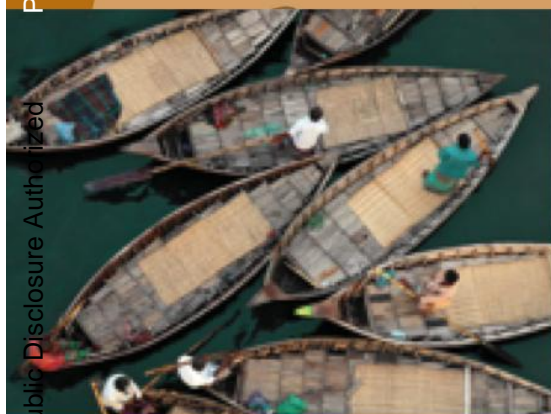


Social Enterprise Ecosystems in South Asian Association for Regional Cooperation Countries



A diagnosis of the social enterprise landscape and
related ecosystem in Afghanistan, Bangladesh,
Bhutan, Nepal, Maldives, Pakistan, and Sri Lanka

Acknowledgments

This report was prepared by Cristina Navarrete Moreno (Private Sector Development Specialist) and Natalia Agapitova (Senior Economist). However, without the contribution of several colleagues the report would have not reached its final form. Therefore, we acknowledge the research carried out by the Intellectap India team, particularly Saurabh Sinha and Prashant Chandrasekaran. We are grateful for the guidance of numerous World Bank colleagues, in particular Ishira Mehta, Puneet Jhajharia, Yuvraj Ahuja, Anil Sinha, and Pallavi Shrivastava.

The team also gratefully acknowledges the comments and advice provided by reviewers Johannes Linn (Brookings Institution) and Michael Matheke-Fisher (Real Medicine Foundation). Sharon Fisher provided editing and design support.

Social Enterprise Ecosystems in South Asian Association for Regional Cooperation Countries



A diagnosis of the social enterprise landscape and related ecosystem in Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan, and Sri Lanka

Foreword

I am very excited to introduce this excellent and rich analysis of ecosystems for social enterprises in seven SAARC countries. As I read the report I saw how incredibly useful this will be for students that take the course I teach at the Harvard Kennedy School, on “Scaling up for Development Impact.” It is also of essential importance to the work I do with grassroots and social entrepreneurs in South Asia.

Social entrepreneurs are the future of development because they are able to solve some of the development problems that neither donors nor governments have been able to solve. These are innovations that involve behavior change and therefore need to harness all of the energy present at the Base-of-the-Pyramid.

This study looks at organized social entrepreneur activity in seven countries and analyzes their policy, regulatory and legal framework. It also analyzes the availability of finance and human capital in each of these countries, which are always the most important constraints to scale.

When I was the Vice-President for the South Asia Region at the World Bank, I was amazed by the innovation happening at the Base-of-the-Pyramid. The region has a lot to teach the world about social entrepreneurs, with Bangladesh being at the forefront of innovation. BRAC, for example, is the largest non-governmental organization in the world. Its initial growth was mostly funded by donors. But its spectacular success in filling the missing middle has been fueled by revenues from BRAC’s social enterprises. Half of the revenues are re-invested and the other half fund BRAC’s massive social programs.

As this report shows, the formal sector social enterprise activity is highest in Bangladesh and Pakistan. In both countries the concept of social enterprises is well developed and recognized. In Pakistan, both for-profit and not-for-profit social enterprises are emerging across impact sectors, with the government and development agencies leading the enabling function. In Bangladesh, BRAC and Grameen are key players and enablers, providing in-house incubators and seed financing for social enterprises.

Impact investors are already present in Bangladesh, Nepal and Pakistan, where there is a larger number of successful business models. Social enterprises have been especially vibrant in microfinance, agriculture, renewable energy and healthcare.

This backdrop of social enterprise activity presents a great opportunity for investment, from the private sector as well as from development agencies. The concept is at an early stage in most of the seven countries analyzed, but Bangladesh and Pakistan offer a low-cost, high-reward opportunity for adaptation and expansion of their success to other countries in the region.

This report offers policymakers in Afghanistan, Bangladesh, Bhutan, Nepal, Maldives, Pakistan and Sri Lanka key recommendations that could make this region an example for the whole world.

Isabel Guerrero
Co-founder and CEO
Imago Global Grassroots

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Acronyms

ADB	Asian Development Bank
AKF	Aga Khan Foundation
ANA	Afghanistan National Army
APEC	Asia-Pacific Economic Cooperation
ARTF	Afghanistan Reconstruction Trust Fund
ASA	Association for Social Advancement
ASMED	Afghanistan- Small and Medium Enterprise Development
B2B	Business to Business
BB	Bangladesh Bank
BCCI	Bhutan Chamber of Commerce and Industry
BDSC	Business Development Service Centre
BIP	Business Incubation Program
BITC	Bhutan Innovation and Technology Centre
BOP	Base-of-the-Pyramid
BSCIC	Bangladesh Small and Cottage Industries Corporation
BSP	Biogas Sector Partnership
CPI	Consumer Price Index
DCSI	Department of Cottage and Small Industry
DFI	Development Financial Institution
DFID	Department for International Development
FAIDA	Financial Access for Investing in the Development of Afghanistan
FCB	Foreign commercial banks
FDI	Foreign Direct Investment
FWBL	First Women Bank Limited
GDP	Gross Domestic Product
GHEL	Green Housing and Energy Limited
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GSEC	Global Social Entrepreneurship Competition
HNWI	High Net Worth Individual
HPP	Health Policy Project
HSBC	Hong Kong and Shanghai Banking Corporation
IBA	Institute of Business Administration
ICT	Information and Communication Technology
IDCOL	Infrastructure Development Company Limited
IDE	International Development Enterprises
IFC	International Finance Corporation
IFI	International Financial Institution
IPLF	International Pole and Line Foundation
IT	Information Technology
ITU	Information Technology University
JICA	Japan International Cooperation Agency

JSDF	Japan Social Development Fund
LPG	Liquefied Petroleum Gas
MAP	Medicinal and Aromatic plant
MFI	Micro Finance Institution
MoAF	Ministry of Agriculture and Forests
MSME	Micro, Small and Medium Enterprise
MT	Metric Tons
MW	Mega Watts
NASCIB	National Association of Small and Cottage Industries of Bangladesh
NATO	North Atlantic Treaty Organization
NBP	National Bank of Pakistan
NBR	National Board of Revenue
NCD	Non Communicable Diseases
NGO	Non-Governmental Organization
NRB	Nepal Rastra Bank
NRSP	National Rural Support Programme
NUST	National University of Sciences and Technology
PCB	Private commercial banks
PE	Private Equity
PPP	Public Private Partnership
PV	Photovoltaic
R&D	Research and Development
RE	Renewable Energy
ROR	Run of the River
SAARC	South Asian Association for Regional Cooperation
SCB	State-owned Commercial Bank
SE	Social Enterprise
SEAF	Small Enterprise Assistance Funds
SHE	Society for Health Education
SHS	Solar Home System
SME	Small and Medium Enterprise
TB	Tuberculosis
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value Added Tax
VC	Venture Capital
WHO	World Health Organization

1. Introduction

The South Asian Association for Regional Cooperation (SAARC) region combined is the third largest economy in the world in the terms of Purchase Power Parity; GDP growth has been in excess of 6 percent for most of the countries in the last few years¹ and the region holds more than 20 percent of the world's population² that is young and driving domestic demand. This coupled with an increase in disposable income and penetration of technology makes the region attractive for investments. The SAARC region also has a high incidence of poverty, with more than 32 percent people living on less than USD 1.25 per person a day.³ Further, a large population is faced with issues of high food insecurity and basic amenities such as access to electricity and primary healthcare facilities. Though the governments and civil society organizations have strived hard to bring the low-income population groups into mainstream development, the gap between the existing scenario and the targeted development remains high.

Social Enterprises and Ecosystem

Social enterprises (SEs) combine the mission of an NGO with the discipline of a private business. SEs could become crucial players in filling service delivery gaps and ensure sustainable inclusive growth for the Base-of-the-Pyramid (BOP) and low-income populations. A significant part of the low-income population base in the SAARC region is living without basic services such as healthcare and access to electricity. Despite the efforts of the government and NGOs a large part of the basic needs of the low-income population, remain unmet. This supply demand gap has led to the emergence of SEs across impact sectors.

A SE ecosystem is complex, comprised of dimensions that support or constrain SEs in their effort to link the demand (in many cases coming from the BoP) with supply of solutions (products and/or services), and where various actors (businesses, financial institutions, governments, and other organizations) affect SEs and their activities. Thus, ecosystems can shape the creation, sustainability, and scale of SEs.

Objectives and Scope

The study analyzes the SE landscape and related ecosystem of seven SAARC countries: Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka. The scope of this study is limited to three sectors that are significant for SEs: (a) Agri-business, (b) Healthcare and (c) Renewable Energy. The study covers mapping and evaluation of organized SE activity (government recognized legal structure) within each sector. The selection of the basic services was done based on priorities of WB Systematic Country Diagnostics and various multi-stakeholders consultations.

This report attempts to bridge the information gap for the SE ecosystem in the SAARC region excluding India. While analyzing the SE landscape and ecosystem in the SAARC countries, this report aims to provide insights to various stakeholders to design initiatives for deeper

¹ World Bank Development Indicators for South Asia 2013

² SAARC In figures, 2012

³ SAARC Regional Poverty Profile, 2013

assessment of the priority sectors and segments for promoting social entrepreneurship across these countries.

Criterion and Methodology

Within the SAARC region, the understanding and definition of SEs varies across countries with no common definition. While the concept of a SE seems to be more evolved in Pakistan and Bangladesh, financial focus of the firms vary considerably in these two countries. In other SAARC countries under study, the concept of SE is still evolving. While being cognizant of these challenges on definition and perception, this report aims to cover all the enterprises that meet the following criterion (Figure 1):

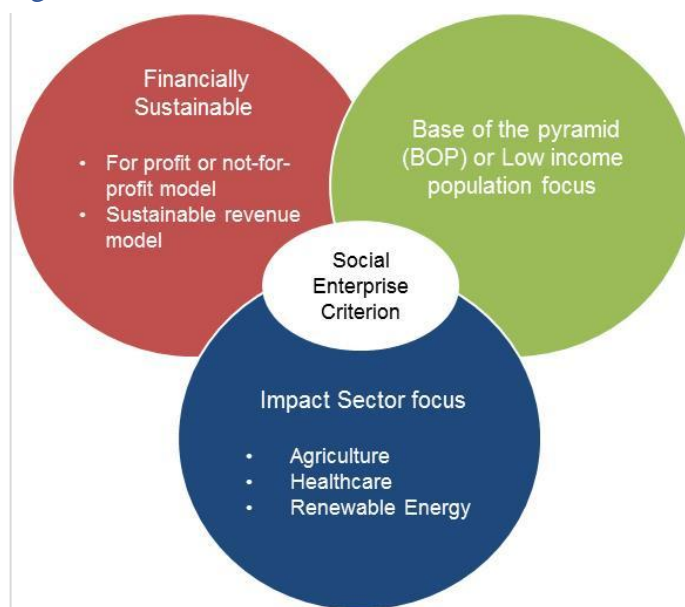
- **Financially sustainable:** The SE operates as an independent registered business and can be either for-profit or a non-profit established on a financially sustainable revenue model.
- **Focus on social impact at the BOP or low-income population:** Empower population at BOP as producers or providers 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.

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, firm level assessment maps the presence of SEs in various stages of enterprise development. In the second phase, overall SE ecosystem analysis was conducted based on the key dimensions of the SE ecosystem. Finally, a sector level assessment was conducted to capture the current state of sector value chains as relevant for creating an impact at the BOP.

The firm level assessment was completed for the three sectors in each country to map the presence of SEs across the four stages of enterprise development: (a) Ideation stage, (b) Seed/ early stage, (c) Growth stage, and (d) Mature stage. The level of SE presence across various stages was rated as High, Medium or Low depending on the number of SEs active in a particular stage. 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'. The time period for an enterprise to move from idea stage to

Figure 1. Criterion for SEs



early stage to growth stage varied across sectors and countries and this classification was modified based on information collected through primary interviews from each country.

The SE ecosystem was analyzed using framework covering four key dimensions (Figure 2): (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 2. Dimensions for analysis in this report



Finally, the sector-level assessment, which is not fully covered in this report and can be found in the individual country studies,⁴ 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 in order to create impact on the low-income population group. 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.

An indicative framework for SE activity is in Figure 3. 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

⁴ See the individual country profiles for each country, published with this report.

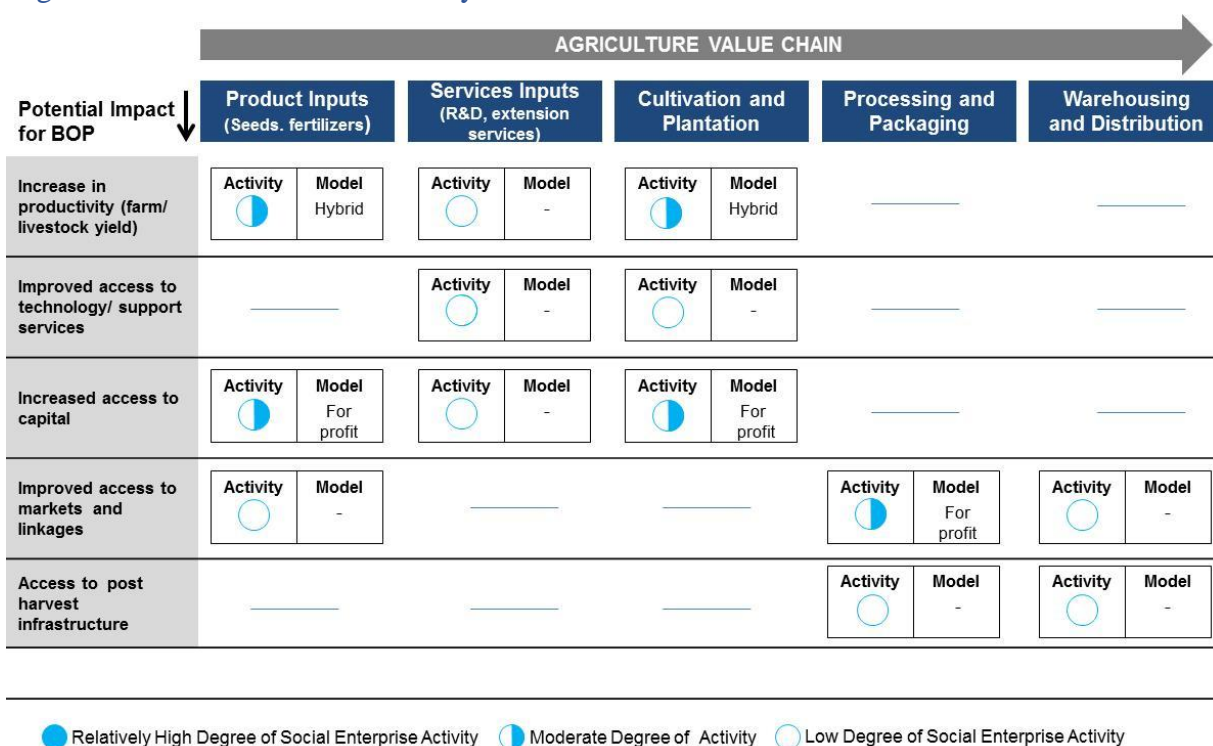
other two sectors have been developed and utilized across the seven selected countries to identify high potential sub-sectors for SE development.

Based on key findings of the eco-system assessment, sector and firm level assessment, key insights and recommendations have been developed and reviewed with ecosystem stakeholders, social entrepreneurs, and sector experts. This study serves the purpose of providing an overview of opportunities in the SE space across the SAARC region and deeper insights across the three focus sectors: 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, is 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 the critical needs of the BOP and impact areas in a sector, but only the promising, potentially high impact areas for SEs.

Figure 3. Framework for SE activity









2. Cross Country Analysis of Social Enterprise Ecosystem

SEs, with their innovative business models for addressing the unmet needs of BoP population, could play a key role in alleviating poverty and improving human development indicators. A significant difference in the level of SE development exists across SAARC countries. Further, there is lack of clarity and information around market landscapes and business profiles for SEs in SAARC countries (beyond India). This report attempts to bridge this information divide and act as a guide for key stakeholders by providing insights into the SE landscape in the region.

