



Social Enterprise Ecosystem  
Country Profile  
**BHUTAN**



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# BHUTAN

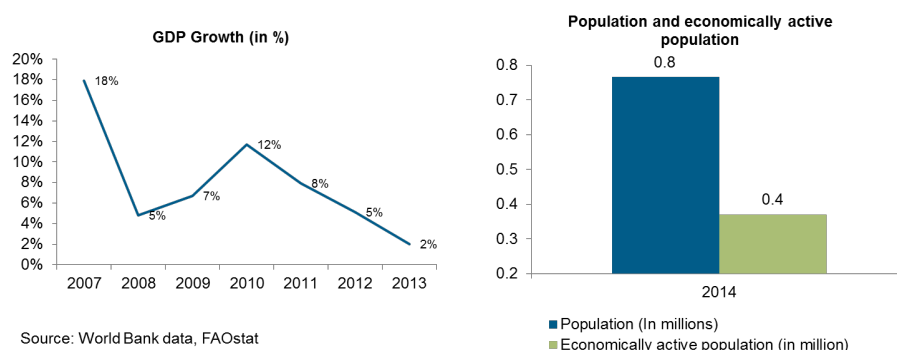
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# 1. Introduction

Bhutan is a small landlocked country in South Asia at the eastern slope of the Himalayas with a population of only 0.7 million people.<sup>1</sup> The country has enjoyed political stability in the last few decades and moved to a democratic constitutional monarchy in 2008 after decades of monarchy rule. The services sector constituting primarily of hospitality and tourism is the key contributor to GDP at 45 percent. Industry contributes 41 percent primarily due to the contribution of hydropower and agriculture sector contributes 14 percent to the GDP.<sup>2</sup> However, ~45 percent of the local population<sup>3</sup> is still dependent on agriculture and allied activities for their livelihood. Bhutan's per capita GDP in 2013 was USD 2363, which was higher than the South Asia average of USD 1417.<sup>4</sup> The country ranks very low on most of the development indicators related to access to electricity and healthcare when compared to other SAARC countries.

Figure 1. GDP growth and population



The private sector activity in Bhutan is concentrated within the hospitality and agriculture sector with very low presence in the renewable energy and healthcare sectors which are dominated by the government and state owned enterprises. Besides government institutions, foundations such as Bhutan foundation, Bhutan kidney foundation and the Taranya Foundation are prominent organizations focused on improving the lives of people of Bhutan. The Taranaya Foundation operates programs improving access to medical treatment with a focus on corrective surgeries. The foundation has also implemented programs like organic farming and carbon-footprint reduction through promotion of green technologies in the agriculture sector. There is a small presence of NGOs and international aid agencies in the country that provide basic and targeted services across impact sectors of health and education. However, thrust in promoting private sector activity in the country can improve competitiveness in the market; improve local productivity, thereby reducing dependency on imports, leading to socio-economic growth.

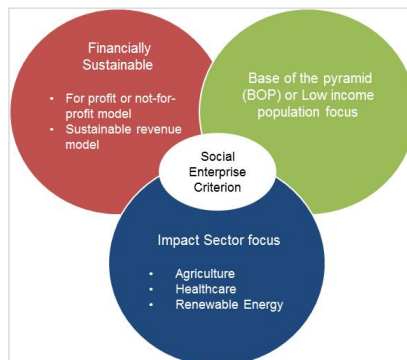
<sup>1</sup> World Bank Data, 2013  
<sup>2</sup> CIA World fact book, 2012 estimates  
<sup>3</sup> FAOstat data, 2014  
<sup>4</sup> World Bank data 2013

## 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 social enterprise (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 the first 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.

**Comment [CNM1]:** Please include annex with full methodology

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  $\geq 50$  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 Bhutan—An Overview

SEs active in the agriculture sector in Bhutan innovate through various channels and sources for creating value for farmers and the end customers. Enterprises such as Samdurp Jongkhar have created organic farming training modules for promotion of safe food as well as improving farm productivity. SE such as Mountain Hazelnut has a seed to shelf model where supply chain is optimized with a limited number of intermediaries. Happy Green has developed a business model where they collect the produce directly from farm gate to ensure the farmer does not have to face issues related to transportation and storage. Healthcare and renewable energy segment has very limited SE activity at present.

