



Social Enterprise Ecosystem
Country Profile
SRI LANKA

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SRI LANKA

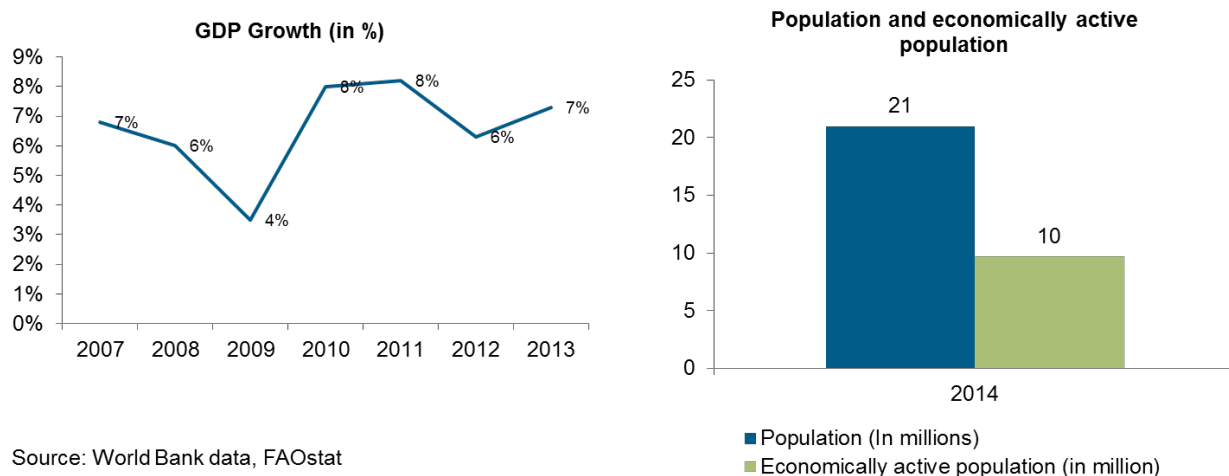
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1. Introduction

Sri Lanka is an island nation off the southeast tip of India with close to 20 million people.¹ The country's per capita GDP is USD 3,280, which is significantly higher than the South Asia average of USD 1417.² In 2013, its overall GDP was more than USD 67 billion with services contributing nearly 57 percent, industry contributing 33 percent and agriculture contributing 10 percent.³ While the agriculture sector has a small share of GDP it employs approximately 32 percent of the population.⁴ For many Sri Lankans, agriculture and working on farms is an important part of their culture, with many workers from services or industrial sector retaining ownership of their ancestral agricultural land that they return to during the harvesting season.⁵

Figure 1. GDP growth and population



Sri Lanka's social indicators are healthier compared to other SAARC countries, with the government playing a key role across major economic and social development areas. The poverty headcount ratio for Sri Lanka was ~6.7 percent in 2012-13, among the lowest in the SAARC region.⁶ The Human Development Index rank for Sri Lanka was 73 out of 187⁷ nations in 2013, the best in South Asia. Sri Lanka performs well on many development indicators primarily due to the high involvement of the government sector in areas such as healthcare, education and energy although this leads to comparatively lower private sector activity in these sectors.

¹ World Bank data 2013

² World Bank data 2013

³ CIA World Fact book 2013

⁴ GIIN, 2015, Landscape for impact investing in South Asia

⁵ GIIN, 2015, Landscape for impact investing in South Asia

⁶ World Bank data 2013

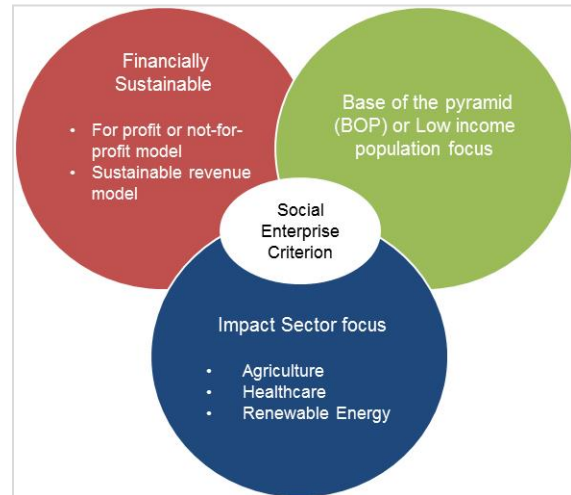
⁷ UNDP data 2013

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 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 of the analysis.

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.