Concept and presence of SEs across the SAARC countries

While the concept of SE is relatively new across most of the SAARC countries, there is broad agreement among stakeholders in these countries that the most critical objective for a SE is to benefit the low-income population either as customers, key suppliers of goods and services, or as employees. Table 1 gives a snapshot of the SE definition and concept across the SAARC countries in this study.

Table 1. Key impact areas addressed by SEs across SAARC countries

	Afghanistan	Bangladesh	Bhutan	Nepal		Maldives	Pakistan	Sri Lanka
Concept of SE	Nascent	Established	Nascent	Nascent		New	Established	Nascent
Common business models	Non-profits	Non-profits	Limited activity	For-profit and non-profit		Limited activity	For-profit and non-profit	Non-profit
High presence in sectors	 Agriculture	 Agriculture	-	 Healthcare	 Renewable energy	-	 Healthcare	 Agriculture

Further, the level of SE activity varies across sectors in all these countries (Figure 4). While Bangladesh has high SE activity across all the three research sectors (agriculture, healthcare and renewable energy), Sri Lanka and Afghanistan have high levels of SE activity largely in the agriculture sector. In Pakistan, the healthcare sector sees the most significant levels of SE activity. In Nepal, there is a significance presence of SEs across both the healthcare and renewable energy sectors. The SE activity is very nascent in the case of Bhutan and Maldives.

Figure 4. Summary of activities of SEs in the studied countries



SE is a relatively new concept in Afghanistan with many enterprises operating as non-profits especially in the agriculture and healthcare sector while for-profit models are more common in the renewable energy sector. For many SEs, there is a high dependency on aid or grant money which is expected to dry up in the next few years. It is critical for SEs to pursue financially sustainable revenue models to ensure viability of their operations in the near future.



Concept of SE is recognized in Bangladesh with many well established business models. Organizations such as BRAC and Grameen have played a key role in developing the SE ecosystem in the country. Many SEs in the country operate as non-profit organizations especially in the healthcare and renewable energy sectors. There are several non-profit models where SEs have focused on financial sustainability to reduce dependency on external sources such as grants and donations.



SE activity in Bhutan is very nascent. There are a small number of private enterprises and very few non-profit organizations defining themselves as a SE. However the government is aiming to promote entrepreneurship by providing benefits for enterprises operating in remote areas across the impact sectors especially agriculture.



There is limited SE activity in Nepal with the majority of enterprises established with a for-profit focus, especially in the agriculture and renewable energy sectors. The Healthcare sector has few successful cases of non-profit models of SEs. For many SEs there is high dependency on donor/ aid, personal capital and government subsidies to remain financially viable. Limited domestic market impacts the scalability of SEs in the country.



There is negligible SE activity in the Maldives, with the majority of enterprises established with a profit focus. Most of the needs of the BOP and the low-income population, especially in the healthcare sector, are catered to by the Government or NGOs. However, a few enterprises engaged in processing tuna and other types of fish can provide sustainable source of income for the low-income population.



Pakistan is witnessing increasing activity in the SE space. The ecosystem in the country is evolving, with both for-profit and non-profit enterprises emerging across impact sectors. There is a high presence of NGO activity in the healthcare segment. Despite being an agrarian economy most SEs in the agriculture sector have faced challenges related to scalability.taht






SE space in Sri Lanka is nascent. Many enterprises working with the low-income population do not classify themselves as SEs. The capital infrastructure and enabling ecosystem for SE development is very limited. However many non-profit enterprises are aiming for sustainable revenue models as the donor/ grant aid is dwindling.

Needs of the BOP and low-income populations SEs are trying to address

While many critical needs for the BoP and low-income population in SAARC countries are broadly similar, the emergence of SEs to address BoP specific challenges varies across the countries. Table 2 shows the needs that SEs are trying to address.

Table 2. Key impact areas being addressed by SEs across SAARC countries

Country	Agriculture 	Healthcare 	Renewable Energy 
Afghanistan	<ul style="list-style-type: none"> ▪ Increase in productivity (farm / livestock yield) ▪ Improved access to markets and linkages 	<ul style="list-style-type: none"> ▪ Reduced maternal and child mortality rate ▪ Increased availability of primary/secondary care ▪ Affordable out-of-pocket health expense 	<ul style="list-style-type: none"> ▪ Accessibility to products/services and last mile delivery ▪ Reliability of power supply and affordability of product/ service
Bangladesh	<ul style="list-style-type: none"> ▪ Improvement in quality / food safety and technical advisory ▪ Increased access to capital ▪ Improved access to markets 	<ul style="list-style-type: none"> ▪ Affordable diagnostics services and preventive care ▪ Quicker turnaround for primary/secondary care in near vicinity ▪ Availability of affordable targeted /special care 	<ul style="list-style-type: none"> ▪ Improved availability of affordable energy solutions ▪ Last mile delivery of clean energy products and services ▪ Reduced health burden from clean energy products ▪ Increased availability of after sales support
Bhutan	<ul style="list-style-type: none"> ▪ Increase productivity through high quality inputs ▪ Improved access to advisory/support services 	Very limited presence of SEs	Very limited presence of SEs
Nepal	<ul style="list-style-type: none"> ▪ Access to technology/ support services in rural areas ▪ Increased access to capital ▪ Improved access to market 	<ul style="list-style-type: none"> ▪ Reduced maternal and child mortality rate ▪ Availability of primary/secondary care in near vicinity ▪ Affordable out-of-pocket health expense 	<ul style="list-style-type: none"> ▪ Improved availability of affordable energy solutions ▪ Last mile delivery of clean energy products and services ▪ Reduced health burden from clean energy products
Maldives	<ul style="list-style-type: none"> ▪ Improved access to markets and linkages 	Very limited presence of SEs	Very limited presence of SEs
Pakistan	<ul style="list-style-type: none"> ▪ Increase in productivity (farm/ livestock yield) ▪ Increased access to capital ▪ Improved access to markets 	<ul style="list-style-type: none"> ▪ Reduced maternal and child mortality rate ▪ Increased availability of primary/secondary care ▪ Affordable out-of-pocket health expense 	<ul style="list-style-type: none"> ▪ Accessibility to products/services and last mile delivery ▪ Quality and reliability of power supply ▪ Affordability of the product and the service
Sri Lanka	<ul style="list-style-type: none"> ▪ Improved access to technology/ support services ▪ Improved access to 	<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

	markets		
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Source: Intellect analysis

There is a significant presence of growth stage enterprises in a few countries under the study across various segments. These include:

- Bangladesh—Agriculture, Healthcare and Renewable Energy
- Nepal—Healthcare
- Pakistan—Agriculture and Healthcare
- Sri Lanka—Agriculture and Renewable Energy

Cross-country comparison across key parameters

Table 3 compares factors most relevant for identifying SEs with high potential across countries. Four parameters have been considered:

- a) SE activity level: An assessment of the overall SE activity in the country. A rating of 'High' indicates a comparative high concentration of SEs in a given country.
- b) SE ecosystem: An assessment of support enabling environment and enablers such as government support programs, impact funds and incubators that encourage SE activity. A rating of 'High' indicates that the supporting ecosystem for SE development in the country is well established and developed.
- c) Stage of growth for SEs: Highlights the proven ability of SEs in a country to scale their operations. A rating of 'High' indicates that SEs in the country have been able to scale up operations.
- d) Impact potential: Highlights the impact potential covering larger set of low-income population considering the critical issues faced by the country across the three sectors. A rating of high indicates that that a SE operating in the country has comparatively better impact on the low-income population.

Table 3. Comparative study for evaluating SE potential

	Afghanistan	Bangladesh	Bhutan	Nepal	Maldives	Pakistan	Sri Lanka
SE activity level	Medium	High	Low	Medium	Low	High	Medium
SE ecosystem	Low	Medium	Low	Medium	Low	Medium	Low
Stage of growth	Low	High	Low	Medium	Low	Medium	Medium
Impact potential	High	Medium	Medium	High	Low	High	Low

Source: Intellect analysis, 2014. Note: The countries were rated as High, Medium and Low based on the comparative analysis of four key parameters. The analysis was based on insights from primary interviews with sector experts and secondary research information covered in this report.

SE activity level: Countries with less than 10 SEs (across the three sectors) were rated at low, 10 to 20 SEs as medium and above 20 SEs rated as high. Both for-profit and non-profit models were taken into consideration excluding charities and NGOs with unsustainable revenue and financial models.

SE ecosystem: Number of impact funds (or similar development funds) and presence of incubators/accelerators was considered. Low rating was given to a country with 0-1 impact funds (or similar) and little presence of incubators/accelerators. A high rating country had more than 3 impact funds (or similar) and good presence of incubators/accelerators.

Stage of growth: Number of SEs in growth stage across the three sectors was considered. Countries with less than 25 percent SEs in growth stage was given a low score, 25-50 percent a medium score and countries with more than 50 percent a high score.








Impact potential: In healthcare prevalence of high maternal and infant mortality rate and availability of healthcare services in remote areas; in agriculture low farm/ livestock productivity and availability of market links; in renewable energy access to electricity and sources of energy used were considered.

Based on the above analysis, the SE activity is highest in Bangladesh and Pakistan while the impact potential is highest in Afghanistan, Nepal and Pakistan. Most of the countries where SEs have been able to scale are those with a comparatively better developed SE ecosystem. Sri Lanka is an exception, since most of its enterprises existed with commercial operations and later introduced solutions for the low-income population. SE potential is the most limited in Maldives.

Common challenges faced by SEs across these countries

Most SEs in the SAARC region (except Bangladesh and Pakistan) do not have access to appropriate funding and SE-focused incubator and accelerator programs. Further, issues such as the lack of capital, inadequate advisory and technical assistance, and lack of business and financial management skills have constrained the ability of SEs to scale up beyond the early stage of the life cycle. Table 4 presents the major challenges SEs face in the countries studied.

Table 4. Challenges faced by SEs across the seven SAARC countries

	Afghanistan	Bangladesh	Bhutan	Nepal	Maldives	Pakistan	Sri Lanka
High incidence challenges							
Agriculture							
Access to long / short term capital							
Lack of post-harvest infrastructure							
Small / limited domestic market							
Reliability in electricity supply							
Healthcare							
Alternative free /low cost services							
High reliance on grants /donors							
Low level of IP protection							
Low awareness / capacity of customers							
Renewable Energy							
Inadequate transportation facilities							
No local manufacturing							
Dependency on subsidies							
Monopoly of state owned enterprises							
Key Challenges							
Lower Priority challenges							

Note: Based on the primary interviews with in-country experts and limited surveys with social enterprises

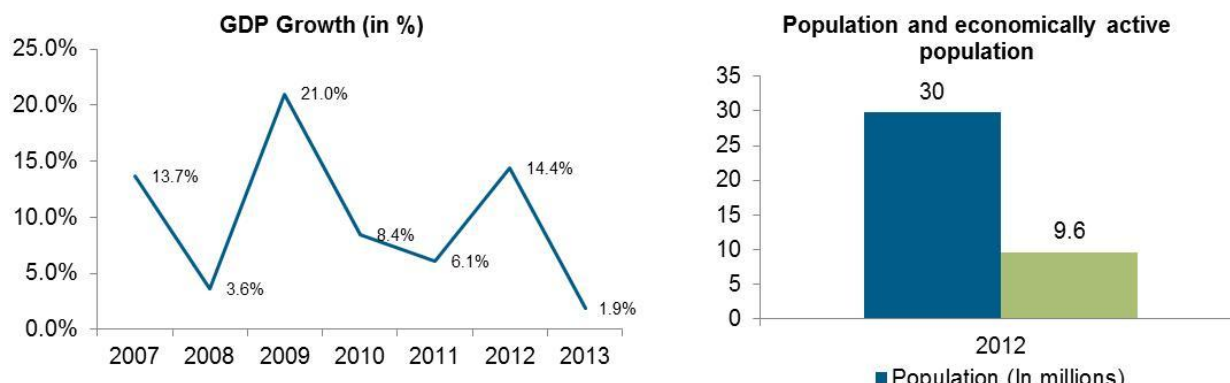
3. Individual Country Analysis of SE Ecosystem

3.1 Afghanistan

Afghanistan is a land-locked country with a population of nearly 30 million⁵ that has been the focus of international community and aid agencies in the last decade. Afghanistan is largely a rural society with agriculture providing the means of livelihood for nearly 75 percent of the economically active population. However the contribution of the agriculture sector to the GDP is only 25 percent with services sector contributing 53 percent and industry 22 percent.⁶

Afghanistan has largely benefited from humanitarian and development assistance in the last 10 years, receiving nearly USD 7 billion of assistance in 2012 (nearly 35 percent of the GDP), one of the highest in the world.⁷ The majority of aid money has gone into developing the macroeconomic environment, infrastructure development and towards capacity building of the government.

Figure 5. Comparative study for evaluating SE potential



Given the significant aid money received and a large presence of development agencies / international NGOs in the country, Afghanistan has substantially improved on many development indicators related to access of electricity, reduced mortality rates and access to improved water and sanitation facilities.⁸ However, internal displacement and food security remain a major challenge for many people in the country with an estimated 35 percent of the population living below the poverty line.⁹ There are also significant concerns on the drying up of grant and development funds post-2015, security challenges due to reemergence of militant insurgency and difficulty to reach the last mile due to the rugged, mountainous terrain. Development of the private sector and SEs could assist the country in poverty alleviation and mitigate some of these challenges.

3.1.1 SEs in Afghanistan—Firm level assessment

Innovative business models

⁵ World Bank Indicators, 2013

⁶ CIA World Fact Book, 2012 est.




⁷ Development Co-operation Directorate (DCD-DAC), OECD statistics 2012

⁸ Afghanistan Beyond 2014, Lydia Poole, Briefing paper 2014; World Bank development indicators

⁹ Poverty in Afghanistan, Jordan Kline, available at <http://borgenproject.org/poverty-in-afghanistan/>

The SEs concept is relatively new in Afghanistan but the enterprises have adapted various innovations in business models, distribution channels and financing options to serve their customers. Some enterprises such as Omaid Bahar Group have provided forward linkage to farmers by providing them access to markets to improve their earnings and enhance dependability in income. Afghan Institute of Learning provides both health education and care to ensure that it covers key areas of preventive and curative care. Afghan solar has setup local distribution channels to ensure last mile delivery of its solar energy products to various regions of the country. Figure below lists different innovative business models across the focus sectors in Afghanistan and some examples of SEs pursuing these models.

Figure 6. Innovative business models in Afghanistan

Agriculture 	Healthcare 	Renewable Energy 
Productivity improvement Access to technical experts in rural areas Hussain Zada Co. Ltd	Maternal, infant mortality improvement Combining health education and care. Afghan Institute of Learning	Improved accessibility Distribution channels for last mile delivery Afghan Solar
Access to capital Combining banking and insurance for risk mitigation AAIDO	Primary care Use of ICT to improve accessibility Ahem Haealth	Higher affordability Affordable financing options Masdar
Better market linkages Providing forward linkages to framers Omaid Bahar Group	Reduced Healthcare expenditure Low cost of services using ICT Ahem Haealth	

Source: Intellecap analysis

Case 1 describes how a company provides market access and technical training to farmers.

Case 1 : Examining the case of a fruits processing and packaging enterprise in Afghanistan

Omaid Bahar Group is a fruit processing company in Afghanistan that purchases fruits from over 35,000 farmers. While the company is a profit focused enterprise, it has clear laid out social goals with a vision to improve the life of local farmers and marginalized group of farmers by ensuring they receive the best price for their products while minimizing wastage and increasing income security due to seasonality of fruit supply. The company provides logistical support to farmers by providing its own fleet of transport vehicles to send the produce from the farm gate to the processing plant. The company conducts seminars and other training courses to update knowledge and skills of the farmers and is also involved in the mechanization process to improve production.

SE is a new concept in Afghanistan and many enterprises face challenges in the early stage while scaling up their operations. Case 2 describes such challenges faced by a SE in its scale up.