A case study of a company that provides opportunities for farmers to earn a better income while engaging in production and packaging of an export oriented product has been shown in the box below.<sup>5</sup>

#### Case Box 1: Examining the business model of an agriculture company

Mountain Hazelnut Venture is one the first 'seed to shelf' SEs in Bhutan. It provides hazelnut seedlings to contracted cultivators and guarantees to buy all production from the farmers at a floor price established in consultation with MoAF. The enterprise is expected to double the typical farming household's yearly cash income in next few years and employ close to 15 percent of all rural households in the country. The enterprise provides inputs and training to the farmers to ensure high productivity. The output of the project is estimated at 40,000 MT per annum in 10 years. About 25 percent of project profits will also be placed in a trust fund for eastern Bhutan, to be managed in conjunction with MoAF.

Currently the concept of SEs is relatively new in Bhutan with the presence of very few SEs in the country. The SEs that are present in Bhutan are primarily early stage and have not been in operation for long to progress to later stages of the SE life cycle.

### 4. Ecosystem Assessment

**Concept of SEs is relatively new in Bhutan with government dominating healthcare and energy services; however there is an increased focus to encourage social entrepreneurship in the country.**

Landscape	Policy
Capital	Enablers

The concept of both for-profit SEs and not-for-profit enterprises with sustainable revenue model is relatively new in Bhutan with very few private businesses set up with a social focus. However, many of these small businesses work directly with low income population groups either as producers or as consumers of goods and services. Most businesses are headquartered and concentrated around the capital city of Thimpu though their operations may be scattered across the country. Developing the private sector, especially small business, is a key focus area of the government.<sup>6</sup> Currently about 40 percent of small businesses operate in the agriculture sector, 50 percent in tourism sector and the remaining in sectors such as education. Businesses in the tourism sector have an indirect impact on farming and handicrafts by improving the income for the domestic businesses as well as promoting entrepreneurship skills amongst the local population. For-profit SEs can be registered either under the Companies Act of the Kingdom of Bhutan 2000 and not-for-profit enterprise under the Society Registration Act 1860.<sup>7</sup> State

<sup>5</sup> Intellect Primary interview with a representative of Mountain Hazelnuts, company website

<sup>6</sup> Draft Private Sector Development Strategy Rests On Four Pillars And Multiple Reforms And Interventions, 2015, available at <http://www.thebhutanese.bt/draft-private-sector-development-strategy-rests-on-four-pillars-and-multiple-reforms-and-interventions-2/>

<sup>7</sup> Ministry of economic affairs Bhutan and Registration consultant available at <http://www.ngoregistration.co.in/index.html>

owned enterprises dominate the market landscape across impact sectors such as energy, healthcare and education.

The government has prioritized promotion of entrepreneurship to diversify business activity, generate employment opportunities, and place the country in a more broad based, sustainable growth path. However the growth of private sector enterprises in the country has been weak and regionally imbalanced due to various challenges such as lack of infrastructure including inadequate road network, limited availability of skilled labor, limited access to trading in international markets and competition from cheaper imported goods.<sup>8</sup> Besides, businesses in Bhutan also face issues related to raising capital, resolving insolvencies, and dealing with permits and registrations.

**Government has outlined policies and has partnered with development organizations to promote private sector activity in Bhutan with a focus on impact sectors such as agriculture and healthcare.**

Landscape	Policy
Capital	Enablers

Given that the concept of SEs is relatively new in Bhutan, specific policies to promote social entrepreneurship are not present. However, the government has outlined policies and strategic plans to encourage private enterprises across impact sectors such as agriculture and healthcare. Promotion of these private sector enterprises is crucial for Bhutan as they can be drivers of competitiveness and innovation in many economic sectors. It would create a positive impact on employment as well as opportunities for income and wealth generation, balanced regional development and poverty reduction.