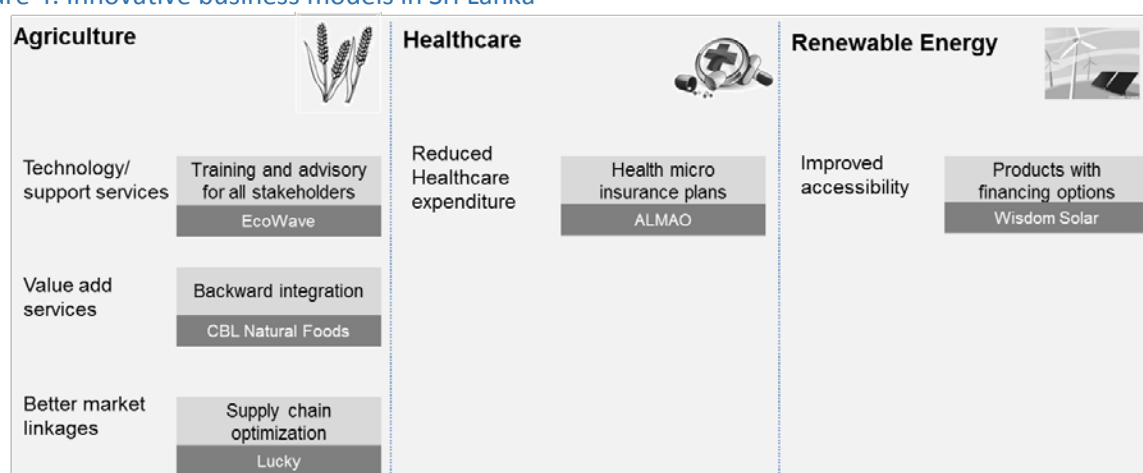
3. SEs in Sri Lanka—An Overview

Currently, the healthcare and energy sectors are largely dominated by the public sector and government-owned enterprises. However, increasing demand for improved services from rural and low-income populations is paving the path for entry of SEs.

In the agriculture sector, enterprises are bringing in advisory services to help farmers improve farm productivity and ensure crop diversification. Processing units across food and dairy sector provide a higher income to farmers by sourcing directly from the farmers to produce higher value-added products.

Currently healthcare services are either provided by the government, which requires high waiting periods, or are expensive services offered by the private sector leading to a high out of pocket expenditure for the low income population. To provide the financial cushion to the low income population the enterprises in the healthcare sector are providing micro health insurance plans. In the renewable energy sector, the enterprises have started providing access to solar products in rural areas and also financial support to the low income customers.

Figure 4. Innovative business models in Sri Lanka



Source: Intellectap analysis

Case study of a company that empowers rice farmers in Sri Lanka to earn higher profits has been shown Case Box 1.

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

Rural Returns is a not-for-profit SE active in the post-harvest stage of processing, packaging and distribution of high quality heirloom rice to domestic and international markets. The enterprise has a clear social focus of increasing the income of farmers on a sustainable basis. The enterprise has a dedicated set of farmers supplying high quality organic rice. To ensure farmer loyalty the enterprise offers technical advisory services to improve farm productivity through usage of appropriate fertilizers and irrigation methods. The enterprise provides forward linkages to farmers by giving them access to both domestic and international markets and ensuring good price realizations.

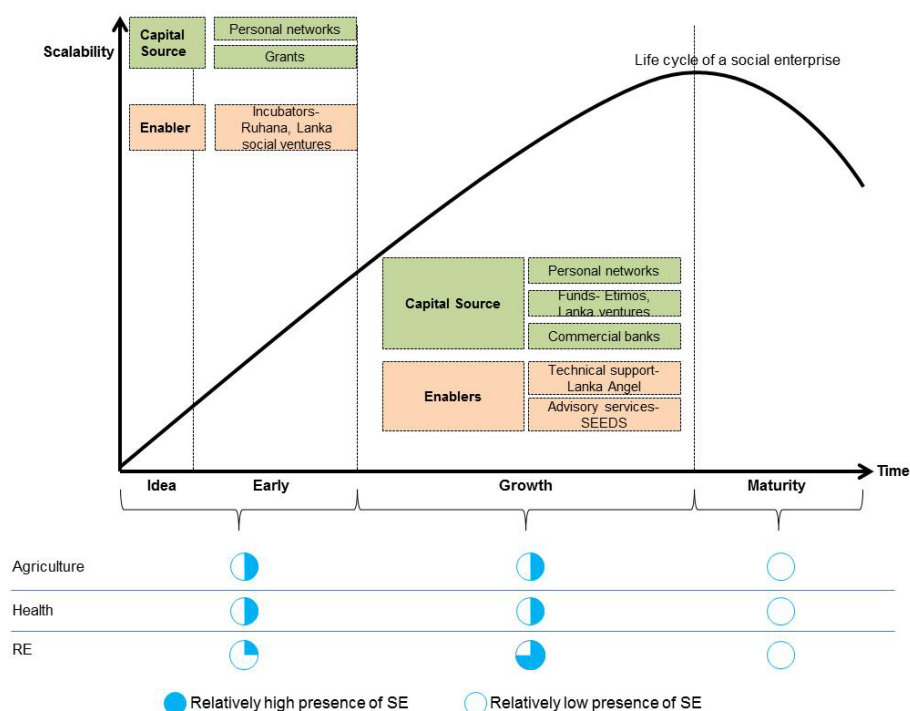
While Sri Lanka is witnessing a rise in SEs across sectors, there are various challenges faced by SEs while operating and scaling their businesses. Some of the primary issues include lack of infrastructure, inability of customers to pay and lack of technical know-how.

Case study on the issues faced by a firm providing renewable energy products/solutions in rural Sri Lanka has been shown Case Box 2.