Case 2: Examining challenges faced by an enterprise for scaling operations in Afghanistan

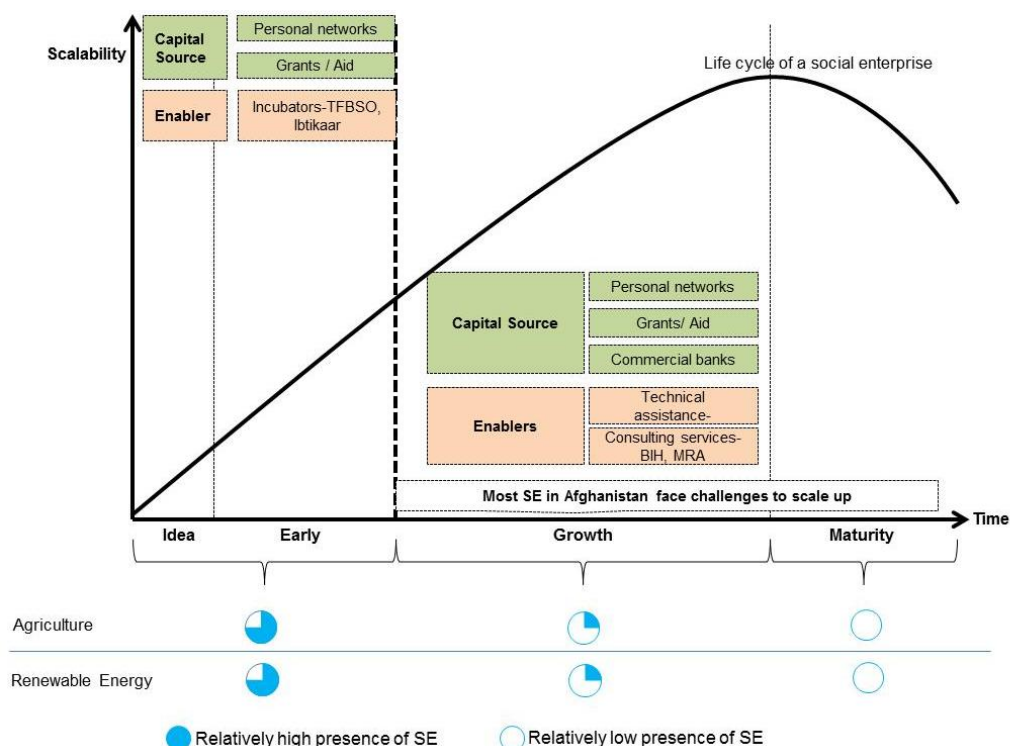
Case 2: Examining challenges faced by an enterprise for scaling operations in Afghanistan

A non-profit SE active in Afghanistan for nearly 10 years faced severe challenges that derailed its expansion plans in other regions of the country. The enterprise, active in post-harvest segment of semi-processing and packaging of nuts was run by a few social entrepreneurs with foreign nationality. While scaling up the operations to other regions of the country the enterprise had to face severe corruption issues and government red tape. Delay in getting approvals and requirement of 'pay-offs' have stalled the progress of the enterprise. The entrepreneurs felt a greater need of policy intervention to enforce contracts and establishment of an independent monitoring and evaluation systems in the country to resolve conflicts.

SE lifecycle assessment

The majority of SEs in Afghanistan have arose in the last few years and hence are in the early stage of development. A few enterprises in the agriculture sector have been in operation for many years on a sustainable basis and can be seen in the growth stage.

Figure 7. SEs in Afghanistan—Life cycle mapping



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

Afghanistan has slowly recovered from militant insurgency and is now on the path of political stability and economic upheaval. Large volume of donor and grant money has assisted the country to develop its infrastructure and build institutional capacity for implementation of reforms. Though these enablers have been able to create a good environment for promoting the private sector and encouraging social entrepreneurship, scalability of operations and market expansion remains a challenge for many SEs active in the country. Majority of the population in rural areas remains very poor with inability to pay for healthcare services or pay for clean energy products and are largely dependent on free or low cost services. Similarly, enterprises in the agriculture sector have difficulty in reaching out to marginalized farmers given the low availability of logistics and transportation

infrastructure. However, given that the majority of SEs in the country are in early phase of operations and are now poised to enter the growth phase, there is an excellent scope for impact investors, donor/development agencies and other key stakeholders to be a part of this future growth potential of the country.

3.1.2 SEs in Afghanistan—Ecosystem assessment

The SE landscape in Afghanistan is slowly evolving with the majority of enterprises operating as non-profits; for-profit models are common in the renewable energy sector.

Landscape	Policy
Capital	Enablers

The concept of SE in Afghanistan is relatively new though there has been a significant presence of non-profit organizations, NGOs charities and foundations across impact sectors such as healthcare and education. Majority of these enterprises are funded by the international aid money flowing to the country. A few foundations such as the Aga Khan Foundation (AKF) and funds such as Afghanistan Reconstruction Trust Fund (ARTF) work closely with the government on community development programs with a focus on food security, improving access to education and healthcare, developing new sources of household income and improving transport and communications infrastructure.

After decades of militant insurgency that had impeded the economic growth and stalled private sector activity, there has been some degree of political stability achieved in the last few years that has encouraged the growth of private sector in the country. Currently the SE activity is limited, though a number of private businesses (e.g. the Omaid Bahar Group) with a focus on social goals and that work closely with the low-income population groups may be classified as SEs. Many of these private enterprises are family run businesses and are active in the agriculture and associated allied activities that have been traditionally practiced over generations in segments such as fresh fruit, dried fruit and nuts.¹⁰ In the healthcare segment, medical programs in the country have been implemented by aid or donor agencies such as WHO and Red Cross in coordination with the Afghan military and the government. In addition, there are many NGOs active in the healthcare delivery system running community based programs. In the renewable energy sector, a few for-profit models of SEs such as Afghan Solar and Masdar have emerged in the off-grid solar products space given the high solar irradiance across the country and lower access to grid electricity in many rural parts of the country.

Given the perceived political instability, security concerns and lack of basic infrastructure facilities, Afghanistan ranks a lowly 164 out of the 189 economies in ease of doing business rank. Majority of the small businesses identify lack of electricity as the major constraint to doing business in the country. Though physical security remains a concern, uncertainty and unpredictability in the political systems is seen as more critical given the political transition of the country.¹¹

Afghanistan has formulated several enabling policies such as Rural Enterprise Development Program, ASMED program and Health Policy Project to promote SE activity.

Landscape	Policy
Capital	Enablers

Given that the concept of SE is relatively new in Afghanistan, there are no specific policies or programs focusing on SEs in Afghanistan. However, the government has formulated several enabling policies and programs to promote private sector activity across impact sectors in the country. The Afghan government's SME Development Policy has sought to focus on target sectors such as food, dairy and poultry production that could ensure food security in the country with less dependency on

¹⁰ Intellect interviews with key stakeholders

¹¹ Mujib Mashal (2014), Small and Medium Enterprises Development and Regional Trade in Afghanistan

imports. Health Policy Project (HPP) aims to improve the role of private health providers in the country by building capacity of local organizations to provide high-quality health services.¹² However, 70 -80 percent of the private enterprises in Afghanistan remain informal and unregistered with the government agencies. Perceived corruption in collection of taxes and difficulty in registration for new business due to government red tape are the key challenges that lead to high informality and there is a need for policy intervention in this area.¹³

Table 5. Policies and projects to support SEs in Afghanistan

Policy/ Projects	Objectives
Afghanistan small and medium enterprise development (ASMED)¹⁴	<ul style="list-style-type: none"> • ASMED supports private sector growth in Afghanistan with focus on small- and medium-enterprise development and job creation • Target industries include food, vegetable oil, dairy and poultry production • New areas of focus include renewable energy applications for rural, powerless areas and access to low-cost pharmaceuticals
Afghanistan Rural Renewable Energy Policy¹⁵	<ul style="list-style-type: none"> • The policy aims to improve private sector investment in the rural energy space in the country • Support the enterprises in mobilizing funds. Enable investment to run pilot energy projects for promotion of entrepreneurship with focus in rural areas
Health Policy Project	<ul style="list-style-type: none"> • Build the capacity of local private health care service providers to provide high-quality and affordable health services • Strengthen government's capacity to oversee and finance nation's health systems and build relationships between public and private health sectors.

SEs in Afghanistan are largely dependent on banks and donor/development agencies for raising capital; access to credit is largely limited to enterprises active in Kabul, Herat or Balkh provinces.

Landscape	Policy
Capital	Enablers

The majority of the SEs in Afghanistan are dependent on aid and grants from international donor and development agencies or personal networks and family for raising capital. For-profit SEs may either reach out to these donor/development agencies or to commercial banks in the country for raising capital. A few of the commercial banks in the country have small business and SME focused loans. Private sector share of total gross loans in the country is slightly more than 88 percent, indicating the relative ease in access of capital for many enterprises in the country. However, nearly all the loans have been allocated in Kabul, Herat or Balkh provinces indicating that enterprises in other provinces have difficulty in obtaining credit. Also post 2015 when the donor /aid money is likely to reduce considerably, many of the SEs with a non-profit focus may find it very challenging to raise capital given the high dependency on a few agencies such as USAID.

Other source of capital for SEs such as impact funds, angel/seed investors are slowly emerging in the country. Aga Khan Development Network has established Aga Khan Foundation in the country and has a few investments in the healthcare and financial inclusion segments. The Afghanistan Renewal

¹² Health Policy Project (HPP)/ Afghanistan 2010

¹³ Mujib Mashal (2014), Small and Medium Enterprises Development and Regional Trade in Afghanistan

¹⁴ ASMED Annual report 2009

¹⁵ Afghanistan Rural Renewable Energy Policy, 2013

Fund is another venture capital fund in the country with a focus on SMEs in impacts sectors such as agribusiness, distribution and logistics, and financial services.

Table 6. Capital infrastructure for SEs in Afghanistan¹⁶

Investor type	Enterprise
Donor/Development institutions	<ul style="list-style-type: none"> World Bank, USAID, NATO ANA Trust Fund, UNDP, DFID, GiZ
Venture Capital/Private equity	<ul style="list-style-type: none"> AKDN , Afghanistan Renewal Fund, Small Enterprise Assistance Funds (SEAF), Afghan Growth Finance, FAIDA, Harakaat
Banks	<ul style="list-style-type: none"> Nine privately-owned commercial banks, three state-owned commercial banks, four foreign commercial banks

Technical assistance programs for SEs are largely run by donor/development agencies; a few incubators and programs/events to promote social entrepreneurship have recently emerged in the country.

Landscape	Policy
Capital	Enablers

The enablers for promoting SEs in Afghanistan are slowly emerging with technical assistance programs run by the government. The concept of incubators/accelerators is relatively new with US Department of Defense's Task Force for Business and Stability Operations (TFBSO) launching the first-ever IT incubator in Afghanistan in 2011. A Technology Startup Incubator called Ibtikaar was established in 2014 by the government to support entrepreneurs in the ICT sector in the country. 'Beyond Aid' is in development stages of launching an incubator hub in Kabul by Jan 2016. There are a few advisory and consulting organizations such as MRA associates and Business Innovation Hub that have come up in the last 2-3 years to promote social entrepreneurship in the country.

Table 7. Incubators and other enablers active in Afghanistan

Incubator type	Enterprise
Promoted by the Government	<ul style="list-style-type: none"> Technology Startup Incubator titled Ibtikaar (initiative) , operated by the Ministry of communications & Information Technology
Incubators/ Accelerators	<ul style="list-style-type: none"> Task Force for Business and Stability Operations (TFBSO) Beyond HUB, incubator with community space planned in Jan 2016
Advisory Services	<ul style="list-style-type: none"> MRA associates, Business Innovation Hub
Technical Assistance	<ul style="list-style-type: none"> Canadian Governance Support Office, ADB, JSDF, World Bank

Development financial institutions have played key role in promoting small business activity in the country. For instance, World Bank's Access to Finance Project aims to improve access to financial services for micro and small enterprises through mechanisms such as credit guarantee facility.¹⁷ Similarly USAID works closely with the Afghan government to assist micro and small businesses to receive loans, connect with new markets, and assist in developing new skills.¹⁸ However, most of these initiatives are recent and the ecosystem for social entrepreneurship development would take time to evolve.

¹⁶ Note- Sources of finance are not for SEs exclusively

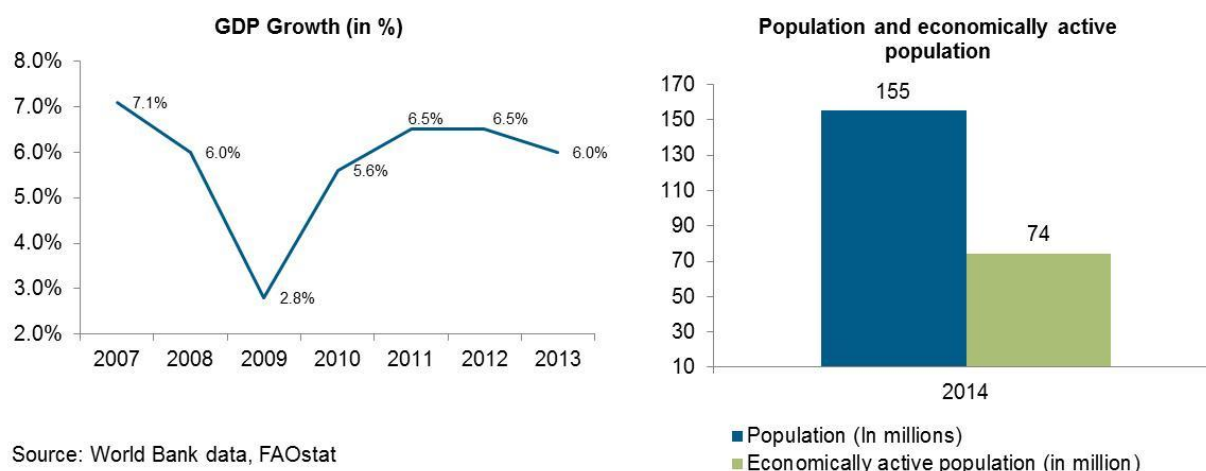
¹⁷ World Bank: Afghanistan Projects, available at <http://www.worldbank.org/en/country/afghanistan/projects/all>

¹⁸ US AID: Our Work, available at <http://www.usaid.gov/afghanistan/economic-growth>

3.2 Bangladesh

Bangladesh is the third most populous country in the SAARC region with a high economically active population of nearly 75 million or 50 percent of the total population in the country.¹⁹ The topography of Bangladesh comprises of fertile alluvial plains and an extensive network of rivers making it suitable for agriculture and aquaculture production. However, in the last few decades, growth in services and industrial sector has outpaced agriculture sector in the country. Services accounts for 58 percent of GDP, industry - 26 percent and the agriculture sector - just 15 percent of the share in GDP, though it continues to employ nearly 47 percent of the total labor force in the country.²⁰

Figure 8. Incubators and other enablers active in Bangladesh



Bangladesh has grown at an average rate of more than 6 percent in terms of GDP in the last 3-4 years.²¹ The large availability of cheap, semi-skilled labor has led to a boom in the services and industrial sectors in the country, especially in the textile and garment manufacturing industry. Presence of established organizations and innovators such as BRAC and Grameen in the country and availability of limited but highly skilled entrepreneurs have spurred the growth of SEs in Bangladesh in the last few years. However, Bangladesh fares poorly on most social and development indicators related to food security, basic healthcare facilities, and education. An estimated one third of the population in the country lives below the poverty line. Food security is a key area of concern, with nearly 50 percent of rural children chronically malnourished.²² Political uncertainty and conflict, corruption, labor issues such as strikes and bandhs (a form of political protest), and lack of basic infrastructure such as road networks, are some of the key reasons that inhibit socio-economic growth in the country.