Table 1. Policies and projects to support for profit SE sector

Policy/Projects	Objectives
<b>Financing options</b>	<ul style="list-style-type: none"> <li>The government under the Department of Small and Cottage Industry is planning to provide loans to small businesses active in rural areas at a lower interest rate of 4 percent compared to a normal rate of 14 percent<sup>9</sup>.</li> </ul>
<b>Agriculture related policies<sup>10</sup></b>	<ul style="list-style-type: none"> <li>Agricultural sector was opened to Foreign Direct Investment in 2009.</li> <li>No internal or export taxes are levied on agricultural production. This will help SEs price their products competitively.</li> <li>Agricultural inputs are tax free and agricultural income is not subject to income tax.</li> </ul>
<b>Renewable energy(RE) related policies<sup>11</sup></b>	<ul style="list-style-type: none"> <li>Investor in RE shall be exempted from payment of corporate or business income tax for a period of 10 years till the year 2025. This will encourage private investors invest in projects to improve the accessibility of electricity in Bhutan.</li> <li>Additional five year tax holiday to be given to RE projects in remote areas.</li> </ul>
<b>Healthcare related policies<sup>12</sup></b>	<ul style="list-style-type: none"> <li>Newly established pharmaceutical shops in rural areas from 1st January 2010 – 31st December 2015 shall be given a five-year tax holiday.</li> </ul>

**Access to capital is one of the biggest challenges faced by SEs in Bhutan. Commercial banks and other development agencies are directing efforts towards bridging this gap.**

Landscape	Policy
Capital	Enablers

<sup>8</sup> Suresh Moktan, 2007, Development of SMEs in Bhutan- analyzing constraints of growth

<sup>9</sup> World Bank data, 2014

<sup>10</sup> FAO, 2012, Bhutan: Agriculture sector overview

<sup>11</sup> Bhutan Renewable Energy Policy 2011

<sup>12</sup> Economic development policy of the Kingdom of Bhutan, 2010



Access to finance<sup>13</sup> is considered to be a key challenge faced by private sector enterprises in Bhutan, both for establishing operations as well as for scaling up. The capital infrastructure available for SEs in Bhutan is dominated by commercial banks largely owned by the government and grants based donor/development agencies. Other sources of capital for SEs such as impact funds, PE/VC investors are largely absent with only one fund active in the country. Currently, laws related to FDI are stringent in Bhutan, thereby limiting capital infusion from large investors.

Table 2. Capital infrastructure in Bhutan for SEs<sup>14</sup>

Investor type	Enterprise
DFI <sup>15</sup>	• Asian Development Bank (ADB), Work Bank.
Funds <sup>16</sup>	• Bluemoon fund
Commercial banks <sup>17</sup>	• Bank of Bhutan (BOB); Bhutan National Bank (BNB); Bhutan Development Bank; Druk Punjab National Bank and Tashi Bank

**There is limited availability of incubation support, non-financial and technical assistance services for SEs in Bhutan.**

Landscape	Policy
Capital	Enablers

The enabling eco-system for promoting social entrepreneurship in Bhutan is slowly evolving with both government and private sector playing an important role. Incubators such as Bhutan Innovation and Technology Centre (BITC) are engaged in economic and social development of Bhutan by supporting and facilitating high potential SEs to grow into successful businesses.

Government of Bhutan has already taken initiatives to develop the private sector and the SME industry. Business Opportunity & Information Centre provides information related to regulations and consulting services to growing businesses. Organizations such as Loden also provide entrepreneurs with facilities such as monitoring and mentoring services, collateral and interest-free financial incentives up to USD 20,000 to support innovative SEs. Loden had trained over 1250 young people by 2013 and funded 64 entrepreneurial ventures.<sup>18</sup> Bhutan Chamber of Commerce and Industry (BCCI), and the South Asia Enterprise Development Facility (SEDF) of the International Finance Corporation (IFC), World Bank Group has also set up a knowledge center that aims to provide a "One-Stop knowledge & information source" to the SMEs and entrepreneurs in Bhutan<sup>19</sup>

## 5. Sector-Level Assessment

This section covers sector level assessment of the SE activity in Bhutan 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 critical needs that these enterprises are trying to address in order to create an impact on the low income population group in the country.