Case Box 2: Examining the case of a renewable energy enterprise

An enterprise active in the distribution of solar PV panels in the northern part of Sri Lanka had to face expansion related challenges due to unavailability of affordable financing solutions in the region. Northern part of Sri Lanka had limited accesses to electricity post the civil war resulting in high demand for solar products. However, the enterprise was not able to find potential partners for providing financial support that could provide the solar PV panels on affordable interest rates to the people in the region. Despite presence of MFIs and other financial institutions in the country the region posed risks in terms of repayment issues. As a result they had to fund the majority of the devices through their own cash reserves limiting the expansion of the company in the region. Despite having demand in the region the company was forced to slow its distribution expansion.

Figure 5. SEs in Sri Lanka – Life cycle mapping



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

Though SE as a concept is still evolving in Sri Lanka, many private enterprises with social focus have been in business for very long duration though they have not necessarily tagged themselves as SEs. SEs face various challenges related to scalability of the business, including access to capital, inadequate access to technology and competition from subsidized services provided by the government. They also face customer related issues such as limited BOP customer base in a country with rising income; Most of these businesses use their personal networks and bank loans as their source of capital. Increasing demand of services across agriculture, healthcare and renewable energy sector provides a significant opportunity for SEs in Sri Lanka in future.

4. Ecosystem Assessment

The concept of SE is relatively new in Sri Lanka; however, some socially responsible for-profit and not-for-profit enterprises aim to create an impact on the low income population.

Landscape	Policy
Capital	Enablers

The concept of a SE is relatively new in Sri Lanka, with no clear definition or criterion for operations of a social business. However, socially responsible businesses with focus on social goals that aim to positively impact the lives of the low income population have existed in Sri Lanka for many years. Various small and medium businesses put in a conscious effort to treat their customers or workers well and follow environmentally sustainable practices among others. For instance, Spice Island, a personal care brand, sponsors the Youth Progressive Foundation to provide education, IT, life skills for children in rural areas. The not-for-profit and NGOs activity in Sri Lanka is very vibrant. However, very few of these enterprises have sustainable revenue models and are completely dependent on donor aid or grant money. With dwindling donor and grant aid, many of these enterprises may find it difficult to sustain their operations.

This has resulted in the re-design of business models of many such enterprises with a focus on proven revenue streams and financially viable business models. For instance, a leading international NGO in Sri Lanka that works towards reducing poverty by building the skills of rural communities and improving their livelihoods is aiming to set up a SE with a financially sustainable model.

Most of the social businesses in Sri Lanka focus on serving rural areas with a few enterprises focusing on the urban poor. SEs can be registered as a for-profit private limited company or a not-for-profit company limited by guarantee. In Sri Lanka, SEs are generally related with not-for-profit, charity based enterprises.

The relatively small size of the BOP population and high level of HDI, at least within the region, may reduce the relevance of pursuing low income consumer-oriented models in Sri Lanka. Further Sri Lanka is one the smallest countries in South Asia with a small domestic market, making it difficult for private sector enterprises to scale up in the country. However, there is significant level of small business activity across impact sectors such as financial inclusion, handicraft industry and agriculture sector in the country.⁸ The Renewable energy and healthcare sector has limited private sector activity, with the Government playing a role in these sectors. The majority of healthcare delivery services are provided by the Government at highly subsidized rates⁹ with few opportunities for private sector SE players. Further SEs face various challenges related to access to finance, access to information and advice, access to technical and managerial skills, competition from foreign companies among others.

Sri Lankan government is supporting growth of small businesses by providing benefits and running programs with international development agencies.

Landscape	Policy
Capital	Enablers

Government aims to reduce poverty by promoting agriculture and developing small businesses in the country; however, there are no SE specific policies. Government of Sri Lanka has assigned high priority to the SME sector to promote it as the backbone of the economy. The government has outlined policies to provide access to capital for small businesses at low interest rates in the north and eastern parts of Sri Lanka post the civil war. Further, development agencies are also running several programs and projects to support the growth of small businesses in Sri Lanka. For instance, ADB is

⁸ GIIN, 2015, Landscape for impact investing in South Asia

⁹Sri Lanka's healthcare challenges, 2014, The economist

running the small and medium enterprise sector development program¹⁰ and GIZ is running its SME sector program to promote small and medium enterprise activity in the financial inclusion space.

Table 1. Policies and projects to support SE sector¹¹

Policy/ Projects	Objectives
Agriculture policies for small businesses	<ul style="list-style-type: none"> Enterprises in the agriculture sector can get a tax holiday of 4 to 6 years. Machinery being used by agricultural enterprises to produce goods for export gets tax benefits and VAT exemptions. This policy will encourage SEs to get engaged in processing and packaging of agricultural produce. VAT exemptions on import of agricultural machinery and seeds. This is crucial as the availability of high quality seed is low in Sri Lanka.
Renewable energy policies for small businesses	<ul style="list-style-type: none"> Investment in sustainable energy sources, including solar power projects of up to USD 0.08 million (LKR 10 million) each, will be added as qualifying sectors. This will help SEs raise capital from banks. Import of equipment for mini-hydropower projects. This could provide opportunities for SEs to operate in this space.
Healthcare related policies for small businesses	<ul style="list-style-type: none"> Small and medium healthcare enterprises can get a tax holiday of up to 4 years.

SE focused capital ecosystem is weak and most firms depend on debt capital. Higher presence of private equity/venture capital investments in impact sectors is required.