3.2.1 SEs in Bangladesh—Firm level assessment

¹⁹ FAO of the UN, FAO Stat Data 2013

²⁰ CIA world fact book, 2014 data




²¹ World Bank development indicators, 2013

²² Rural poverty in Bangladesh, Rural Poverty portal, IFAD

Innovative business models

SEs in Bangladesh adapt various innovations in product design, distribution channels and financing options to ensure availability, affordability and accessibility of products and services for the low-income population. Some enterprises such as Pran Agro Business Limited have used an extended hub and spoke model to procure cassava through a local Hub (Krishi Hub) directly from farmers for processing and selling the final produce in the country. RADDA Centre, another SE, provides a collection of packaged services for preventive and curative health care to mothers, children and adolescents all in one location. 'Grameen Shakti', a renewable energy SE, has introduced a micro-utility model at very low cost in order to reach the poor people who cannot afford a Solar Home System individually. Figure 4 below lists the different innovative business models across the focus sectors in Bangladesh and some examples of SEs pursuing these models.

Figure 9. Innovative business models in Bangladesh

Agriculture 	Healthcare 	Renewable Energy 
Improvement in quality / food safety Training of farmers on good and safe cultivation practices BRAC Poultry Rearing Farms	Accessible primary and secondary care Increasing accessibility through ICT M-Power Health	Improved accessibility Distribution channels for last mile delivery TMSS, Grameen Shakti
Better Market Linkages Use of Hub and spoke model for integration with farmers Pran Agro Business Limited	Reduced Healthcare expenditure Health micro insurance plans Grameen Kalyan	Better affordability Low cost models depending on income GHEL, Grameen Shakti
Post Harvest Access Chilling centers present in rural areas near production BRAC Dairy	Special care Integrated clinics RADDA Centre	Reduced health burden Awareness programs as part of marketing strategy ARS, BTCSL

Source: Intelicap analysis

Case 3 describes how a company provides market access and technical training to farmers in the dairy sector.

Case 3: Examining the business model of a dairy company active in Bangladesh

BRAC dairy is one the largest dairy companies in Bangladesh and a good example of successful SE. The company provides a direct linkage to farmers for selling milk to secure fair prices and offers technical training, vaccinations and feed cultivation facilities. BRAC Dairy collects milk from 100 collection and chilling stations located across the country, including 10 that are located in ultra-poor areas. The company gives priority to meeting its social goals even though it may come at a financial cost. For instance the chilling centers in the ultra-poor and remote rural areas are

Case 3: Examining the business model of a dairy company active in Bangladesh

operational to ensure income sustenance for farmers even though these centers may be accumulating losses over years. By continuously running these chilling centers over years, BRAC has developed a dedicated supplier base.

Many SEs in Bangladesh have scaled their operations while creating a social impact in the country. However, many enterprises have faced challenges such as unsustainable financial models, lack of technical know-how and availability of skilled staff. Case 4 describes the issues faced by a SE providing solar PV home systems and products to a low-income population.

Case 4: Examining the case of an enterprise providing solar products in Bangladesh

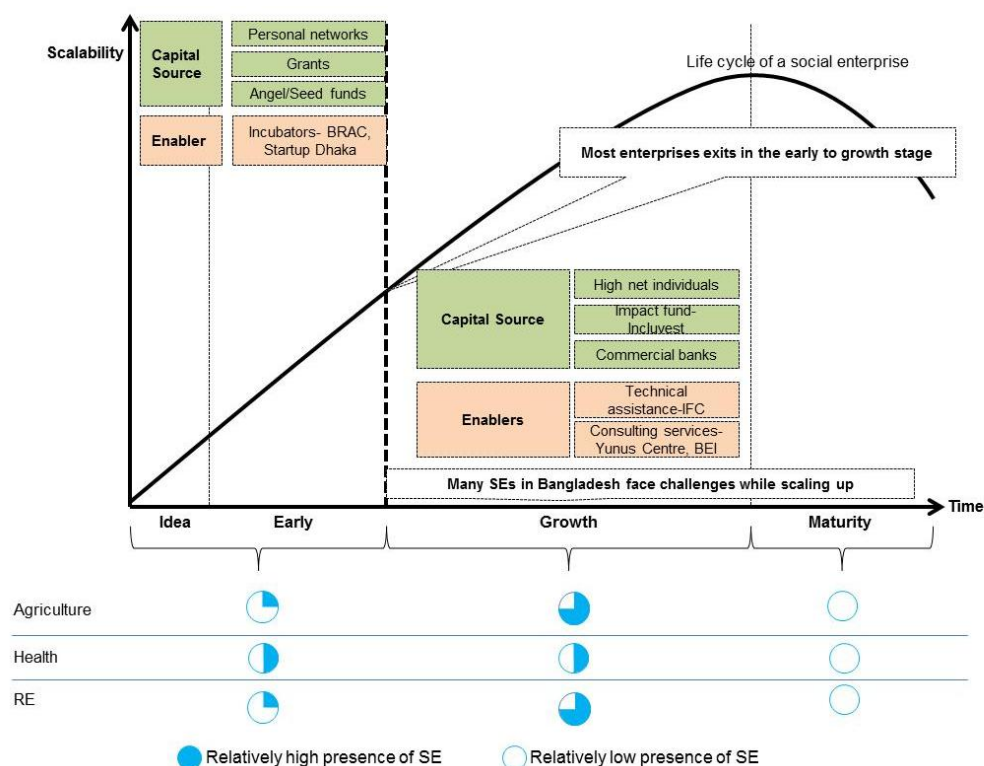
A well-known solar company in Bangladesh had to recently curtail their operations as they were facing issues in managing the cash cycle and working capital given the long time periods of price realization in the solar PV segment. The high presence of ‘non-profit’ models in the segment made it difficult for this well-known ‘profit focused’ SE to curtail their operations. Government subsidies and financing channels available to majority of the ‘non-profit’ enterprises in the solar PV segment made it very difficult for this company to make their products affordable despite having a proven technology and quality product.

SE life cycle assessment

Given organizations like BRAC and Grameen are established in Bangladesh for decades and many government agencies such as IDCOL were set-up over a decade ago, the SE activity in the country is quite developed. Many of the SEs promoted by BRAC, Grameen or IDCOL have been active for many years and are in the growth stage. There is an emergence of a new class of social entrepreneurs that use technology to implement their innovative business ideas to solve some social issues.

For many enterprises in the healthcare and renewable energy sector, financial sustainability to ensure long term operations could be a key challenge. There is low willingness to pay by the low-income customers in the healthcare segment as the majority of services are either free or provided at very low cost. Similarly, enterprises in the renewable energy sector are largely dependent on government aid and subsidies to be operational. Though these enablers have been able to create a good network of SEs in the country, scalability of operations and market expansion in domestic and international markets remains a challenge for many SEs in the start-up and growth stage in Bangladesh.

Figure 10. SEs in Bangladesh—Life cycle mapping



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

SEs as a concept is comparatively more evolved in Bangladesh compared to any other country (except India) in the SAARC region. Political issues and regulatory environment are key road blocks for SEs active in the country for their day to day operations. However, enterprises are coming up with innovative distribution models such as leveraging networks of financial inclusion and MFIs to ensure affordability and last mile delivery of the products. Given that majority of the SEs are entering the growth phase, there is an excellent scope for impact investors, technical assistance providers and other key stakeholders to be a part of this growth trajectory in the country.

3.2.2 SEs in Bangladesh—Ecosystem assessment

The concept of SE in Bangladesh is well understood due to activity of organizations like BRAC, Grameen. Both for-profit and non-profit models of SEs are present across the impact sectors.

Landscape	Policy
Capital	Enablers

The concept of SE is well understood in Bangladesh with organizations such as BRAC and Grameen considered pioneers of promoting financially viable business models with social returns. While SEs promoted by Grameen are typically non-profits organizations that operate as a non-loss, non-dividend business that do not return money to investors²³; BRAC enterprises typically focus on financial sustainability and are profit oriented organizations where the profits are reinvested into philanthropic or social activities.²⁴ Majority of the SEs incubated by BRAC or Grameen essentially were created out of various social projects and programs started by these organizations. As

²³ M. Khalid Shams (2009), Building SEs as Business Ventures

²⁴ Intellecap interviews with key stakeholders and sector experts

operations of these programs scaled up with time, they were registered as a separate business identity either as for-profit or non-profit enterprises.

The SE landscape in Bangladesh has seen vibrant activity in microfinance, agriculture, renewable energy and healthcare sectors. Historically, majority of the SEs in Bangladesh have evolved in the microfinance sector mainly as ‘for-profit’ businesses. SEs active in the agriculture sector have both for-profit models (such as BRAC Sericulture, Grameen Danone) and not for profit models (such as Grameen Krishi Foundation). SEs in the healthcare and renewable energy sectors are largely non-profit entities offering low cost or subsidized products and services to the low-income population groups. Majority of these SEs, however are dependent on large subsidies, aid or grant money from external donors with an unproven financial model.

SEs in Bangladesh face challenges in registering their business and scaling up operations. While the country has improved to some extent on creation of transparent tax structures, it continues to struggle on access to credit, enforcing contracts, and government red tape on land registration.²⁵ Other key challenges that inhibit the growth of private sector enterprises in Bangladesh include unreliable electricity supply, lack of basic infrastructure facilities such as road networks, and political instability leading to large scale labor strikes in the country.

Government institutions such as BSCIC, SMEF aim to encourage the development of small businesses in the country; however specific policies relating to SEs in the country are presently missing.

Landscape	Policy
Capital	Enablers

Though there are no specific legal frameworks or policies available for SEs in Bangladesh; the government is supportive in promoting small business and private sector activity across various high impact sectors such as agriculture and renewable energy in the country. Government institutions such as Bangladesh Small, Medium and Cottage Industries Corporation (BSCIC), The SME Foundation (SMEF) and private entities such as the Bangladesh Enterprise Institute (BEI), National Association of Small and Cottage Industries of Bangladesh (NASCIB) work in coordination to promote small business and private sector activity in the country. Laws and regulations are largely supportive of foreign investment across various impact sectors in the country to promote SEs. Despite these enabling institutions, the legal and policy system in Bangladesh suffers due to challenges such as slow resolution of conflicts, and less protection of intellectual property rights that are inimical to the SE growth in the country.²⁶

Table 8. Policies and projects to support for-profit SEs in Bangladesh

Policy/ Projects	Objectives
Bangladesh Bank Credit Policies²⁷	<ul style="list-style-type: none"> Aimed to the improve access to credit for small businesses Bangladesh Bank sets a target to disburse a minimum amount of SME loans every year through refinancing SMEs loans by channelizing funds from BB and ADB. The central bank plans to introduce innovative lending mechanisms through ‘group collateral’ or ‘social collateral’ to improve ease of access to credit
Tax Policy	<ul style="list-style-type: none"> Majority of the cottage industries, are exempted from VAT. Small enterprises are required to pay Turnover Tax at the rate of 2.5 percent instead of the standard 15 percent

²⁵ Ease of doing business in Bangladesh 2015 report, The World Bank Group

²⁶ Transparency International of Bangladesh 2005: Corruption in Bangladesh: a household survey, Intellectap interview with relevant stakeholders

²⁷ Small and Micro Enterprises (SMES) Development in Bangladesh, Kazi Iqbal et al, 2010

	<ul style="list-style-type: none"> There are provisions of tax holidays for SMEs based on the type of industry activity and upon approval from National Board of Revenue (NBR). Eligible sectors include pharmaceuticals, fertilizer, insecticide & pesticide, and agro-processing
National Agriculture Policy (NAP)²⁸	<ul style="list-style-type: none"> Identifies commercial private sector as key to implement food security, improve land productivity, and ensure profitable and sustainable production Creation of partnerships between various key stakeholders such as the Government, Private sector, NGOs, farm organizations and other civil society organizations
Renewable Energy Policy, 2009²⁹	<ul style="list-style-type: none"> Power System Master Plan 2010 envisages that 15 percent of total electricity generation in the country should come from renewable and new energy sources Launch of "500 MW Solar Power Mission" to promote solar energy in the country. Nearly 50 percent of the new capacity is to be added by the private sector 100 percent foreign equity is allowed for international firms. Renewable energy companies may be exempted from corporate income tax for a period of 20 years upon approval of NBR
Bangladesh health policy 2011³⁰	<ul style="list-style-type: none"> To formulate specific policies and ensure service quality for medical colleges, private clinics and diagnostics centers Encourage NGOs and private sectors to add to the capabilities of public sector and integration of resources for effective utilization of funds

Capital availability for SEs in Bangladesh is likely to improve in the near future with growing presence of impact investors and supporting credit policies offered by commercial banks in the country.

Landscape	Policy
Capital	Enablers

The capital infrastructure in Bangladesh is well established with a robust banking system, recognized primary and secondary capital markets, and a network of high net worth individuals. However, majority of these formal institutions are active primarily in mainstream investments for medium and larger firms, with less focus on SEs or small businesses. With the advent of Bangladesh Bank SME Credit Policies, majority of the commercial banks are now mandated to provide loans to impact sectors enterprises in agriculture and renewable energy through dedicated channels. However, in the present scenario majority of the SEs in Bangladesh are dependent on networks of high net worth individuals and family members, donor/development agencies and to some extent on impact investors. There are an estimated 15 impact investors active in Bangladesh that include five Bangladesh based investors, four regional investors, four development financial institutions (DFIs) and two foundations. ICT (including mobile banking and mobile money), manufacturing (including garments), and the energy sector seem to be the most preferred destinations for many impact investors in the country.³¹

Table 9. Sources of capital for SEs in Bangladesh³²

Investor type	Investors
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²⁸ A synthesis of agricultural policies in Bangladesh, Ministry of Agriculture, Government of Bangladesh, 2006

²⁹ RE Development Initiatives in Bangladesh, SREDA 2014

³⁰ Health Policy 2011, Ministry of Health & Family Welfare, Government of the People's Republic of Bangladesh

³¹ The landscape for impact investing in South Asia, GIIN, 2014, Intellect interviews with relevant stakeholders

³² Note- Sources of finance are not for SEs exclusively

Angels/Seed	<ul style="list-style-type: none"> Venture Investment Partners Bangladesh Ltd
Donor/Development Institutions/ Foundations	<ul style="list-style-type: none"> Grameen Foundation, Department for International Development (DFID), International Finance Corporation (IFC), Asian Development Bank (ADB), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Venture Capital/ Private Equity	<ul style="list-style-type: none"> Tiger Capital Partners, BD Ventures Limited, SEAF Bangladesh Ventures. Inluvest, Brummer & Partners, Tindercapital
Banks/Others	<ul style="list-style-type: none"> There are various banks and MFIs to provide loans including:³³ <ul style="list-style-type: none"> State owned commercial banks (SCBs) – 4, Private commercial banks (PCBs) – 39, Foreign commercial banks (FCBs) – 9 Number of MFIs – approximately 600

Grameen Group and BRAC play a critical role in SE development in Bangladesh while technical assistance and support service providers are becoming increasingly active in the country.

Landscape	Policy
Capital	Enablers

Grameen Group and BRAC are well established innovators and pioneers for developing the SE eco-system in Bangladesh. These two entities are largely responsible for creating the majority of social businesses in Bangladesh that are not only cost-effective and financially self-reliant but also with a strong social development agenda. Both Grameen Group and BRAC have in-house incubators / accelerators where seed financing as well as technical assistance is provided to SEs in sectors such as renewable energy, healthcare, and manufacturing business. In addition, there are a few foreign social entrepreneurs with extensive knowledge of global social business models that drive and mentor upcoming social entrepreneurs in the country. A few advisory service firms such as the Bangladesh Enterprise Institute provide training and capacity building to young social entrepreneurs in the country. Further events such as Social Business Design Lab by Yunus Centre and international competitions such as Global Social Entrepreneurship Competition (GSEC) promote growth of SEs.