### 5.1. Agriculture Sector

Bhutan's agriculture sector has, over time, increased its focus towards export oriented crops such as fruits

<sup>13</sup> MoEA Enterprise Survey 2011, Bhutan Investment Climate Assessment Report 2010

<sup>14</sup> Note- Sources of finance are not for SEs exclusively

<sup>15</sup> Cottage, small and medium industry development strategy 2012-2020

<sup>16</sup> Blue moon fund website

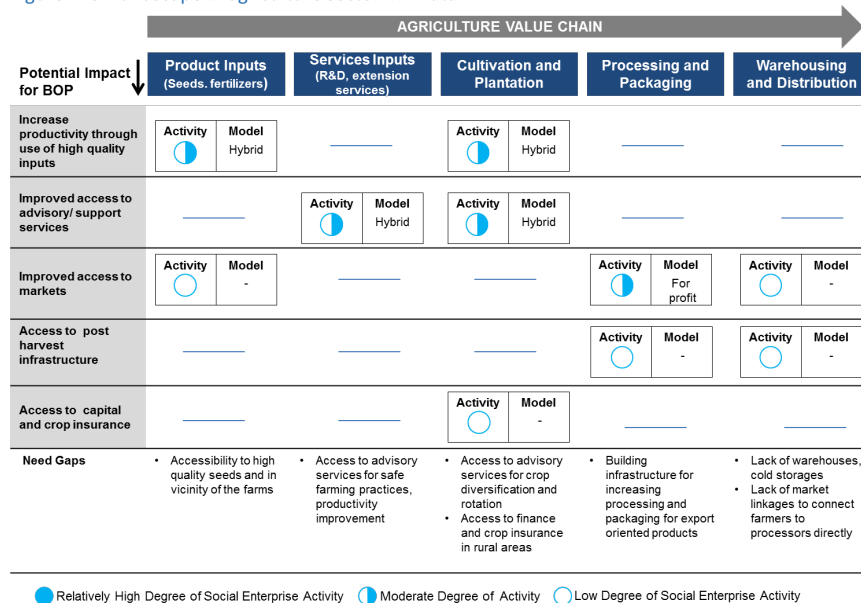
<sup>17</sup> Cottage, small and medium industry development strategy 2012-2020

<sup>18</sup> Bhutan foundation website available at <http://www.bhutanfound.org/loden>

<sup>19</sup> SME Toolkit Bhutan, available at <http://bhutan.smetoolkit.org/bhutan/en/content/1876>

and vegetables as compared to cereals for domestic consumption. The country has witnessed growth in high value fruits and vegetables such as chili pepper, apples, walnuts, peaches which dominate commercial agriculture and exports but has seen a decline in cereal crops.<sup>20</sup> Currently, Bhutan has a cereal yield of 2,942 kg/hectare<sup>21</sup> which is much lower than the productivity of other SAARC countries such as Bangladesh and Sri Lanka.

Figure 4. SE landscape in agriculture sector in Bhutan



Source: Insights from relevant stakeholders, Intellectap analysis

#### SEs in the agriculture sector primarily provide inputs, technical and advisory services and access to markets to small farmers.

Provision of inputs such as seeds, fertilizers and extension services to farmers is catered to by government owned enterprises. Currently, private sector activity is concentrated around production and sale of vegetable seeds, animal feed, and breeding stock for poultry and pig farms.<sup>22</sup> These are activities where public agencies are unable to meet the demand from commercial farmers. For-profit SEs like Wang Sisina Integrated Farm and Mountain Hazelnuts Group provide farmers with improved inputs such as seeds, saplings, fertilizers to enhance the farm productivity. Not for profits such as Samdrup Jongkhar provide advisory and support services to farmers by educating them about best practices in organic farming as most of the export oriented products need to meet these requirements. Further, SEs such as Happy Green, Lotus Foods provide market linkages to farmers by procuring the produce directly from them for selling in the domestic and international markets. Seed to shelf models of enterprises such as Mountain Hazelnuts are gaining popularity as they help farmers improve productivity and help in increasing and regularizing the income of farmers.