Landscape	Policy
Capital	Enablers

The capital market in Sri Lanka consists of funds, DFIs, high net worth individuals (HNWI) and commercial banks. There are no impact funds in Sri Lanka and neither do banks/MFIs in Sri Lanka have SE specific lending programs. Most of the small businesses in Sri Lanka are dependent on personal networks to raise capital during the first few years of operations. The Aavishkaar fund is expected to enter the Sri Lankan market and would be the first impact fund in the country. Currently DFIs and IFIs are making direct investments in enterprises in Sri Lanka, and a few are also channeling capital through commercial banks for SME lending and investing small amounts in foreign funds. Most of the impact capital is being absorbed by the financial services sector. NGOs in Sri Lanka can raise capital from US Department of State, Australian High Commission and funds such as AmplifyChange.

Due to the low presence of PE/VC players in the country, most of the enterprises are dependent on commercial banks and debt capital. The not-for-profit SEs also generally raise capital through debt or grants. The banking infrastructure in Sri Lanka is well developed, with over 25 commercial banks active in the country. However, lending rates remain very high resulting in access to continuous debt capital becoming a key challenge for small businesses. In December 2012, lending rates for small businesses were between 12.5 percent and 22 percent depending on the sector, compared to 14 percent for large blue-chip companies in the country.¹² Even the government is highly dependent on commercial loans to run projects for the country's development.

Due to its small size in terms of both GDP size and population, Sri Lanka may not be seen as an attractive investment destination by many mainstream international PE/VC funds. In order to attract foreign

¹⁰ ADB Website available at <http://www.adb.org/documents/sri-lanka-small-and-medium-enterprise-sector-development-program>

¹¹ Ministry of Finance and Planning, Sri Lanka, 2013, Government Policy and Strategy for SME Development

¹² Bureau of economic and business affairs

capital, the government has outlined policies such as 100 percent repatriation of profits, preferential tax rates, exemptions from exchange control and constitutional guarantees on investment agreements.¹³

Table 2. Capital infrastructure in Sri Lanka for SEs¹⁴

Investor type	Enterprise
Funds	<ul style="list-style-type: none"> There are about 10 international funds, one domestic fund and two regional funds in Sri Lanka. Some of them are Etimos Lanka Pvt. Ltd, Jupiter Capital Partners, Lanka Ventures PLC, and LR Global.
DFIs	<ul style="list-style-type: none"> IFC, ADB
Foundation	<ul style="list-style-type: none"> Sevalanka foundation
HNWIs and family offices	<ul style="list-style-type: none"> Over 70 HNWIs and family offices are members of a domestic angel network. Family and friends are a predominant informal source of seed and venture stage capital.
Commercial banks	<ul style="list-style-type: none"> There are various banks in Sri Lanka¹⁵ <ul style="list-style-type: none"> Specialized banks: 9, including Lankaputhra Development Bank, Regional Development bank Private banks: 25, including Bank of Ceylon, National Development Bank

SEs often takes support from institutions providing non-financial support to scale, increase productivity, and attract more investments.

Landscape	Policy
Capital	Enablers

The enabling ecosystem for SE development in Sri Lanka is yet to evolve given that the concept is relatively new in the country. However, there are various avenues of non-financial support available to small businesses in the country that work across various impact sectors. Special SME bank branches are established to support small businesses by providing guidance for financial management, marketing, increasing productivity, and competitiveness.¹⁶ Incubator programs such as Nawabima Business incubator¹⁷ affiliated to the Industrial Development Board are providing business incubation services to small businesses. In addition, Lanka social ventures (by Oxfam) is also providing incubation services to SEs. Competitions such as HSBC Youth Enterprise Awards held by British Council with HSBC and challenges run by Incentiwise also help turn the businesses of young entrepreneurs move from concepts to viable businesses across sectors such as agriculture, education, healthcare amongst other sectors.¹⁸ Technical support from agencies along with the investments can help SEs scale up their operations and design business models to engage the low income population as workers or suppliers in the impact sectors.

Table 3. Incubators and other enablers active in Sri Lanka¹⁹

Incubator type	Enterprise
Incubators	<ul style="list-style-type: none"> Ruhuna Business incubator, MIT Global Startup Labs, Venture Engine
Advisory Services	<ul style="list-style-type: none"> SEEDS, SIYB Sri Lanka, National Enterprise Development Authority

¹³ Royce Funds report -Sri Lanka: Recovery, Growth, Opportunities, and Concerns, 2012

¹⁴ GIIN, 2015, Landscape for impact investing in South Asia

¹⁵ Central Bank of Sri Lanka website

¹⁶ Government Policy and Strategy for SME Development in Sri Lanka, 2013

¹⁷ Small and medium scale enterprises development in rural areas through business incubators available at http://www.techmonitor.net/tm/images/1/1b/14oct_dec_sf1.pdf

¹⁸ HSBC and British Council create opportunities available at <http://www.britishcouncil.lk/about/press/hsbc-and-british-council-create-opportunities>

¹⁹ GIIN, 2015, Landscape for impact investing in South Asia

Technical Assistance	<ul style="list-style-type: none"> International Finance Corporation World Bank Group, Lankan Angel Network
Support services	<ul style="list-style-type: none"> DATAS, Sevia Consulting

Major international development agencies and financial institutions are also playing a key role to promote small business activity in the country. For instance, Small and Medium Enterprises Development Facility Project run by the World Bank is aiming to improve access to finance for small and medium enterprises affected by the global financial crisis in Sri Lanka.