Table 10. Incubators and other enablers active in Bangladesh

Incubator type	Enterprise
Incubators/ Accelerators	<ul style="list-style-type: none"> Grameen Group , BRAC, Open Accelerator, Team Engine, Startup Dhaka
Advisory Services	<ul style="list-style-type: none"> Bangladesh Enterprise Institute, LightCastle Partners, Yunus Centre, Light Castle
Technical Assistance	<ul style="list-style-type: none"> World Bank, Asian Development Bank (ADB), SME Foundation

The international donor and development financial institutions also play a key role in promoting social entrepreneurship in the country through their various programs and projects. World Bank's International Development Association has provided support for policy reforms and projects in the healthcare sector and development of rural infrastructure. For instance, projects such as the Bangladesh Modern Food Storage Facilities aim to improve post-harvest infrastructure for crops in

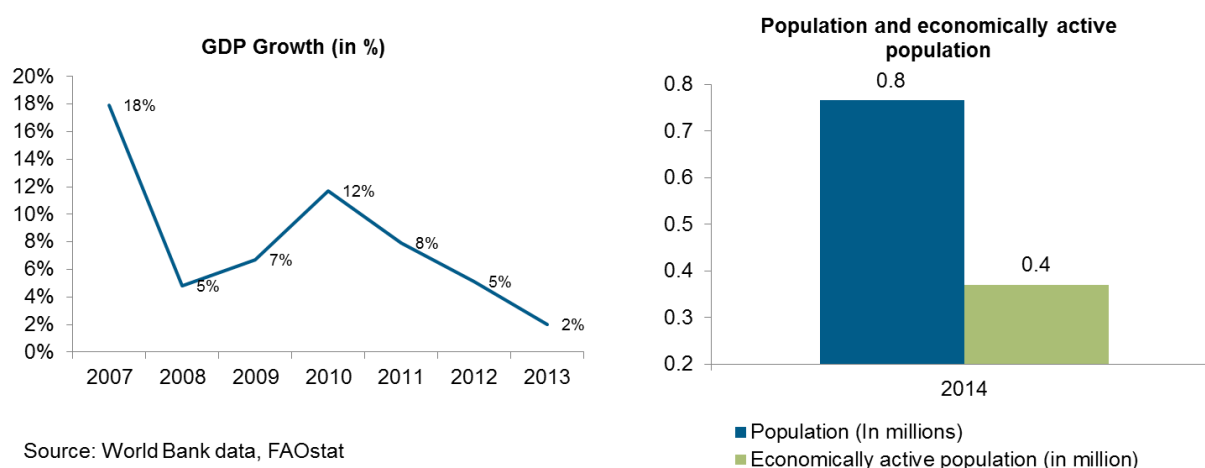
³³ Annual report 2013-14, Bangladesh Bank

the country, whereas Health Sector Development Program is aimed to improve healthcare delivery services for the poor through increased private sector participation.³⁴

3.3 Bhutan

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.³⁵ 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.³⁶ However, ~45 percent of the local population³⁷ 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 1417.³⁸ 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 11. Incubators and other enablers active in Bhutan



The private sector activity in Bhutan is concentrated within the hospitality and agriculture sector with a 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

³⁴ World Bank: Bangladesh projects, available at <http://www.worldbank.org/en/country/bangladesh/projects/all>.

³⁵ World Bank Data, 2013

³⁶ CIA World fact book, 2012 estimates

³⁷ FAOstat data, 2014

³⁸ World Bank data 2013

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.

3.3.1 SEs in Bhutan—Firm level assessment

Innovative business models

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.

Case 5 tells of a company that provides opportunities for farmers to earn a better income while engaging in production and packaging of an export-oriented product.³⁹

Case Box 5: 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.

SE life cycle assessment

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.

3.3.2 SEs in Bhutan—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 non-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

³⁹ Intellecap Primary interview with a representative of Mountain Hazelnuts, company website

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.⁴⁰ 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 non-profit enterprise under the Society Registration Act 1860.⁴¹ State 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.⁴² 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 11. Policies and projects to support for-profit SE Sector

Policy/ Projects	Objectives
Financing options	<ul style="list-style-type: none"> 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 percent⁴³.
Agriculture	<ul style="list-style-type: none"> Agricultural sector was opened to Foreign Direct Investment in 2009.

⁴⁰ 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/>

⁴¹ Ministry of economic affairs Bhutan and Registration consultant available at <http://www.ngoregistration.co.in/index.html>

⁴² Suresh Moktan, 2007, Development of SMEs in Bhutan- analyzing constraints of growth

⁴³ World Bank data, 2014

related policies⁴⁴	<ul style="list-style-type: none"> No internal or export taxes are levied on agricultural production. This will help SEs price their products competitively. Agricultural inputs are tax free and agricultural income is not subject to income tax.
Renewable energy(RE) related policies⁴⁵	<ul style="list-style-type: none"> 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. Additional five year tax holiday to be given to RE projects in remote areas.
Healthcare related policies⁴⁶	<ul style="list-style-type: none"> Newly established pharmaceutical shops in rural areas from 1st January 2010 – 31st December 2015 shall be given a five-year tax holiday.

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

Access to finance⁴⁷ 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 12. Capital infrastructure in Bhutan for SEs⁴⁸

Investor type	Enterprise
DFI ⁴⁹	<ul style="list-style-type: none"> Asian Development Bank (ADB), Work Bank.
Funds ⁵⁰	<ul style="list-style-type: none"> Bluemoon fund
Commercial banks ⁵¹	<ul style="list-style-type: none"> 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.

⁴⁴ FAO, 2012, Bhutan: Agriculture sector overview

⁴⁵ Bhutan Renewable Energy Policy 2011

⁴⁶ Economic development policy of the Kingdom of Bhutan, 2010

⁴⁷ MoEA Enterprise Survey 2011, Bhutan Investment Climate Assessment Report 2010

⁴⁸ Note- Sources of finance are not for SEs exclusively

⁴⁹ Cottage, small and medium industry development strategy 2012-2020

⁵⁰ Blue moon fund website

⁵¹ Cottage, small and medium industry development strategy 2012-2020

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.⁵² 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.⁵³

3.4 Maldives

Maldives is an island nation in the Indian Ocean consisting of a double chain of twenty-six atolls. It is the smallest Asian country in terms of land area and has a population of nearly 0.35 million.⁵⁴ The per capita GDP of Maldives of USD 6,665 is much higher compared to the South Asian average of USD1417.⁵⁵ The services sector, consisting primarily of hospitality and tourism, accounts for nearly 80 percent of the GDP, industry accounts for about 17 percent, agriculture and fisheries sector accounts for only 3 percent of the GDP.⁵⁶ Agriculture sector is largely concentrated on the ocean capture fisheries with approximately 13 percent of the economically active population employed in the fisheries segment.

Maldives held its first multiparty elections in 2008, following decades of monocratic rule; however, it still faces challenges in terms of political stability. Maldives has a better human development index rank of 103 of 187 countries when compared to other SAARC countries.⁵⁷ The Government and state owned enterprises dominate the social sectors in the country while private sector activity is seen most in the hospitality and fishery segment. Private sector enterprises can play a key role in expanding the economic activities of the country into other sectors and reduce the country's dependency on tourism.

Figure 12. Incubators and other enablers active in Maldives

⁵² Bhutan foundation website available at <http://www.bhutanfound.org/loden>

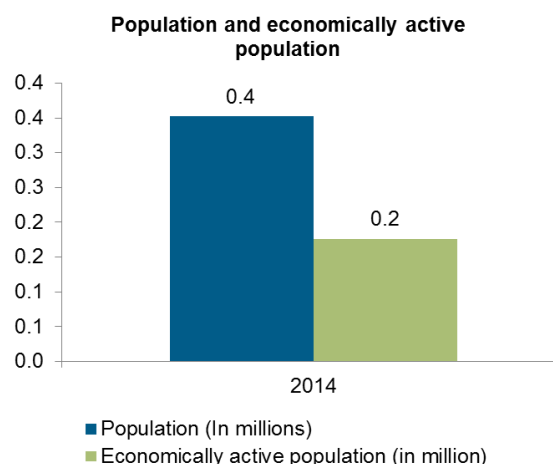
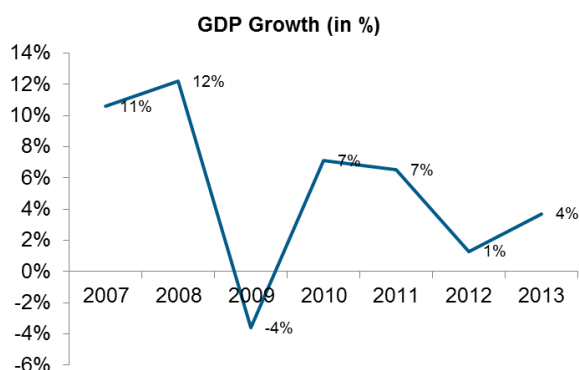
⁵³ SME Toolkit Bhutan, available at <http://bhutan.smetoolkit.org/bhutan/en/content/1876>

⁵⁴ World Bank indicators 2013

⁵⁵ World Bank data 2013

⁵⁶ CIA World Fact Book, 2012 estimates

⁵⁷ UNDP data 2013



Source: World Bank data, FAOstat

3.4.1 SEs in Maldives—Firm level assessment

Currently, the SE activity in Maldives is limited to a few private sector enterprises that can be classified as SEs. However, there is a good opportunity for SE development across a few impact sectors. For instance, SEs in the agriculture sector can engage in processed fisheries sector targeted at export markets. SEs in the healthcare space can aim to provide technology enabled solutions such as telemedicine for covering remote areas. In the renewable energy sector, SEs can provide solar products such as rooftop solar PV panels to increase accessibility and reduce the cost of electricity for low-income households. SEs with innovative business models can provide livelihood opportunities for youth and also diversify employment opportunities in Maldives.

As the concept of SEs is very new in Maldives, there is no available trend to highlight the progress of SEs across their life cycle.

3.4.2 SEs in Maldives—Ecosystem assessment

The concept of SE is new in Maldives with the majority of businesses started with a for-profit focus. A few enterprises engage actively with low-income population in fishery and tourism sector.

Landscape	Policy
Capital	Enablers

Concept of SEs in Maldives is very new and a majority of businesses have been started with a for-profit commercial focus with little clarity on social goals. However, a few of these businesses can potentially be classified as SEs as they provide employment opportunities for low-income population groups and aim to reduce income disparity across various regions in the country. Currently, most of the private activity is concentrated in tourism and fisheries and in urban areas such as Male; however, there is some recent activity in businesses related to information and communication technology and renewable energy. Besides public and private sector enterprises, various foundations such as International Pole and Line Foundation (IPLF) in the fisheries segment, Society for health education (SHE) in healthcare segment offer services to the low-income population.

Limited land area for cultivations, high inter-island transport costs and the lack of skilled and low cost workforce pose challenges for small businesses in Maldives especially in the smaller atolls. Further limited access to capital due to underdeveloped PE/VC networks, insufficient technical capacity for

business expansion and the heavy presence of the public sector in commercial activities are some of the challenges faced by small businesses in Maldives.⁵⁸

The government of Maldives is directing its effort towards building the private sector to increase livelihood opportunities for the local population.

Landscape	Policy
Capital	Enablers

Given that the concept of SEs is not recognized in Maldives, there are no SE focused policies in the country. The government is taking initiatives to promote the development of small businesses across the impact sectors to reduce poverty and develop a broad-based livelihood platform to diversify means to economic growth. The government is providing access to capital through commercial banks and various programs such as the youth-focused startup business challenge, where the winner can get a loan of up to USD 52000.⁵⁹ The government is also partnering with development agencies such as ADB for financial support to develop the MSME sector in the country. The government of Maldives envisions establishing the required mechanisms and infrastructure to restructure and consolidate activities of small businesses to improve efficiency of operations.

Access to capital is a challenge for many enterprises in Maldives with high dependency on personal networks and loans from banks to scale their operations.

Landscape	Policy
Capital	Enablers

There are no specific sources of raising capital for SEs in Maldives, given that the concept is very new to the country. Small businesses in the country have faced challenges in raising capital with most of the credit being channeled to the larger firms. SEs (and small enterprises) are faced with challenges related to lack of collateral, inadequate viable qualitative information, and lack of financial statements that makes it difficult for them to raise capital. In general, Maldives ranks 116th worldwide⁶⁰ on comparative ease of getting credit, which is lower than the other South Asian countries. The poor ranking is largely due to the complete absence of a public or private credit registry to facilitate the exchange of credit information amongst lenders. The Commonwealth Development Corporation (CDC) is the most prominent DFI active in the country and primarily operates in capital Male.

Table 13. Capital infrastructure in Maldives for SEs⁶¹

Investor type	Enterprise
DFI ⁶²	<ul style="list-style-type: none"> CDC Group
Banks ⁶³	<ul style="list-style-type: none"> Bank of Maldives, State Bank of India, Habib Bank Ltd., Bank of Ceylon, HSBC, The Mauritius Commercial Bank, Maldives Islamic Bank Pvt. Ltd

There is very limited access to non-financial and technical support available for start-ups and small businesses in Maldives.

Landscape	Policy
Capital	Enablers

⁵⁸ ADB, 2012, Inclusive Micro, Small, and Medium-Sized Enterprises Development Project

⁵⁹ In Maldives, a country-led youth entrepreneurship movement blooms, 2015, available at <https://www.devex.com/news/in-maldives-a-country-led-youth-entrepreneurship-movement-blooms-85602>

⁶⁰ World Bank data, 2015

⁶¹ Note- The sources of finance are not exclusively for SEs

⁶² CDC Group website available at <http://www.cdcgroup.com/how-we-do-it/types-of-capital/funds-asia/>

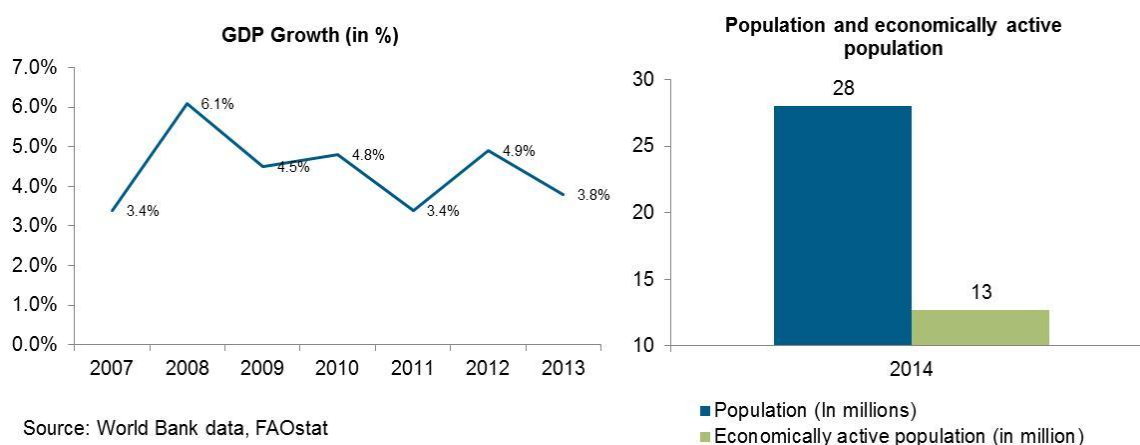
⁶³ GFA, SME Development Project Report available at <http://www.adb.org/sites/default/files/project-document/64324/37405-reg-dpta.pdf>

There are limited avenues of government support available to SEs or small businesses in the country in terms of technical and non-financial support. Business Development Service Centre (BDSC) is one of the few organizations providing advisory and business support to small businesses in Maldives. They provide assistance to existing and prospective entrepreneurs to help them [start](#), [grow](#) and compete in domestic and global markets by offering quality [training](#), [counseling](#) and access to [resources](#).⁶⁴

3.5 Nepal

Nepal is a landlocked country in South Asia with a population of nearly 28 million.⁶⁵ The population is largely agrarian, with over 90 percent of the economically active people dependent on agriculture for their livelihood.⁶⁶ The GDP per capita of Nepal, at USD 690, is one of the lowest in South Asia. The country's services sector accounts for 49 percent of GDP, agriculture sector—37 percent and industry —14 percent of GDP.⁶⁷ A well-developed hospitality and tourism industry, agriculture and forestry sector, and the hydropower sector are the key contributors to the economic growth of the country.

Figure 13. Incubators and other enablers active in Nepal



Nepal has favorable agro-climatic conditions and is also blessed with several high potential renewable energy sources such as hydropower and solar energy that are largely untapped. The key drivers of economic growth for the country are: high remittance income from Nepali immigrant workers in India and the Middle East, and higher spending power of an emergent middle class in urban areas which is driving up domestic consumption in the country. However, Nepal ranks low on most social development indicators and is one of the poorest nations in the SAARC region, with more than 25 percent of the population living below the poverty line.⁶⁸ A decade long violent political conflict that ended in 2006, difficulty in reaching to the last mile due to the mountainous terrain, low population density, and lack of basic infrastructure such as road connectivity, access to electricity, primary health facilities and safe water supplies are some of the key reasons that inhibit socio-economic growth in the country.

