ Aid	Enablers BIP, Rockstart Impact Nepal

While there are several potential interventions and recommendations to promote and develop the SE ecosystem in Nepal, the following key areas have emerged from the study:

- Enhance and provide further **technical and financial assistance** to SEs to help them **design and develop business models** with proven revenue streams to cover the cost of operations. This would mean less reliance on grant or aid money for such enterprises while ensuring their financial sustainability. Some of the segments that have emerged across countries requiring this intervention include:
 - There are many sources of funding for medium and large size hydropower projects for grid supply; however **capital supply to the off-grid segment seems to be limited to a very few enterprises**. Given the geographic terrain of the country, majority of the hydropower projects will have highly fluctuating energy production during the peak and off-peak months. Solar power on the other side could provide a consistent source of power supply for many households in the country. Interventions in terms of capital supply to solar powered mini/micro grids and making them affordable would be key to providing energy security to the rural population.
 - There is an opportunity for SE innovation in building non-invasive diagnostic methods and techniques²⁶ - which can be incentivized by increasing availability of funding for research and development to these enterprises. Also, many not-for-profit models in the healthcare sector that are dependent entirely on grant and aid money with low revenue assurance may be suitably transformed to sustainable financial models through managerial training and non-technical assistance.

²⁶ No puncture or penetration of body is involved; instead data like pulse rate, imagery is used to diagnose health conditions

- Development institutions and funds can assist SEs active in the pre-harvest segment to build their capacity for developing ICT infrastructure and develop information systems or provide SMS or text based information systems and advisory services to farmers located in remote hilly or mountainous region of the country.
- **Incentivized cross-border collaborations across SAARC countries** and the development of a common platform to connect to incubators/accelerators for rapid prototyping and market linkages as well as to **ensure replication of business models** and enhance impact potential of SEs active in the region.

7. Annex

a. List of Interviewees

Person	Organization
Afghanistan	
Farzad Pouya	Business Innovation Hub
Riffat Manasia	MRA Associates
Bangladesh	
Anwar Faruk	Ministry of Agriculture
Mehedi Sajjad	BRAC Social innovation lab
Ujal Ibrahim	Yunus Centre
Nazmul Haque	IDCOL
Shahab Khan and Parvez A	Bangladesh Enterprise Institute
Mridul Chowdry	m-Power Health
Sanchayan Chakraborty	Aavishkaar fund
Bhutan	
Dorji Tashi	Loden foundation
Daniel Spitzer and Johannes Olejnik	Mountain Hazelnuts
Maldives	
Sandeep Kohli and Somil Nagpal	World Bank
Adam Sack	International Finance Corporation
Nepal*	
Aditi Shrestha	International Finance Corporation
Luna Thankur	Change Fusion Nepal
Shabda Gyawali	Dolma Impact Fund
Moushumi Shrestha	Practical Action
Shrawan Pradhan	Gham Power
Bishal Dhakal	Health at Home
*Note: Data for Nepal from Intellect's database on a similar study conducted from March to July 2014	
Pakistan	
Saima Irtiza and Noor Ullah	Acumen Fund
Fiza Farhan	Buksh Foundation
Kalsoom Lakhani	impact2innovate
Farhad Hasan	HealthOne
Saim Siddiqui	ProCheck
Yasir Ashfaq	Poverty Alleviation Fund
Humza Khan	Insitor Fund
Sri Lanka	
Niroshan Kurera	Etimos Lanka Pvt. Ltd
Eranada Ginige	British Council
Amanda Kiesen	Good Market
Chamindra Gamage	Bimpu Finance
German Mueller	GIZ

b. Interview Guide

SE (SE) EcoSystem Assessment

Market Landscape

- What does the broad SE ecosystem (SEs, investors, supporters, regulators etc.) look like in the country? Which sectors have high potential and scope of development for SEs in the country?
- What is the preferred business model for SEs operating in the country: 'for-profit' model or 'not-for-profit' model? Why is one model preferred over the other? Do the not-for-profit' models have sustainable revenue streams?
- Are there discrete SE-focused support institutions? To what degree does SE support overlap with mainstream SME support?
- What are critical unmet needs of the base-of-the-pyramid population? Are there any on-going efforts to address these needs? What types of market infrastructure does the SEs demand – across stages and sectors?
- What types of technical assistance support are available for SE? Who provides this support?
- Is enabling infrastructure such as industry associations, market intelligence data available for SEs