<sup>20</sup> FAO, 2012, Agriculture sector review-Bhutan

<sup>21</sup> World Bank data, 2013

<sup>22</sup> FAO, 2012, Agriculture sector review-Bhutan

**Opportunities for SEs exist across inputs, advisory, insurance, processing and distribution sub sectors.**

Despite the emergence of private sector enterprises to provide farm inputs, the demand supply gap in provision of high quality seeds is significant and provides opportunities for SEs to operate in this segment. Further, SEs require access to technical and advisory support to ensure crop diversification, productivity improvement and right usage of seeds and fertilizers. There are also opportunities in crop insurance for small farmers against damage from animals, pests, and natural calamities. With the increase in production of export oriented goods, it is imperative for SEs to operate in the distribution, processing and packaging segment to ensure value addition to the produce.

SEs in the agriculture sector face various challenges such as lack of post-harvest infrastructure for processing and packaging, inadequate supply of inputs such as high quality seeds and lack of availability of extension services, loss of crop due to animals or pests, and weak market linkages limiting the growth of commercial agriculture in the country.

## **5.2. Healthcare Sector**

Bhutanese population has free access to government healthcare services under the country's universal healthcare plan. However, with rising trend of non-communicable diseases, there is a resource and operational capacity crunch in the public healthcare system. Lack of specialists and medicines capped with long waiting time in government hospitals has led to outflow of Bhutanese patients to neighboring countries like Thailand and India for treatment. Further, rapid urbanization and lifestyle changes of the population along with frequent natural disasters poses an increasing burden on the national health system of Bhutan. Strengthening the capacity of healthcare facilities for implementing cost-effective solutions is a key priority for Bhutan.

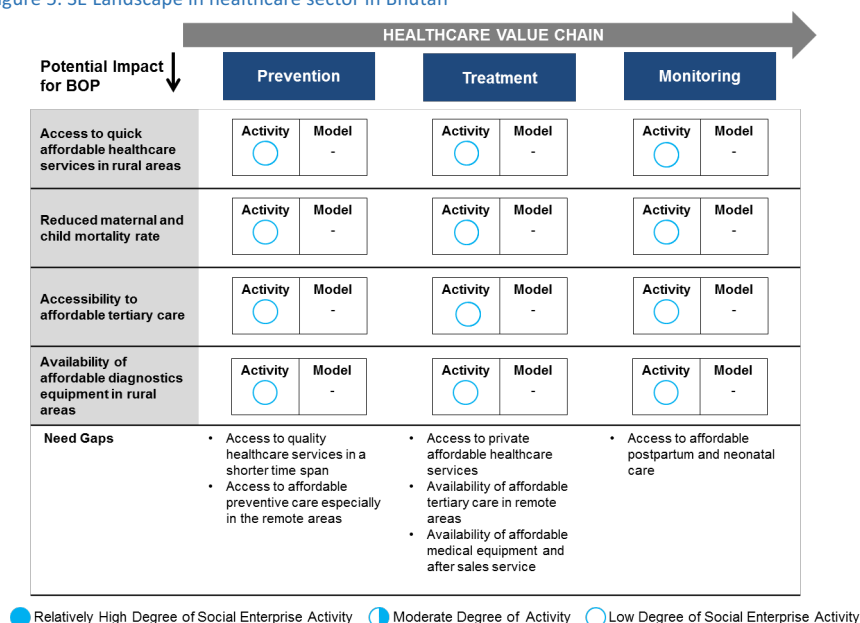
**There is limited SE activity in the healthcare sector. Opportunities for SEs exist in improving the quality and availability of healthcare delivery services with a focus on tertiary and special care as well as on maternal and child health.**