⁶⁴ Business Development Service Centre website

⁶⁵ World Development Indicators, The World Bank, 2013.

⁶⁶ FAOSTAT 2014 information, FAO of the UN

⁶⁷ CIA world fact book, 2013 data

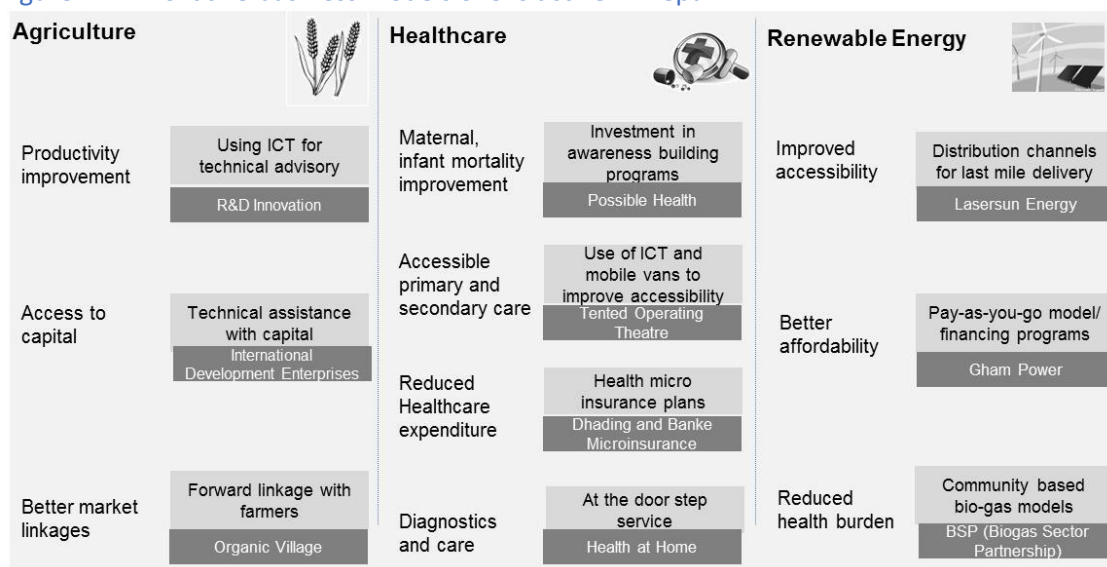
⁶⁸ Third Nepal Living Standards Survey (NLSS-III), 2010-11 Central Bureau of Statistics (CBS)

3.5.1 SEs in Nepal—Firm level assessment

Innovative business models

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

Figure 14. Innovative business models of SEs active in Nepal



Source: Intellectap analysis

Case 6 describes a non-profit SE providing affordable ophthalmology services and eye care.

Case 6: Examining the business model of a hospital providing affordable ophthalmic care

Tilganga institute of ophthalmology (Tilganga) is the implementing body of the Nepal Eye Program, a non-profit, community based, non-government organization with focus on providing high quality ophthalmic care at affordable prices to the general public. Tilganga has initiated several programs and initiatives to serve remote areas and low-income population. Through its community eye centers located at various regions across Nepal and mobile eye camps, Tilganga aims to serve people living in remote areas by providing them affordable clinical services and community eye health activities.

With the financial assistance of the government and technical support from the Fred Hollows Foundation Tilganga’s has been able to create a sustainable eye care infrastructure and has grown into a high quality ophthalmic service provider in Nepal.

While there have been some successful stories of SEs innovating to ensure value creation for their key stakeholders, there are a few instances where SEs have failed to meet their objectives. Challenges range from problems in the business model to customer acceptability of the product or service, to lack of strategic and technical leadership. Case 7 describes how a dairy enterprise is addressing growth challenges in its expansion plans.

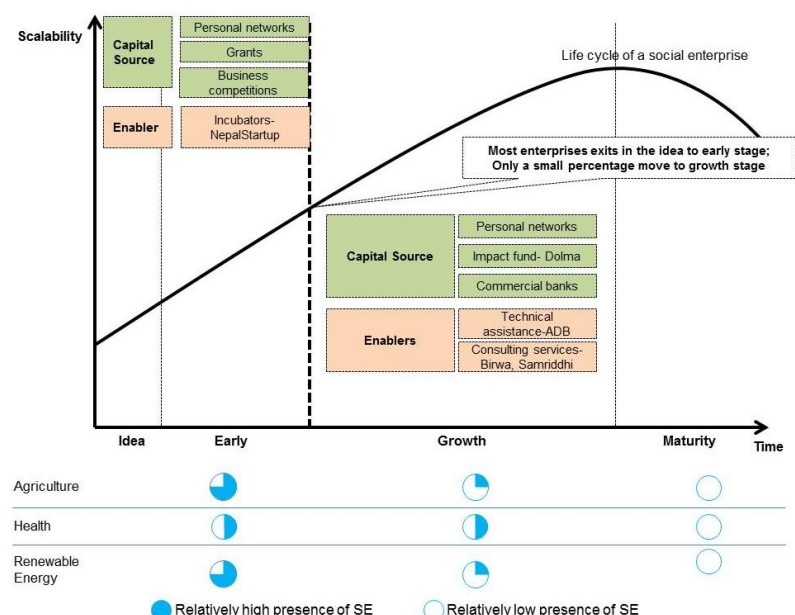
Case 7: Examining the growth challenges for a dairy enterprise in Nepal

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

SE Life Cycle Assessment

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

Figure 15. SEs in Nepal—Life cycle mapping



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

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

3.5.2 SEs in Nepal—Ecosystem assessment

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

Landscape	Policy
Capital	Enablers

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

presence of NGOs and charity based organizations in the country⁶⁹ but majority of these are dependent on external grants aid for their operations and do not have proven and sustainable revenue streams.

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

While Nepal has improved considerably on ease of registering a business, access to finance remains a critical challenge for most of the SEs in the country.⁷⁰ Other key challenges that inhibit the growth of SEs in Nepal include lack of basic infrastructure facilities such as road networks, unreliable supply of electricity, and cumbersome regulatory laws and government red tape.

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

Landscape	Policy
Capital	Enablers

While there are no specific projects or policies that define or promote social entrepreneurship in the country, the Nepalese government in collaboration with international development / donor agencies has introduced several initiatives to promote private sector and small business activity across the impact sectors in the country. Government agencies and ministries such as the Department of Cottage and Small Industry (DCSI) and Industrial Enterprise Development Institute (IEDI) are responsible to promote private sector activity in the country through dissemination of support services such as information and technology and access to finance for small enterprises. The government is supportive of foreign investments in impact sectors such as healthcare and renewable energy, and allows 100 percent FDI to promote private sector participation. There are however FDI restrictions in a few agriculture segments such as poultry, fisheries and bee keeping.⁷¹

Though there is an effort from the government to promote entrepreneurship in Nepal, delays in policy declaration, problems in implementation, and lack of awareness have largely prevented many of the enterprises from getting any significant benefit.⁷²

Table 14. Policies and projects to support for-profit SEs in Nepal

Policy/ Projects	Objectives
Agriculture Development Strategy⁷³	<ul style="list-style-type: none"> Nepalese government strategic plan to promote the agriculture sector and make it more private-sector friendly. Focus on FDI and investments from foreign countries

⁶⁹ The number of NGOs operating in Nepal is not well known though a few agencies put it between 40,000 to 60,000 including small NGOs operating in a very limited region

⁷⁰ Ease of doing business in Nepal 2015 report, The World Bank Group

⁷¹ FDI Policies in Nepal 2014, The Department of Industries, Nepal

⁷² Overview of Nepalese Small and Medium Enterprises, 2008, Intellectap interview with relevant stakeholders

⁷³ Agricultural Development Strategy, Ministry of Agricultural Development, Nepal 2010

	<ul style="list-style-type: none"> Promotion of export-oriented agribusinesses that source from within Nepal, offering a reduced tax rate of 20 percent compared to 25 percent for general businesses.
Nepal Market Development Programme (NMDP)⁷⁴	<ul style="list-style-type: none"> The program aims to reduce poverty in Nepal by increasing incomes of 300,000 smallholder farmers and small-scale entrepreneurs The program focuses on entrepreneurs active in dairy, ginger, fish, pig or vegetables segments providing them advisory services to improve productivity, better access to markets and support in areas such as mechanization
Hydropower policy 2001⁷⁵	<ul style="list-style-type: none"> The key objective of the policy is to attract private sector participation by allowing developers to export hydropower to the neighboring market. The policy was further improved to improve the terms of Power Purchase Agreements for small and medium projects and reduce the time for project approvals
Nepal Health Sector Program-2: NHSP	<ul style="list-style-type: none"> Aims for collaboration in public/private sector to deliver quality healthcare services Regulatory frameworks will include development of a sectorial Public Private Partnership (PPP) policy

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

Landscape	Policy
Capital	Enablers

The concept of SE is relatively new in Nepal and hence it is difficult to obtain clear information on financial intermediation or credit available to SEs. The for-profit SEs may receive investment in the form of equity or debt or in kind such as machinery or equipment; the non-profit SEs are usually dependent on grants or charitable donations.⁷⁶ Majority of the NGOs get their funding through international donor agencies, governments/embassy aid programs and some through foundations such as Ford foundation that are active in the country. However there is a restriction on fundraising for foreign charities and NGOs from domestic sources in Nepal.⁷⁷

There are some lending policies for Small and Medium Enterprises (SME) active in impact sectors that may be considered as relevant for most SEs which are likely to fall within this category. Nearly eight commercial banks have SME focused loans backed by development/donor agency funding.⁷⁸ Post 2012, the central bank of the country, Nepal Rastra Bank (NRB), had directed the commercial banks to commit 10 percent of their total lending to the agriculture and energy sectors.⁷⁹ There is also a deprived sector⁸⁰ lending norm wherein the commercial banks have to lend 3.5 percent of their total lending to the deprived sector and small industries through MFIs.

Despite these policies and initiatives, access to debt capital remains a challenge for many SEs. Lack of proper audited financial statements and the requirement of collateral is a major deterrent to raise debt capital. Other sources of capital for SEs such as angel/seed funds, venture capital / private equity players and impact funds are not well developed and not readily accessible in Nepal. There are

⁷⁴ SME Promotion: Nepal Market Development Programme (NMDP) available at <http://www.swisscontact.org/en/projects-and-countries/projects-by-core-areas/projects/sme-promotion/p/Project/show/samarath-marktentwicklungsprojekt-in-nepal.html>

⁷⁵ Hydroelectric Development Policy, 2001, Nepal

⁷⁶ Interviews with relevant stakeholders in Nepal

⁷⁷ NGO Law Monitor: Nepal, 2015

⁷⁸ The landscape of impact investing in South Asia: Nepal, Dalberg / GIIN 2014

⁷⁹ Market Data Platform for Investments in Nepal: Renewable Energy Sector Report, May 2014

⁸⁰ Deprived-sector lending in Nepal is defined as the provision of microcredit to low-income people working in impact sectors such as agriculture and allied services.

an estimated six to eight impact investors (including donor agencies), two development finance institutions (DFIs), and one regional fund active in Nepal.⁸¹ However, many of these funds have problems in the deployment and disbursement of capital due to issues on repatriation of funds, access to talent for fund management, or due to difficult market conditions for pipeline development.

Table 15. Sources of capital for SEs in Nepal⁸²

Investor type	Enterprise
Angels/Seed	-
Donor/Development institutions	<ul style="list-style-type: none"> Department for International Development (DFID), World Bank, Asian Development Bank (ADB), GIZ, FMO, Triodos Bank
Venture Capital/Private equity	<ul style="list-style-type: none"> Dolma Impact Fund, Tara Management Pvt. Ltd, One to Watch
Banks	<ul style="list-style-type: none"> There are various other banks to provide loans to SMEs including: 31 Commercial Banks: 80, Development Banks: 50- 60, Other Financial Institutions: 30-35, Micro Finance Banks: 83

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

Landscape	Policy
Capital	Enablers

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

Table 16. Incubators and other enablers active in Nepal

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

⁸¹ The landscape of impact investing in South Asia: Nepal, Dalberg / GIIN 2014

⁸² Note- Sources of finance are not for SEs exclusively

⁸³ Banking and financial statistics report 2013, Nepal Rastra Bank

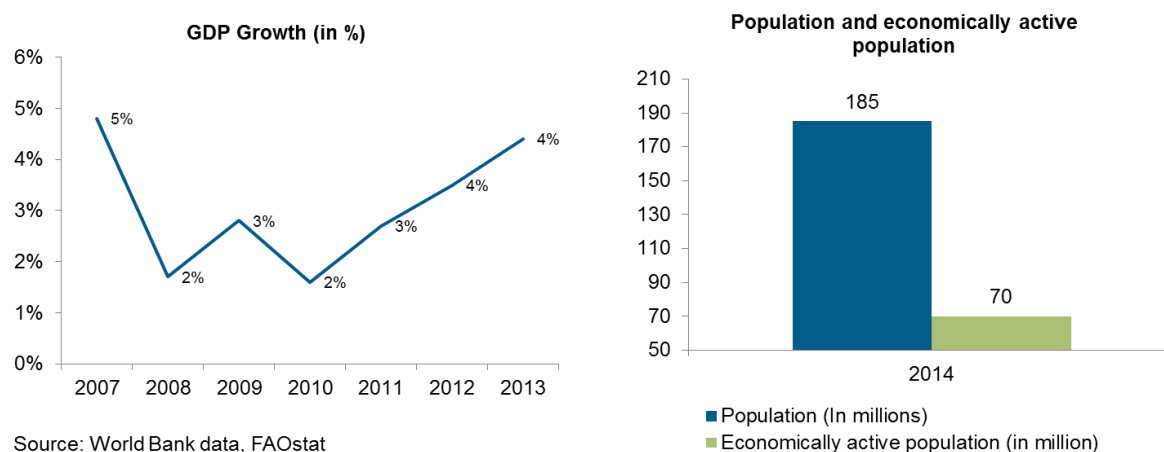
Technical Assistance	<ul style="list-style-type: none"> World Bank, NEPAL Entrepreneurs for Nepal (E4N), ADB, Nepal Business Forum
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DFIs and donor agencies play an important role in developing the SE ecosystem in Nepal. Many of these institutions such as ADB have developed technical assistance programs to promote private sector participation in impact sectors such as agriculture and healthcare. World Bank has initiated several programs such as Project for Agriculture Commercialization and Trade, Supported Extended Biogas Project to promote private sector and small business in the country across various impact sectors. However the uptake of such technical assistance seems to be low at present given the lack of awareness and requisite level of documentation / financial statements available with the SEs.

3.6 Pakistan

Pakistan is the second largest nation in the SAARC region in terms of land area with a population of more than 180 million.⁸⁴ Pakistan's per capita GDP stands at USD 1275 which is slightly lower than the South Asia average of USD1417.⁸⁵ In 2013 overall GDP was USD 232.3 billion, with the agriculture sector accounting for 25 percent, industry accounting for 22 percent and services sector accounting for 53 percent of the GDP.⁸⁶ Pakistan's economy has seen a significant shift in GDP composition away from agriculture to services, although agriculture sector continues to employ almost 37 percent⁸⁷ of the economically active population.

Figure 16. Examples of business models of SEs active in Pakistan



Pakistan has seen modest economic growth of nearly 4 percent in the last 2-3 years and continues to receive significant economic aid from various development agencies that contribute significantly to its economy.⁸⁸ Significant gap between demand and supply of services in healthcare and education has led to growth of SE activity in the country. However, political instability and perceived insecurity has acted as a deterrent for attracting investments⁸⁹. Despite help from development agencies and growing economy, a large part of Pakistan's population lives in the state of deprivation without access to basic facilities like primary healthcare, water, sanitation and education. Pakistan has a

⁸⁴ World Bank development indicators, 2013

⁸⁵ World Bank development indicators, 2013

⁸⁶ CIA Pakistan fact book 2013

⁸⁷ FAOstat Data, FAO of the UN, 2014

⁸⁸ Pakistan ranks third in the world in receiving US Aid. It received ~USD 2 billion in 2012, 80% of which is for activities supported by the Economic Support Fund (ESF) and the Pakistan Counter-insurgency Capability Fund-OCO (PCCF).