Policy Environment

- What are the policy catalysts for SEs? Is there policy-level recognition of SEs? How is the policy landscape expected to evolve for SEs?
- Are there policies across the three focus sectors that benefit or inhibit SE growth? (e.g. priority sector in financing, budgetary allocation, enabling healthcare policy)
- What are the implications of the current Foreign Investment Policy in the Sector
 - Rules & policies for the sector/sub-sector for foreign investment
 - Attractiveness of the Sector for Foreign Investment

Capital Infrastructure

- What is the state of capital markets and banking infrastructure? How does access to capital differ across enterprise legal structure (cooperatives, joint stock companies etc.), stage, and focus sector?
- How open & transparent are the SEs in the sector to disclose the financial details for effective evaluation?
- What are the main barriers to financing (assess to finance)
 - Requirement of Collateral, security
 - Limited Knowledge or awareness of the industry operations by the finance providers
 - Lack of market information on the sector to make informed decision making
 - Any other reason

Sector Specific Questions

Agriculture

Sector Structure and Value Chain

- How would you classify the Sub-Sectors in the Agriculture sector in the country?
 - Crops and Cereals: Cash Crops/Export Crops or Fruits and Vegetables, Floriculture
 - Livestock based : Processed Meat, Eggs and Fishery products
 - Timber based forest products (such as herbal plants, furniture wood)
- Which of the above sub-sectors presently has seen maximum activity in terms of SE level (profit and not-for profit)? Which of the sectors is likely to see significant SE activity in the next 2-3 years
- What are the most critical unmet needs for the low income population groups in the country that could have the maximum impact :
 - Increase in productivity (farm yield, livestock yield)

- Improved access to technology/ support services
 - Increased access to capital
 - Improved access to market linkages
 - Improve access to post-harvest infrastructure
 - Any other?
- What are the business models of various SEs operating in the sector
 - What is the preferred business model ('for profit' or 'not-for-profit') and why?
 - What are the key challenges that companies face that severely affect their profitability and in-turn investments from external sources.

Market Landscape and Regulatory Framework

- What are the key segments with significant SE level activity (profit and not-for profit) in the country at present across the Agri value chain for key product categories
- Who are the important players in the Key sub-sectors across the Agri value chain?
 - Locally developed enterprises
 - Subsidiaries of foreign companies
 - Govt. or state owned players
- What are the key customer segments for the enterprises in the Agri Sector (retail vs wholesale vs international customers) across the sub-sectors
- What are the implications of the regulatory framework in the sector
 - Key drivers for the regulatory framework in the sector/sub-sectors. How often are these regulations modified/updated?
 - What are the present Government Subsidies in the sector/sub-sectors? Are these subsidies required to compete and remain profitable in the sector?

Growth Drivers and Challenges

- What are the key growth drivers for the Agri sector in the country (indicative list of drivers)
 - Increased local demand due to higher GDP per capita growth and increasing urbanization
 - Improvement in land laws and holding patterns improving accessibility to larger tracts of land in future for cultivation
 - Government spending as a result of higher GDP growth
 - Increased demand from international markets for export oriented products
 - Improved access to finance and credit facilitating private and public investments
- What are the main challenges in the Sub-Sectors in the Agri domain (indicative list of challenges)
 - Inefficient supply chain with number of intermediaries. Lack of market linkage options linking producers with the end wholesale buyers
 - Poor post harvesting infrastructure
 - Increased competition and low productivity due to high fragmentation in land holding
 - Political instability leading to lack of reforms/assess to finance to the sector

Healthcare

Sector Structure and value chain

- How would you classify the key Sub-Sectors in the Healthcare sector in the country?
- What is the geographic presence of healthcare services in various regions?
- What is the urban versus rural concentration of each sub sectors?
- Which of the above sub-sectors presently has seen maximum activity in terms of SE level (profit and not-for profit)? Which of the sectors is likely to see significant SE activity in the next 2-3 years
- What are the most critical unmet needs for the low income population groups in the country that could have the maximum impact :
 - Reduced maternal and child mortality rate
 - Increased access to genuine drugs and nutrition products

- Increased availability of primary/secondary care in near vicinity
 - Affordable out-of-pocket health expense
 - Availability of precision diagnosis and targeted /special care
 - Any other?
- What are the business models of various SEs operating in the sector
 - What is the preferred business model ('for profit' or 'not-for-profit') and why?
 - What are the key challenges that companies face that severely affect their profitability and in-turn investments from external sources.