5. Sector-Level Assessment

This section includes sector level assessment of SEs across agriculture, healthcare and the renewable energy space in Sri Lanka. Each sector assessment study includes a detailed description of the presence of SEs across the sector's value chain, along with names of select SEs, trending business models, and opportunities for SEs to create an impact on the low income population.

5.1. Agriculture Sector

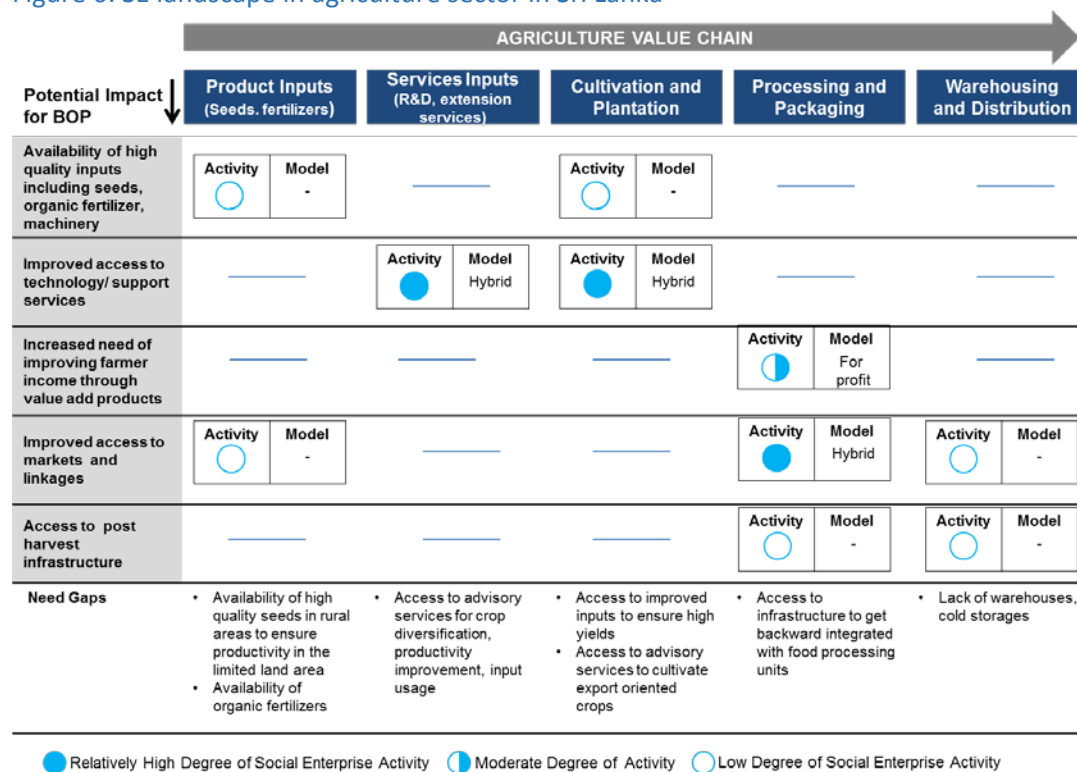
Sri Lanka has a wide variation in soil and climate, with close to 24 agro-ecological zones; each characterized by specific climate and soils making it possible to cultivate a large varieties of crops. Although the contribution of the agricultural sector to GDP has decreased to 10 percent in 2013 from 20 percent in 2000,²⁰ it has a high contribution towards providing livelihoods and source of income to the local population. Farm productivity in terms of crop yield per acre in Sri Lanka is better compared to other SAARC Countries. However, periodic drought and floods, decreasing soil fertility due to soil degradation and high use of chemicals, lack of improved crop varieties, and pest damage have impeded the growth of the agriculture sector in the last few years. Moreover Sri Lanka is still largely dependent on import of food products such as sugar, potato, milk and milk substitutes among others. Due to limited crop diversification, the country ends up importing a substantial part of their food requirements.

Many SEs in the sector are active in providing advisory services to farmers. A few SEs active in food processing provide access to market for small holding farmers.

In the pre-harvest value chain, various for-profit and not-for profit enterprises such as EcoWave, Saaraketha are providing training and advisory services to farmers to help them enhance their farm productivity. The post-harvest value chain has several active SEs such as CBL Natural Foods that directly source raw materials from farmers and process them into food products, thereby ensuring better income to farmers through direct market linkage. Similarly, in the dairy segment, enterprises such as Lucky provide access to markets for dairy farmers through direct procurement of milk. Technologically enabled solutions such as Sarvodaya-Fusion are also providing access to market through online platforms for farmers. Besides enterprises, societies such as Nuwara Eliya Agricultural Cooperative Society also help in selling farmer's produce to supermarkets and hotel chains.