⁸⁹ Landscape for Impact Investing in South Asia, 2014, GIIN




human development index rank of 146 out of 187⁹⁰ nations with about 22 percent of the people living below national poverty line.⁹¹

3.6.1 SEs in Pakistan—Firm level assessment

Innovative business models

SEs in Pakistan adapt various innovations either in product design or service delivery or distribution channels to ensure they could be financially and socially sustainable in the long run. For instance, SEs such as Jassar farms are helping improve the productivity in the livestock sector. SEs such Sehat First, Teledoctor in the healthcare space use technology to improve the accessibility and quality of care in remote areas with low infrastructure costs. SEs in renewable energy such as SRE are ensuring last mile delivery in rural areas for solar pumps, solar lanterns to meet the energy demand. Figure 6 below lists the different innovative business models across focus sectors in Pakistan and some examples of SEs pursuing these models.

Figure 17. Innovative business models of SEs in Pakistan

Agriculture 		Healthcare 		Renewable Energy 	
Productivity improvement	Affordable last mile delivery in rural areas Jassar Farms	Maternal, infant mortality improvement	Increasing accessibility through ICT/ mobile vans Healthline/SehatSahulat	Improved accessibility	Distribution channels for last mile delivery SRE
Access to capital	Technical assistance with capital NRSP MFI	Primary care	Use of ICT to improve accessibility Sehat First	Better quality	Community based models AKRSP
Better market linkages	Supply chain optimization Milk'Op	Reduced Healthcare expenditure	Health micro insurance plans Naya Jeevan	Higher affordability	Pay-as-you-go model/ financing through MFI Eco Energy Finance
		Diagnostics and care	Integrated clinics HealthOne		

Source: Intellecap analysis

Case 8 describes a company that provides improved quality of healthcare to the BOP through micro-insurance program.⁹²

⁹⁰ UNDP data 2013

⁹¹ 2006 data, SAARC in Figures

⁹² Naya Jeevan: Pakistan's #1 SE in 2011 available at <https://socialentrepreneurshipasia.wordpress.com/2012/06/26/naya-jeevan-pakistans-1-social-enterprise-in-2011/>

Case 8: Examining the business model of a healthcare insurance company⁹³

Naya Jeevan, a hybrid business model, provides low-income families with affordable access to quality healthcare through their micro-insurance program. The company offers its insurance program in Pakistan at subsidized rates under a national group health insurance model underwritten by Allianz-EFU, IGI Insurance and Asia Care. The low-income employees only pay a minor cost and are covered in all major private hospitals in Pakistan, with an annual limit of PKR 150,000 (USD 1,800). As of 2011 the total number of beneficiaries enrolled in the health plan was 15,300. Naya Jeevan currently offers its health plan in 40 cities through a network of more than 100 accredited hospitals.

Many SEs have in the country have successfully balanced the social impact and financial sustainability aspect of business. However, businesses are also faced with challenges such as lack of strategic direction, issues of scalability and lack of technical know-how to manage financial and cash cycles. Case 9 discusses the issues faced by an enterprise providing irrigation facilities to farmers.

Case 9: Examining the case of an enterprise providing irrigation facilities to farmers

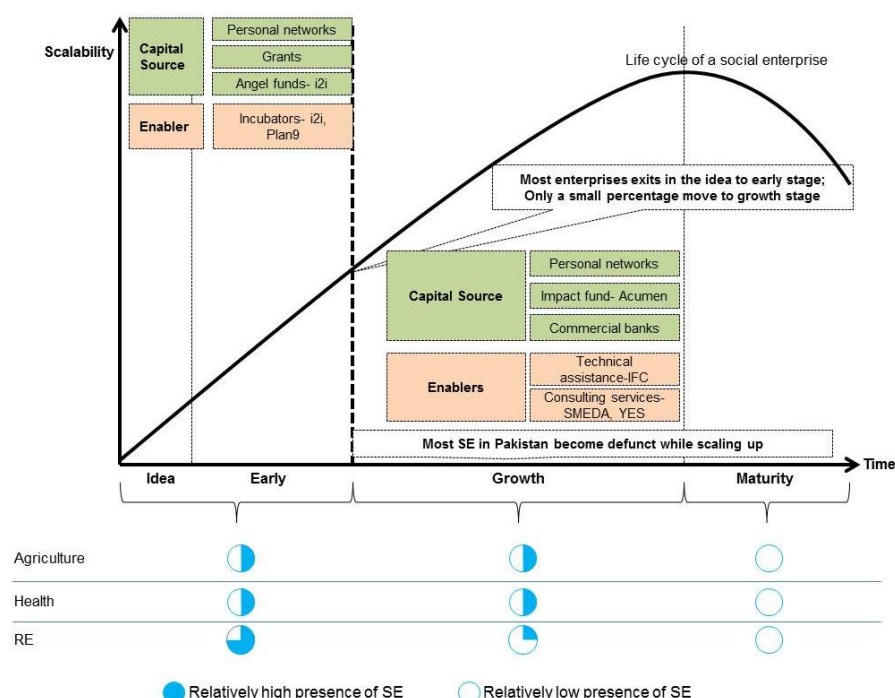
The enterprise develops and provides irrigation products and services as poverty alleviation solutions to farmers in Pakistan's arid regions. The primary customer of the enterprise is the government as they provide subsidies to the farmers to use the services from the mentioned enterprise. The aim of the enterprise was to help farmers improve their yield through easy to use products at a low cost. However, while running the operations the enterprise is facing issues related to product quality, long receivables cycles from the government due to red-tape and corruption.

SE life cycle assessment

The SE space in Pakistan is evolving and often witnesses the emergence of entrepreneurs with innovative business ideas to solve social issues. However, the absence of a supportive ecosystem acts as a roadblock for the enterprises to scale up. Currently many enterprises in the agriculture and health sector have been operating for over five years but have not been able to scale up due to various issues. Some of the critical challenges include issues related to product quality leading to operational issues, inability of customers to pay. For instance a low cost irrigation product introduced by a SE resulted in high silt deposits in the water pipe that lowered the product efficiency. Similarly enterprises dependent on government as their key customer have faced issues related to delay in payments and lower cash conversion cycles. Many of the SEs face challenges related to access to capital given the low number of profitable and sustainable business model in the country.

Figure 18. SEs in Pakistan—Life cycle mapping

⁹³ Schwab Foundation available at <http://www.schwabfound.org/content/asher-hasan>



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

SEs as a concept is comparatively more evolved in Pakistan compared to other countries (except India and Bangladesh) in the SAARC region. SEs active in the country are aiming to thrive in a difficult political environment. For instance many enterprises in the healthcare and renewable energy are leveraging networks of financial inclusion and MFIs to ensure affordability and last mile delivery of the products. As these SEs move through the early stage, there is vast scope for investors, mentors, incubators to support such enterprises to scale their operations to solve the critical needs of the low-income population in the country.

3.6.2 SEs in Pakistan—Ecosystem assessment

SE landscape in Pakistan is progressing from traditional, non-profit organizations towards for-profit enterprises.

Landscape	Policy
Capital	Enablers

SE is an established concept in the financial inclusion sector in Pakistan, and is rapidly gaining a foothold in various other sectors such as healthcare and renewable energy supported by technology enabled solutions. Most of the SEs in Pakistan operate in the urban centers of Karachi, Lahore, Peshawar and Islamabad with a few enterprises active in the rural areas of the Punjab province as well.

Historically, SEs were established as non-profit organizations in Pakistan, either as a non-profit company, or as a Co-operative or as a Society as per their focus areas.⁹⁴ Organizations such as Alkhidmat Foundation, Aga Khan Foundation have operated as non-profits catering to healthcare, education, housing needs of the low-income population. However, recent trends suggest a shift towards for-profit SEs that are emerging in the healthcare and renewable energy sectors, primarily to ensure financial sustainability and reduced dependency on donor money or grant aid. For instance

⁹⁴ NGO World available at <http://www.ngoworldpk.com/knowledge-bank/laws-to-register-ngos-npos-in-pakistan.htm>

the non-profit Buksh Foundation established a for-profit arm Buksh Energy Private Limited to ensure financial sustainability while meeting its social and environmental goals. Further, many enterprises such as Engro Foods in the agriculture and food processing sector are creating impact for their suppliers by sourcing milk directly from farmers through a village level infrastructure, even though they do not classify themselves as a SE.

SEs in Pakistan also face various issues related to availability of skilled labor, access to capital, and lack of technical assistance amongst others. These issues point towards the need of an enabling support system for SEs in different functions of business, including technical assistance, financial support and access to skilled human resources.

Government is supportive of promoting small businesses in the country by forming industry bodies and outlining enabling policies; SE focused policies are lacking.

Landscape	Policy
Capital	Enablers

Currently policies in Pakistan are outlined for promoting private sector and small and medium business activity across agriculture, healthcare and renewable energy; however, specific policies to encourage SE development is presently lacking in the country. Creation of government bodies such as the Small and Medium Enterprises Development Authority (SMEDA) and programs such as the Youth Biz Loan scheme, ICT R&D fund to boost development of small businesses are likely to impact SE development in the country positively.⁹⁵ Besides policies for small businesses, the government of Pakistan has also outlined sector specific policies to encourage private sector participation including SEs in impact sectors. Despite the efforts, Pakistan ranks lowly at 128 out of 189 countries in the ease of doing business index.⁹⁶ Enforcing legal contracts, getting access to reliable electricity and access to credit are some of the key reasons for low ease of doing business bank. This coupled with a few inhibitive tax policies such as customs duty of 5 percent and GST of 17 percent on imports on inputs for solar products inhibits development of SEs in the country.

Table 17. Policies and projects to support for-profit SEs in Pakistan

Policy/Projects	Objectives
Prime Minister's Youth Business Loan⁹⁷	<ul style="list-style-type: none"> Financial assistance to social entrepreneurs between the age group of 21 – 45 years. To provide subsidized financing at 8.0 percent mark-up per annum compared to the normal lending rate of ~12 percent⁹⁸ for one hundred thousand beneficiaries, through financial institutions, like National Bank of Pakistan (NBP), First Women Bank Ltd. (FWBL).
Agriculture policy⁹⁹	<ul style="list-style-type: none"> No customs duty on import of agricultural machinery. Tax relief to SEs operating in the agriculture sector. Initial depreciation allowance at 50 percent of machinery cost.
Renewable energy policy¹⁰⁰	<ul style="list-style-type: none"> Introduce investor-friendly benefits and incentives to encourage SE participation Assist in institutional, technical and operational capacity building of all RE

⁹⁵ invest2innovate , 2014, Pakistan entrepreneurship ecosystem report

⁹⁶ World Bank data 2015

⁹⁷ SMEDA website available at <http://www.smeda.org/>

⁹⁸ World Bank development indicators, 2014

⁹⁹ Agroasia website available at <http://www.agroasia.net/paksectors.htm>

¹⁰⁰ Policy for Development of Renewable Energy for Power Generation, 2006

	<p>stakeholders.</p> <ul style="list-style-type: none"> Government's plan to exempt custom duty and GST on solar PV panels is expected to boost demand for these products¹⁰¹
Drugs policy ¹⁰²	<ul style="list-style-type: none"> The upcoming drugs policy is aimed to stabilize prices of drugs. The new policy aims to utilize the process of automation of the drug pricing mechanism as from July 2016, drug prices will be automatically adjusted to the changes in the CPI.

Source of capital for SEs in Pakistan may be provided by a spectrum of investors from impact funds, DFIs/grant agencies, and commercial banks; however access to credit remains a key challenge.

Landscape	Policy
Capital	Enablers

The capital infrastructure for for-profit SEs and other private businesses in Pakistan fares better compared to other SAARC countries except India, with a few angel/seed funds, impact funds, PE/VC investors and a number of commercial banks active in the country. The 'non-profit' SEs are largely dependent on grant funds from DFIs or aid agencies with a few funds such as the Acumen fund investing in both for-profit and non-profit SEs. Most of the impact capital in Pakistan has been invested primarily in the energy and financial services sector.

Commercial banks are a key source of debt capital and provide priority loans to impact sectors such as agriculture and clean energy. For instance, commercial banks in Pakistan had a compulsory agriculture credit target of USD 3.7 billion (PKR 380 billion) for FY 2013-14 as mandated by the central bank.¹⁰³ However, only 66 percent of the total credit target was provided in advances from scheduled banks.¹⁰⁴ However, requirements such as high value of collateral, profitability for last 3 years etc. often make it difficult for SEs to raise debt from banks. For many SEs in Pakistan, difficulty in raising capital is one of the key operational challenges for scalability as supply of capital is concentrated in a few urban areas and in growth stage companies.¹⁰⁵

Table 18. Capital Infrastructure for SEs in Pakistan^{106,107}

Investor type	Institutions
Angels/Seed	<ul style="list-style-type: none"> i2i angels, LCE, Plan9
Venture Capital/ Impact funds	<ul style="list-style-type: none"> Acumen Fund, Impakt Capital, DYL Ventures, Breeze Angel Investments, Mini Ventures, SEED Ventures, Indus Basin Holdings, Insitor
Foundations	<ul style="list-style-type: none"> Agha Khan foundation, Aman foundation, JS Foundation, Pasha fund
Private equity	<ul style="list-style-type: none"> Cyan capital, Abraaj capital, Catalyst fund, JS Private equity, Abu Dhabi group, MIT enterprise fund
Banks	<ul style="list-style-type: none"> There are various banks to provide loans to small businesses including:¹⁰⁸ <ul style="list-style-type: none"> 4 nationalized and provincial banks such as FWBL, NBP

¹⁰¹ Pakistan exempts taxes on import of solar panels, 2014 available at <http://www.dawn.com/news/1149791>

¹⁰² Pharma firms decide to drop objections to drug policy, Feb 2015, The Tribune, available at <http://tribune.com.pk/story/835090/pharma-firms-decide-to-drop-objections-to-drug-policy/>

¹⁰³ Agriculture corner website available at <http://www.agricorner.com/higher-agriculture-credit-disbursement-by-banks-during-july-february/>

¹⁰⁴ State Bank of Pakistan annual report available at <http://www.sbp.org.pk/reports/annual/arFY14/Stats/Eng/Chapter-6.pdf>

¹⁰⁵ Invest 2 Innovate: Building an Ecosystem in Pakistan available at <http://www.thrivelabs.co/invest-2-innovate-building-an-ecosystem-in-pakistan/>

¹⁰⁶ Invest2innovate, 2014, Pakistan entrepreneurship ecosystem report

¹⁰⁷ Note: the sources of capital are not exclusively for SEs

¹⁰⁸ State Bank of Pakistan available at http://www.pbs.gov.pk/sites/default/files/other/pocket_book2006/12.pdf

	<ul style="list-style-type: none"> - 4 specialized banks such as Industrial Development Bank of Pakistan, SME bank - 16 private domestic banks - 11 private foreign banks
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Various institutions, funds and development agencies are running programs to provide non-financial assistance to SEs.

Landscape	Policy
Capital	Enablers

One of the key reasons for SEs not being able to unlock impact capital in Pakistan despite the presence of impact funds and donor/development agencies is because the business models are not scalable and the enterprises are not investor ready. In order to attract capital and create sustainable business models, social entrepreneurs in Pakistan need access to technical support besides access to finance. Non-financial support such as business model development, mentoring, skills training, implementation guidance and the like can help enterprises scale up.

There are various incubator platforms and programs being run in Pakistan to provide technical assistance and training to small businesses including SEs. At the university level, Pakistan's Higher Education Commission (HEC) has instituted incubators across Pakistan, but few provide more than just real estate for entrepreneurs. Accelerators such as invest2innovate operate exclusively for SEs in Pakistan. Further business competitions such as Civic Hackathons by Code for Pakistan, StartUp Dosti, Youth SE on Peace run by Youth and Gender Development Network and YES-Network Pakistan also promote growth of SEs in Pakistan. However, often the innovative ideas from these competitions do not receive requisite technical and financial support to scale the operations of SEs. One way of mitigating this challenge is that such competitions could be held in partnership with other ecosystem stakeholders such as impact funds and technical assistance providers to ensure that SEs have good access to these services in near future.