Market Landscape and Regulatory Framework

- Who are the important players in the key Sub-Sectors?
- What are the key segments with significant enterprise level activity in the country at present across
- What are the implications of the regulatory framework in the sector
 - Key drivers for the regulatory framework in the sector/sub-sectors. How often are these regulations modified/updated?
- What are the present Government Subsidies in the sector/sub-sectors? Are these subsidies required to compete and remain profitable in the sector?
 - What are the current dependencies on Aid Programs for supply of technology/infrastructure?
 - Engagement models of aid programs?

Growth Drivers and Challenges

- What are the key growth drivers
 - Government spending
 - Improved access to finance through private/public investments
 - Increased aid activity
 - Improvement in infrastructure
 - What are the main challenges in the Sub-Sectors? - access to finance, access to markets, access to technology, access to skilled doctors/trained paramedic staff, taxation, regulation, infrastructure: road, electricity, transport, corruption
- What are the implications of the current Foreign Investment Policy in the Sector

Renewable Energy (RE)/Clean Energy (CE)

Sector Structure

- What are the key sources of energy for majority of the population in the country? What is the key reason for using a particular source of energy? - Fuel Wood, Bio Mass/Bio Fuel, Petroleum products such as Kerosene/LPG, Electricity, others
- How would you segment the key Sub-Sectors across the Renewable Energy in the country:
 - Grid Power using Hydro, Solar or geothermal energy
 - Products Category: Solar Home Systems, Lighting Systems, Clean Cook Stoves
- Which of the above sub-sectors presently has seen maximum SE activity (profit and not-for profit)? Which of the sectors is likely to see significant SE activity in the next 2-3 years
- What are the most critical unmet needs for the low income population groups in the country that could have the maximum impact :
 - Accessibility to products/services and last mile delivery
 - Quality and reliability of power supply
 - Affordability of the product and the service
 - Increased availability of after sales support
 - Reduced health burden by use of clean energy products
 - Any other?
- What are the business models of various SEs operating in the sector
 - What is the preferred business model ('for profit' or 'not-for-profit') and why?

- What are the key challenges that companies face that severely affect their profitability and in-turn investments from external sources.

Market Landscape and Regulatory Framework

- What are the key segments with significant SE level activity in the country at present across the Renewable Energy sector
 - Grid Power: Hydro Energy, Solar Energy, Geo Thermal energy
 - Off-Grid Power/Mini /Micro Grids: Solar Energy, Hydro Energy
 - Products: Solar Home Systems/ Solar products/ Clean Cook Stoves
 - Legal Structures/Business Structures: Public sector/ State dominated, private sector dominated or not for profit dominated
- Who are the important players in the Key Sub-Sectors?
 - Locally developed enterprises
 - Subsidiaries of foreign companies
 - Govt. or state owned players
- What are the business models of various SEs operating in the sector
 - What is the preferred business model and why?
 - What are the key challenges that companies face that severely affect their profitability and in-turn investments from external sources.
- What are the implications of the regulatory framework in the sector
 - Regulatory landscape for grid power across generation , transmission and distribution
 - Key drivers for the regulatory framework in the sector/sub-sectors. How often are these regulations modified/updated?
 - What are the present Government Subsidies in the sector/sub-sectors? Are these subsidies required to compete and remain profitable in the sector?

Growth Drivers and Challenges

- What are the key growth drivers for the Renewable Energy sector in the country
 - Assess to grid electricity is very low across major geographic regions in the country, use of CE/RE products would be critical
 - Increasing customer demand for reliable sources of energy with rise in the IT and mobile communication penetration in the country and in general increased customer awareness
 - Government focus on the sector with increased spending due to higher GDP growth
- What are the main challenges in the Sub-Sectors in the Renewable Energy sector
 - Absence of manufacturing facility within the country for major RE/CE equipment's. High dependency on imported products
 - Less presence of research facilities to develop new product designs suited for the country
 - Assess to finance for developing new products/ promoting products and services focusing on RE/CE technologies