²⁰ CIA World fact book 2013

Figure 6. SE landscape in agriculture sector in Sri Lanka



Insights from relevant stakeholders, Intellectap analysis

Potential opportunities for SEs exist in improving accessibility to high quality seeds and organic fertilizers and technical services on crop diversification to the farmers.

Many small holder farmers in Sri Lanka have limited accessibility to inputs like high quality seeds and organic fertilizers to ensure organic and safe farming. SEs can take this opportunity to ensure availability of affordable quality inputs in vicinity to the rural areas. Secondly, the enterprises providing advisory services should guide farmers about crop diversification to reduce their risks of crop failure and help them increase their incomes. Thirdly, a large number of crops cultivated in Sri Lanka have considerable processing potential in various agro-industries, but most of the crops are exported in a raw form without any value addition. For example spice crops such as pepper, cloves, cinnamon, cardamom, nutmeg and mace etc. are mostly exported in raw form.

5.2. Healthcare Sector

Sri Lanka's health indicators are better when compared to other SAARC countries like Pakistan and Bangladesh. The government provides universal healthcare to its citizens for both preventive and curative care. However, the public sector delivery system suffers from inadequate capacity, limited access to specialist treatment and quality standards. Given the high demand of healthcare services and limited number of public hospitals/ clinics, there are waiting periods even for primary care services and very long waiting periods for specialist care and advanced procedures. Ageing population and rise in non-communicable diseases (NCDs) will further increase the burden on the public healthcare system.

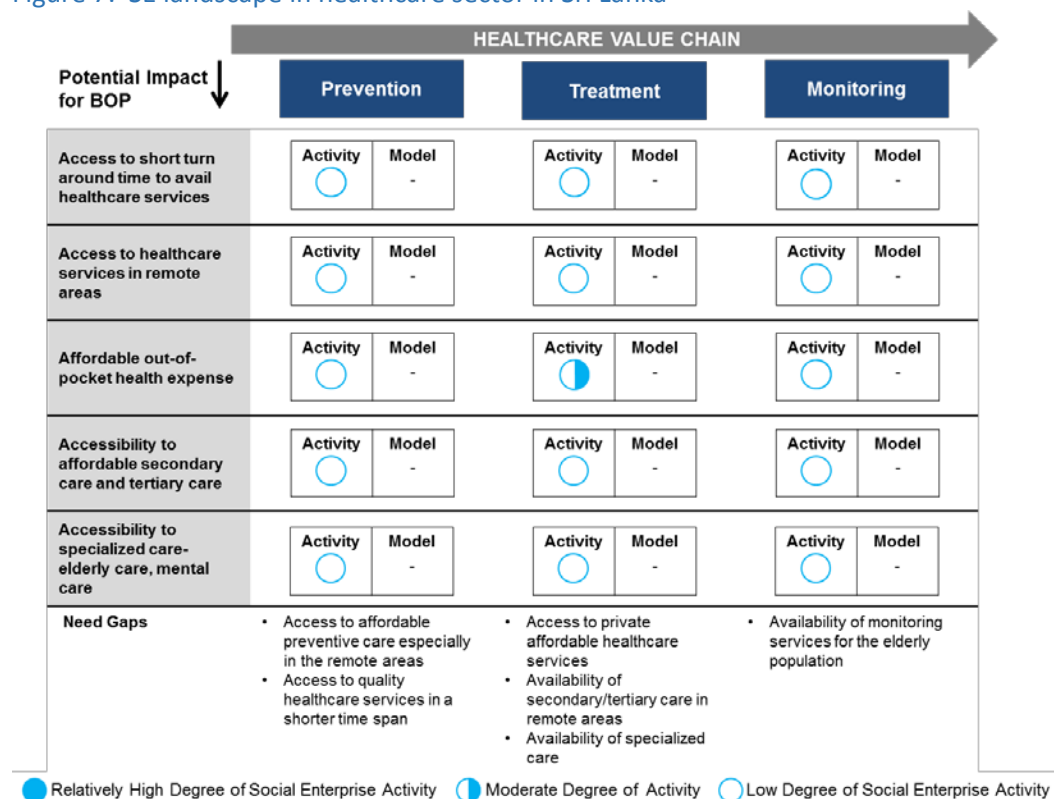
There is private sector activity in the major urban areas that aims to bridge the demand-supply gap, but these services are generally not affordable for the low income population. The private sector provides around 50 percent of outpatient curative care and around 5–10 percent of inpatient care. Most private healthcare is paid for by individuals out of pocket, as health insurance is not widely available. Non-

governmental organizations have a very small role in the healthcare system, focusing mainly on family planning.

The SEs activity in the healthcare segment is very nascent. Existing SEs provide micro healthcare insurance to help the low income population bear the financial burden of healthcare treatment.

Currently the healthcare delivery related services are provided by the government facilities or the high end private hospitals. There is a limited presence of SE in the preventive or curative care. As a result, the low income population that needs to visit private clinics bears the brunt of high costs. This provides an opportunity for SEs to offer low cost medical insurance services to the low income population. Enterprises such as All Lanka Mutual Assurance, Yasiru provide coverage of key services such as life insurance, disability, hospitalization as well as non-health related services.

Figure 7. SE landscape in healthcare sector in Sri Lanka



Insights from relevant stakeholders, Intellectap analysis

SEs could investigate opportunities across services providing accessibility to affordable secondary and tertiary care along with specialized care services for the aging population.