There is very limited presence of SEs in the healthcare sector. One prominent initiative in healthcare is that of Dr. Getshen, a renowned ophthalmologist in Bhutan along with an international not-for-profit organization Himalayan Cataract Project is aiming to train a team of technician and provide ophthalmology service in remote areas. The technicians are trained and posted in remote areas to conduct preliminary diagnosis and treatment post which a cataract surgery can be conducted at a low cost of USD 16.<sup>23</sup> The government of Bhutan has also partnered with Orange Business Services and Regal Technical Services to provide Bhutanese with a healthcare hotline number that is available 24/7 for every health problem from general advice to more critical issues.<sup>24</sup> The figure below highlights the lack of SEs across healthcare sector and the areas with potential opportunities to create an impact on the low income population.

<sup>23</sup> Lessons In Healthcare from 20,000 Feet: Bhutan's Solution To Eye Care available at <http://www.forbes.com/sites/eshachhabra/2014/05/05/lessons-in-healthcare-from-20000-feet-bhutans-solution-to-eye-care/>

<sup>24</sup> Healthmarketinnovations available at <http://healthmarketinnovations.org/program/hotline-bhutan>

Figure 5. SE Landscape in healthcare sector in Bhutan



Source: Insights from relevant stakeholders, Intellectap analysis

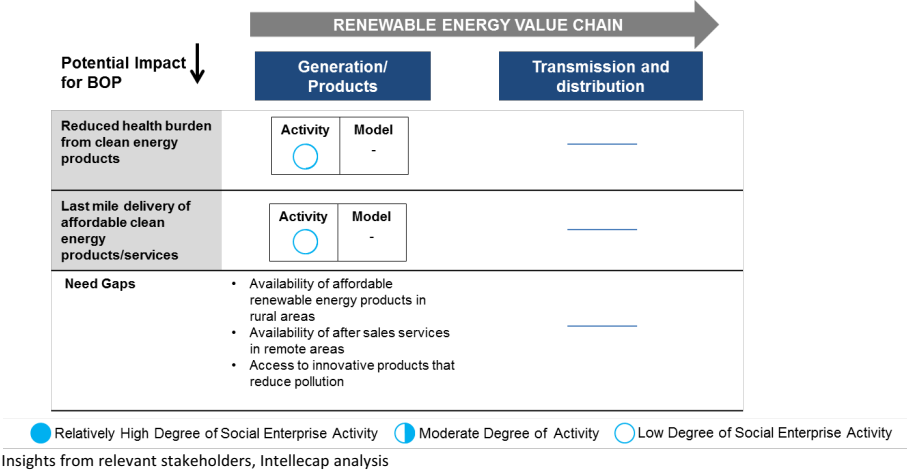
SEs have a vast opportunity that could be explored in the healthcare sector in Bhutan. They can provide affordable primary, secondary and tertiary healthcare services to both the rural and urban population. Involvement of SEs in the healthcare space is likely to lead to a reduction of waiting periods for availing treatment, reduction in cost of travelling to neighboring countries for specialized care, and also reduce the healthcare burden of the government. SEs could also be involved in improving child and maternal health by providing prevention services like immunization in remote areas. They can also provide affordable postpartum and neonatal care to reduce the maternal and infant mortality rates. Further, SEs could engage in developing affordable and easy to use diagnostics equipment which can be used by healthcare workers in remote areas for preliminary diagnosis. A few enterprises such as Matternet have run pilot test projects to use drones to supply essential medicals and related nutritional products to the population in remote areas.

### 5.3. Renewable Energy (RE) Sector

Bhutan has a potential for generating electricity through hydro-power and is the only country in South Asia with a surplus capacity. Electricity supply in Bhutan is the monopoly of a state owned enterprise; however, the government has outlined institutional reforms to improve the investment climate for export-oriented hydropower projects and to ensure access to grid electricity to largely rural domestic consumers. In the off-grid segment, solar power has become an important alternative to grid electricity, especially in mountainous regions where connectivity to the grid is economically and technically unviable. Such remote areas could be potentially served through stand-alone solar home systems as witnessed in

the pilot conducted by the government of Bhutan and ADB in 2008. Bhutan has also launched its Alternative Renewable Energy Policy to attract private sector into renewable energy. The figure below indicates limited presence of SEs in the renewable energy sector and the critical needs for the low income population.