Opportunities for SEs can be investigated in providing affordable secondary and tertiary services in both urban and remote regions. These enterprises may also provide affordable and regular monitoring services for patients suffering from non-communicable-diseases. Further, SEs can build innovative business models to reduce the turnaround time for receiving healthcare services for each patient. SEs could also aim to provide specialized care such as secondary and tertiary healthcare services, care for the mentally challenged and the elderly especially due to the increase in number of the ageing population in the country.

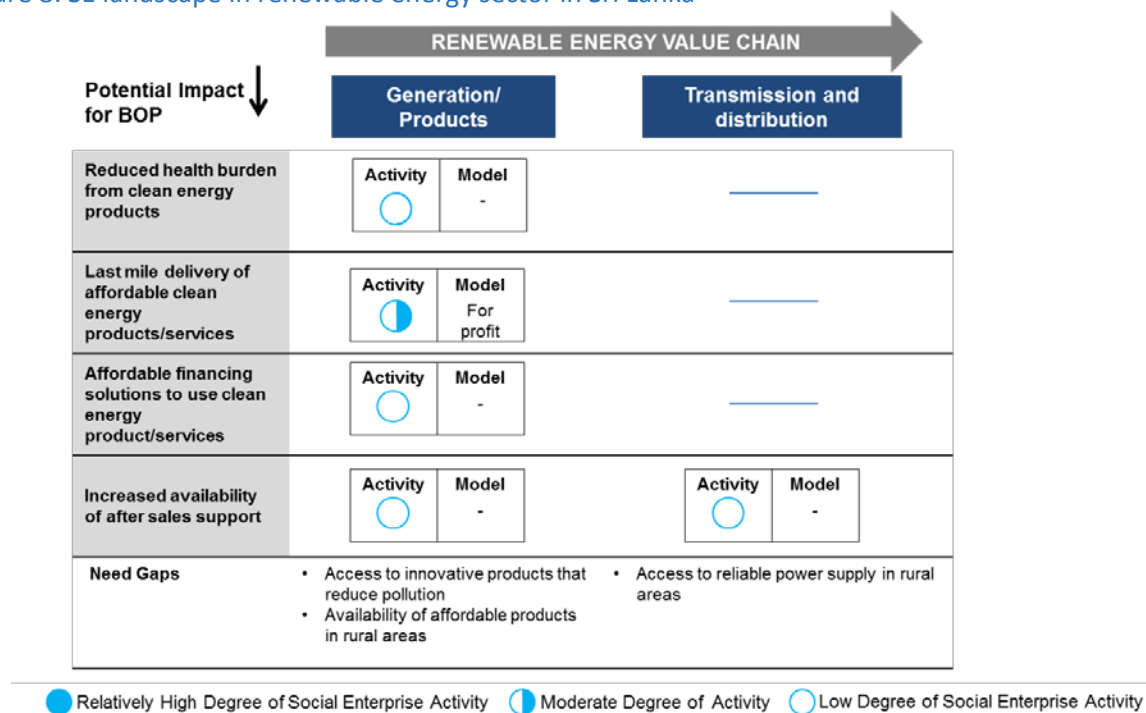
5.3. Renewable Energy Sector

Over 85 percent of the population in Sri Lanka has access to electricity. However, the primary cause for concern is the energy mix which is largely skewed towards the use of imported fossil fuels to meet energy requirements. Currently approximately 50 percent of the energy requirement is fulfilled through oil, 10 percent through coal and the remaining from hydro-power.²¹ The increasing demand of energy along with the effort of the government to reduce the dependency on fossil fuels points towards the needs for utilization of renewable energy sources. The government of Sri Lanka has created Sri Lanka Energies to work with the private sector to meet the energy requirements utilizing renewable energy sources such as hydropower and solar energy.

Currently the SEs are primarily engaged in providing accessibility to solar energy products in rural areas, with a few SEs providing financing options for the BOP.

Sri Lanka follows differential pricing system for electricity usage leading to comparatively low costs of energy use by the BOP households given their low energy requirement. However slightly higher electricity consumption by low income households or small businesses can prove to be extremely expensive. A few SEs try to meet this requirement by providing accessibility to affordable solar energy products. SEs like Wisdom Solar, Access Solar are providing affordable solar energy products in rural areas. However, these enterprises are often faced with challenges such as the lack of infrastructure in rural areas to ensure last mile distribution at an effective cost. Further, there is a lack of small loan providers and other channels for formal finance providers to provide a financial cushion for the upfront cost to the rural customers. As a result, companies need to provide payment credit to customers out of their own funds. To bridge this gap organization such as SEEDS, a part of Sarvodaya - a people's company is financing the installation of solar home systems and other modes of accessing electricity.

Figure 8. SE landscape in renewable energy sector in Sri Lanka



Insights from relevant stakeholders, Intellecap analysis

21 Sri Lanka's massive power and energy crisis: No easy answers, no immediate relief for consumers available at <http://groundviews.org/2012/03/20/sri-lankas-massive-power-and-energy-crisis-no-easy-answers-no-immediate-relief-for-consumers/>



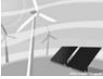
Opportunities for SEs exist in creating awareness and distribution channels for renewable energy products for lighting and cooking amongst the low income population.

Sri Lanka is currently going through an energy crisis due to its dependency on fossil fuels. The current demand supply dynamics provides significant potential for promoting renewable energy in the country. This is especially true for rural areas as the price for electricity is expected to increase due to higher demand in the future. SEs should ensure the availability of low priced energy solutions along with an after-sales service chain and MFIs to finance the products. The usage of energy efficient products for lighting and cooking purposed will also significantly reduce the health burden.

6. Conclusions and Recommendations

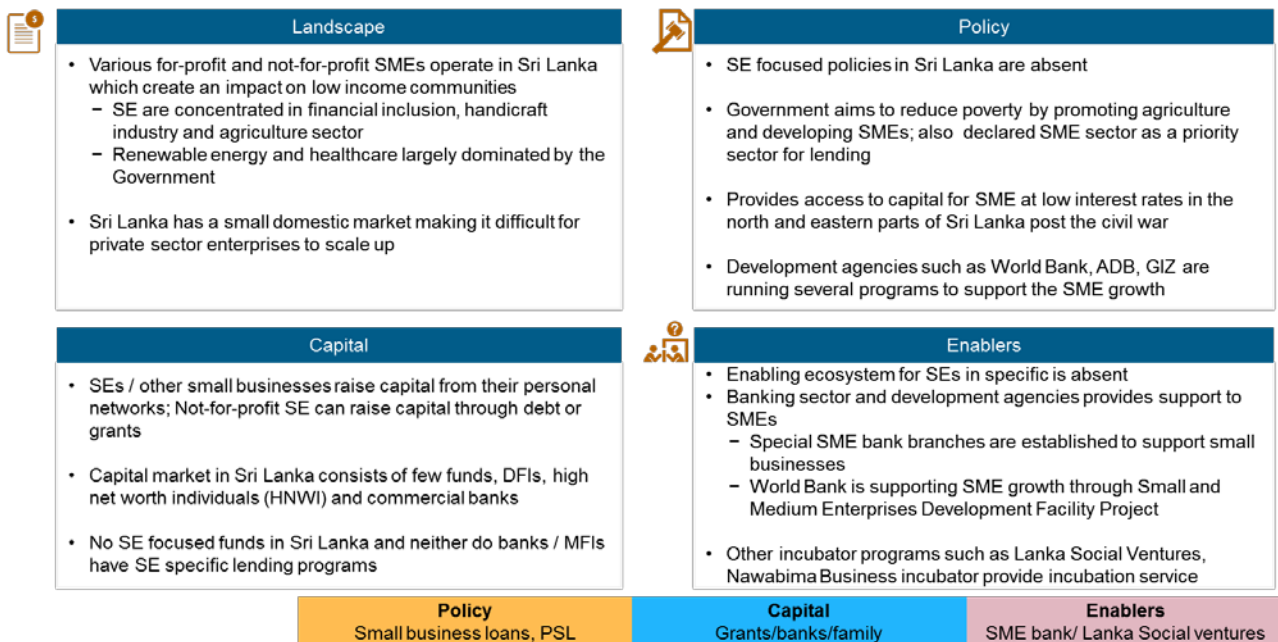
SE space in Sri Lanka is nascent. There are high levels of SE activity in the agriculture sector. Sri Lanka is an exception in several aspects: first, many enterprises working with the low income population do not classify themselves as SEs; second, most of its enterprises existed with commercial operations and later introduced solutions for the low income population; and finally many not-for-profit enterprises are aiming for sustainable revenue models as the donor/grant aid is dwindling.

Figure 9. Key areas for SEs

Agriculture 	Healthcare 	Renewable Energy 
<ul style="list-style-type: none"> ▪ Improved access to technology/support services ▪ Improved access to markets 	<ul style="list-style-type: none"> ▪ Affordable out-of-pocket health expense 	<ul style="list-style-type: none"> ▪ Last mile delivery of affordable clean energy products/services

The capital infrastructure and enabling ecosystem for SE development is very limited.

Table 4. Summary of findings of the SE ecosystem in Sri Lanka



To promote and develop the SEs ecosystem in Sri Lanka, three key policy recommendations have been identified:

- **Provide only a partial fund requirement through grant-based funding to SEs.** This would ensure that the enterprise directs efforts toward raising requisite capital through other commercial formal sources or funding alternative revenue streams while building a sustainable revenue model. For instance, a SE active in the agriculture sector should be provided partial funding for setting up its processing facilities to expand its operations.
- Provide assistance to NGOs and other not-for-profit enterprises (especially active in the healthcare sector) to help **them design and develop business models that ensure financial sustainability.** For example, assist the enterprises active in the solar products segment to expand their business model and outreach to cover underserved rural areas.
- **Identify and promote SEs with replicable business models across SAARC** countries to mitigate the concerns of limited market and impact potential in Sri Lanka due to its small population such as assisting the not-for-profit and NGOs to develop projects and businesses with focus on providing affordable preventive care, such as maternal and child health and nutrition monitoring services using ICT.

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 Intellectap'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
 - Access 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
 - Access to finance for developing new products/ promoting products and services focusing on RE/CE technologies