Figure 6. SE landscape in renewable energy sector in Bhutan



As of 2010, only 72 percent<sup>25</sup> of the population in Bhutan had access to electricity due to difficulty in extending grid services across the country. **As a result, there is an opportunity for SEs to serve remote areas that are not connected to the grid, through alternate sources such as solar products or mini/micro hydro grids.** Though the government supports solar programs, it lacks the technical capacity and skilled man power and resources. To bridge this gap 'Solar Warriors' a community based program was run along with Barefoot College, an educational non-government organization to train women from rural Bhutan villages as part of Rural Electricians Training Program. This program was funded by ADB Japan. This training helped the trained women to set up workshops in villages and install solar panels on rooftops along with providing maintenance services.<sup>26</sup>

Currently it is not feasible for SEs to come up with business models using multiple sources of energy for the low income population. The cost of using hydroelectric energy at the consumer level is so low that usage of alternative sources of renewable energy for electrification can get more expensive.




## 6. Conclusions and Recommendations

SE activity in Bhutan is very nascent, with a small number of private enterprises and very few not-for-profit organizations defining themselves as a SE. The SE support ecosystem is also low. However the government is aiming to promote entrepreneurship by providing benefits for enterprises operating in remote areas across the impact sectors especially agriculture.

<sup>25</sup> World Bank Data, 2010  
<sup>26</sup> Solar warriors Bhutan, available at <http://energy-access.gnesd.org/cases/11-solar-warriors-bhutan.html>

There are no growth stage SEs in Bhutan and low presence of SEs in researched sectors, especially in healthcare and renewable energy sector. The following figure provides a summary of the key activity and needs SEs are trying to fill in Bhutan:

Figure 7. Key impact areas addressed by SEs

Agriculture 	Healthcare 	Renewable Energy 
<ul style="list-style-type: none"> <li>▪ Increase productivity through high quality inputs</li> <li>▪ Improved access to advisory/support services</li> </ul>	Very limited presence of SEs	Very limited presence of SEs

While there are several potential interventions to promote and develop the SEs ecosystem in Bhutan, the following are the most important recommendations for the country to develop the SE sector:

- Development agencies and **funds can promote the growth of SEs by funding potential ideas to run as pilots first**, especially targeting sustainable business models targeting rural populations. For instance, healthcare businesses should run pilots for telemedicine before initiating operations commercially. This will reduce the expenditure burden of the government in the healthcare sector.
- Support governments interest to promote entrepreneurship encouraging to create the adequate support mechanisms to encourage and support SE development
- Channel targeted grant funding and other financing mechanisms to support the development and growth of SEs. For instance, capital supply for the enterprises running off-grid energy models is limited. Close to 25 percent of the households in Bhutan do not have access to grid electricity due to terrain related challenges. Solar power and mini hydro power plants have the potential to provide affordable electricity to such remote regions. Interventions in terms of capital supply to solar or hydro powered mini/micro grids could provide access to energy to the rural population.

## 7. Annex

### 7.1. List of Interviewees

Person	Organization
<b>Afghanistan</b>	
Farzad Pouya	Business Innovation Hub
Riffat Manasia	MRA Associates
<b>Bangladesh</b>	
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
<b>Bhutan</b>	
Dorji Tashi	Loden foundation
Daniel Spitzer and Johannes Olejnik	Mountain Hazelnuts
<b>Maldives</b>	
Sandeep Kohli and Somil Nagpal	World Bank
Adam Sack	International Finance Corporation
<b>Nepal*</b>	
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	
<b>Pakistan</b>	
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
<b>Sri Lanka</b>	
Niroshan Kurera	Etimos Lanka Pvt. Ltd
Eranada Ginige	British Council
Amanda Kiesen	Good Market
Chamindra Gamage	Bimpu Finance
German Mueller	GIZ

### 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 (access 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