Table 19. Incubators and other enablers active in Pakistan¹⁰⁹

Incubator type	Enterprise
University Incubators	<ul style="list-style-type: none"> • KITE, KSBL, IBA, ITU, LUMS, UET, NUST, IQRA, COMSATS, BAHRIA
Private incubators	<ul style="list-style-type: none"> • Plan9, PlanX, Invest2Innovate, Speed incubator, Nest i/o, LUMS Center for Entrepreneurship
Advisory Services	<ul style="list-style-type: none"> • SMEDA, Buksh Foundation, Youth Engagement Services Network -YES Pakistan
Technical Assistance	<ul style="list-style-type: none"> • USAID, Department for International Development (DFID), International Finance Corporation (IFC)

There are various non-financial programs which are also being run by impact funds and other development agencies to support the promotion of entrepreneurship in the country. Bank Alfalah and Development agencies are also supporting projects to improve the state of development across impact sectors. For instance Khyber Pakhtunkhwa IT Board and the World Bank ran the Digital Youth Summit, a tech conference and a startup expo.¹¹⁰ World Bank is running the "Punjab Irrigated Agriculture Productivity Improvement Program" to improve productivity and promote modern methods like drip and sprinkler irrigation systems to encourage crop diversification. Similarly the World Bank along with the government of Pakistan is also supporting initiatives to improve the

¹⁰⁹ Business recorder ICT review2014 available at http://issuu.com/businessrecorder/docs/ict_telecom_review/20

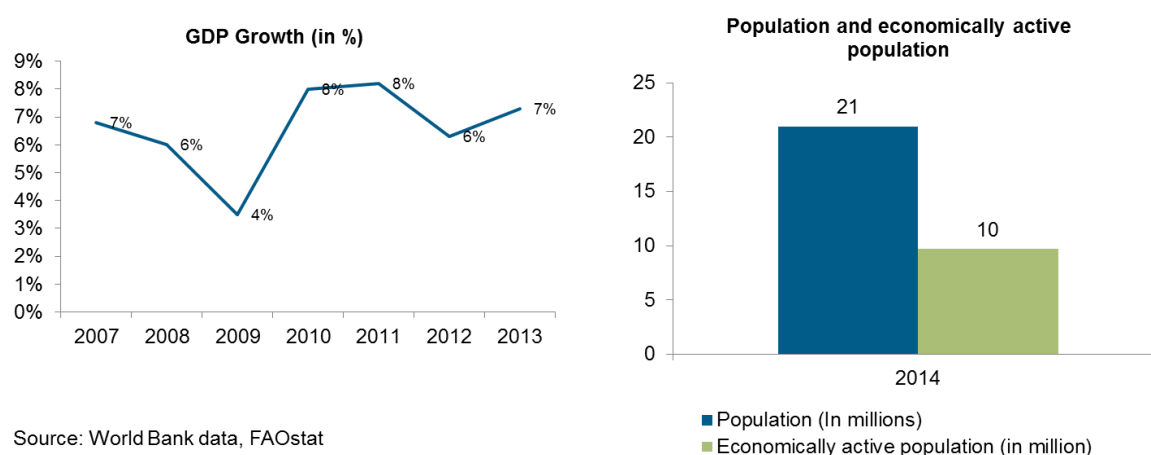
¹¹⁰ World Bank data available at <http://www.worldbank.org/en/events/2015/05/01/digital-youth-summit-2015>

availability, accessibility and delivery of primary and secondary health care services at the district level.¹¹¹ Creating an eco-system and awareness amongst low-income customers for improved products and services can boost the promotion of SEs.

3.7 Sri Lanka

Sri Lanka is an island nation off the southeast tip of India with close to 20 million people.¹¹² The country's per capita GDP is USD 3,280, which is significantly higher than the South Asia average of USD 1417.¹¹³ 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.¹¹⁴ While the agriculture sector has a small share of GDP it employs approximately 32 percent of the population.¹¹⁵ 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.¹¹⁶

Figure 19. Examples of business models of SEs active in Sri Lanka



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.¹¹⁷ The Human Development Index rank for Sri Lanka was 73 out of 187¹¹⁸ 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

¹¹¹ World Bank data available at http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/SAR/2014/11/28/090224b0828a0b69/1_0/Rendered/PDF/Pakistan000PK00Report000Sequence007.pdf, http://www-wds.worldbank.org/external/default/WDSCContentServer/WDSP/SAR/2014/11/23/090224b082883f9c/1_0/Rendered/PDF/Pakistan000Pak0Report000Sequence007.pdf

¹¹² World Bank data 2013

¹¹³ World Bank data 2013

¹¹⁴ CIA World Fact book 2013

¹¹⁵ GIIN, 2015, Landscape for impact investing in South Asia

¹¹⁶ GIIN, 2015, Landscape for impact investing in South Asia

¹¹⁷ World Bank data 2013

¹¹⁸ UNDP data 2013

healthcare, education and energy although this leads to comparatively lower private sector activity in these sectors.

3.7.1 SEs in Sri Lanka—Firm level assessment

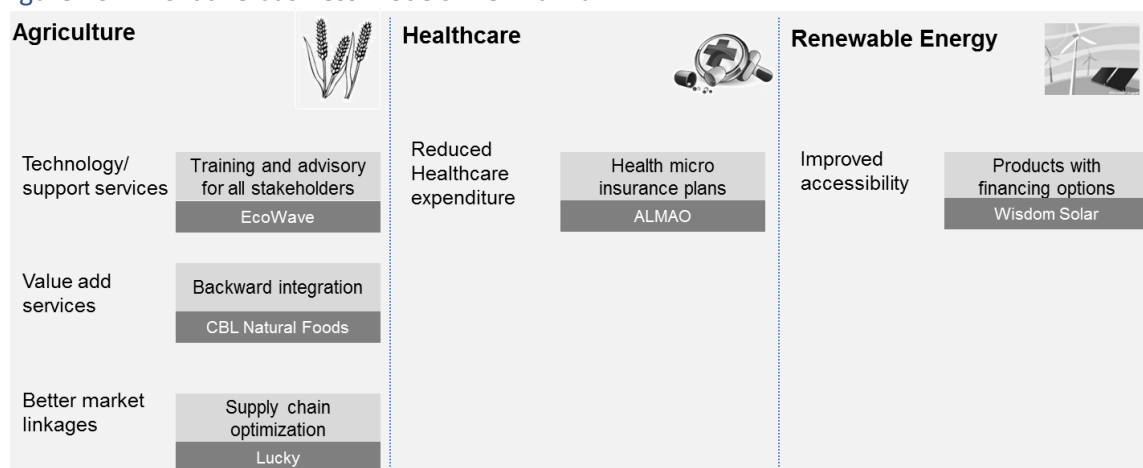
Innovative business models

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 population 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 20. Innovative business models in Sri Lanka



Source: Intellect analysis

Case 10 describes a company that empowers rice farmers in Sri Lanka to earn higher profits.

Case 10: Examining the business model of an agriculture company

Rural Returns is a non-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.

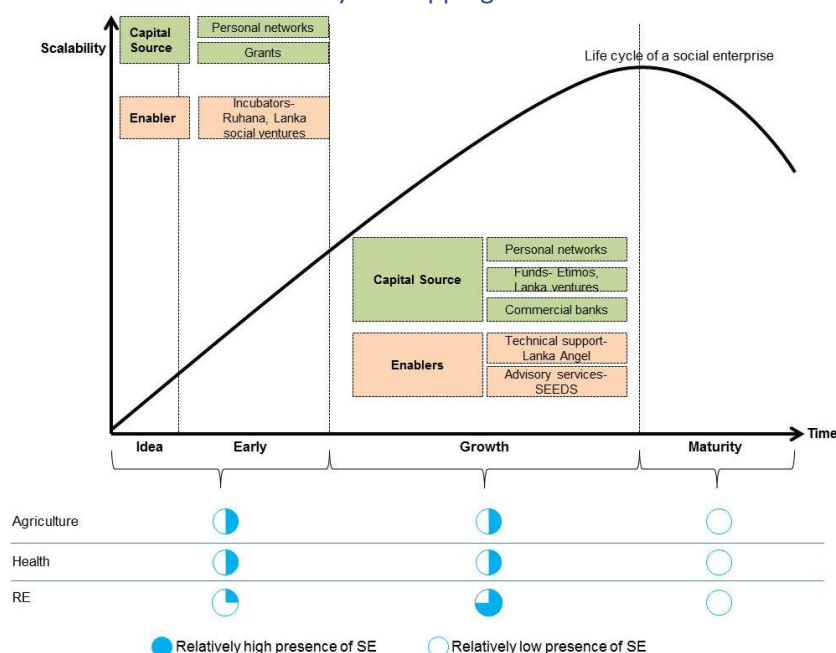
While Sri Lanka is witnessing a rise in SEs across sectors, SEs face many challenges while operating and scaling their businesses. Some of the issues include lack of infrastructure, inability of customers to pay and lack of technical know-how. Case 11 discusses the issues faced by a firm providing renewable energy products/solutions in rural Sri Lanka.

Case 11: 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.

SE life cycle assessment

Figure 21. 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.

3.7.2 SEs in Sri Lanka—Ecosystem assessment

Landscape	Policy
Capital	Enablers

The concept of SE is relatively new in Sri Lanka; however, some socially responsible for-profit and non-profit enterprises aim to create an impact on the low-income population.

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 non-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 non-profit company limited by guarantee. In Sri Lanka, SEs are generally related with non-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.¹¹⁹ 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 rates¹²⁰ 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.

¹¹⁹ GIIN, 2015, Landscape for impact investing in South Asia

¹²⁰ Sri Lanka's healthcare challenges, 2014, The economist

The 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 running the small and medium enterprise sector development program¹²¹ and GIZ is running its SME sector program to promote small and medium enterprise activity in the financial inclusion space.

Table 20. Policies and projects to support SE sector¹²²

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

¹²¹ ADB Website available at <http://www.adb.org/documents/sri-lanka-small-and-medium-enterprise-sector-development-program>

¹²² Ministry of Finance and Planning, Sri Lanka, 2013, Government Policy and Strategy for SME Development

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 non-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.¹²³ 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 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.¹²⁴

Table 21. Capital infrastructure in Sri Lanka for SEs¹²⁵

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 Lanka¹²⁶ <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.

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.¹²⁷ Incubator

Landscape	Policy
Capital	Enablers

¹²³ Bureau of economic and business affairs

¹²⁴ Royce Funds report -Sri Lanka: Recovery, Growth, Opportunities, and Concerns, 2012

¹²⁵ GIIN, 2015, Landscape for impact investing in South Asia

¹²⁶ Central Bank of Sri Lanka website

¹²⁷ Government Policy and Strategy for SME Development in Sri Lanka, 2013

programs such as Nawabima Business incubator¹²⁸ 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.¹²⁹ 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 22. Incubators and other enablers active in Sri Lanka¹³⁰

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
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.

¹²⁸ 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

¹²⁹ HSBC and British Council create opportunities available at <http://www.britishcouncil.lk/about/press/hsbc-and-british-council-create-opportunities>

¹³⁰ GIIN, 2015, Landscape for impact investing in South Asia

4. Conclusions and Recommendations

SEs in each of the SAARC countries are aiming to meet the critical and basic needs of the low-income population and are also creating livelihood opportunities for them. The SE ecosystem in the SAARC region presents a mixed picture in terms of enterprise landscape, supporting laws and policies, capital infrastructure and presence of enablers such as incubators/accelerators to fuel social entrepreneurship. While tremendous progress has been made in development and promotion of SEs in Bangladesh and Pakistan, the ecosystem is slowly evolving in Afghanistan, Sri Lanka and Nepal and is at very nascent stage of development in Bhutan and Maldives.

While some of the critical needs and challenges are sector and country specific there is certain commonality in the challenges faced by the low-income or BOP population groups across the seven countries of the study. As the SEs scale up their operations and outreach to reach to the most marginalized and remotely located population, a number of these challenges (identified in various sections of this report) will become less obstructive to socio-economic growth. However, the majority of these SEs are in need of financial and technical commitment by various key stakeholders such as incubators, donor/development funds, technical assistance providers and impact investors to deliver on their social and financial goals.

Key overarching recommendations for governments, development agencies and intermediaries interested in supporting and scaling SE activity and impact in the SAARC region are listed below:

- Development funds and grant based organizations could play a key role in promoting the development of the SE ecosystem by allocating capital and providing assistance to SEs. Investors, donors and governments interested in both for-profit and non-profits should focus on the following key attributes in a SEs:
 - Social Impact: SEs should provide low-income or BOP population with opportunities for better income or access to essential goods/services at affordable pricing through innovations in the product/service design, distribution channels or financial interventions.
 - Sustainable revenue model: SEs should have a proven and sustainable revenue model with either consumers or other businesses or government as key buyer of the product or service.
 - Scalability and replication potential: SEs should demonstrate potential for scaling its operation and replication of its business model to other geographies in the next 2-3 years.
- Low-income population in the SAARC nations are often faced with similar need gaps, thereby there is an opportunity to support the replication and transfer of SE business models with high impact to relevant across multiple countries while enabling knowledge transfer. Replicable business models in 2 or more SAARC countries have emerged in a few segments. These include:
 - Agriculture: Improving productivity of the livestock and market linkages through establishment of supporting infrastructure in the dairy sector
 - Healthcare: Using technology enabled solutions such as telemedicine to improve access of primary and secondary healthcare services
 - Renewable Energy: Increasing affordability of the clean energy products such as solar lamps, and services such as electricity supply by mini grids, through innovative financial mechanism

- There is a need for a common platform between investors, technical assistance providers and SEs across the region to promote flow of ideas, business and product innovation to ensure replication of business models and enhance impact potential of SEs active in the region.
- Enhance and provide further technical and financial assistance to SEs to help them design and develop business models with proven revenue streams to cover the cost of operations. This would mean less reliance on grant or aid money for such enterprises while ensuring their financial sustainability. Some of the segments that have emerged across countries requiring this intervention include:
 - Technology/support services to improve farm productivity - Bhutan, Bangladesh Sri Lanka
 - Maternal health and child mortality - Afghanistan, Pakistan, Nepal
 - Affordable primary/secondary care in remote areas - Afghanistan, Bangladesh, Pakistan, Nepal
 - Accessibility to affordable solar products and last mile delivery - Bangladesh, Pakistan
- The analysis and insights covered in the study aim to provide an understanding and comparative perspective of the state of the SE ecosystem in the various SAARC countries (excluding India) as well as an initial assessment of the opportunities for SEs in the three focus sectors, however a much deeper sectorial level research is necessary for the key impact sectors across the seven SAARC countries to explore specific opportunities for development funds and grants such as:
 - Microfinance and education, mapped with a better understanding of cross cutting themes such as the role of ICT and women entrepreneurship across the impact sectors.
 - Impact and scale analysis with an in-depth analysis of replicable initiatives of SEs that present opportunities for development agencies and funds interested in cross-boundary investments.

In addition to the above mentioned recommendations cutting across countries, the following list presents key recommendations emerging from the study to promote and develop the SE ecosystem in each of the countries and sector studied See also Table 23 for a summary of key recommendations.



- Funding SEs that offer training for women nurses, mid-wives and health workers to work in the rural areas for maternal and child care. Given that Afghanistan is conservative country, male health workers may find it difficult to care for child and maternal health due to social taboo. SEs providing adequate training to women for managing child and maternal health may be more suited in the context of Afghanistan.
- Encouraging policies such as performance based awards and recognition for these employees could ensure proper treatment of women visiting the health centers in rural areas.
- Possible intervention can be explored in assisting the clean energy and solar product companies to provide cross subsidy and differentiated pricing models especially for serving the rural population to manage the high upfront cost.
- Supporting SEs active in the post-harvest value chain with backward

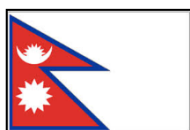
integration through collaboration with inputs supply players. This could assist the SEs in scaling up their operations while ensuring consistent supply of quality produce. Backward integrated models can be investigated in the horticulture segment for fresh fruits and in the livestock segment for poultry and dairy production.



- There is considerable scope for interventions to develop the post-harvest facilities such as processing and packaging of fresh produce and promoting innovative warehousing systems such as solar powered cold storage facilities in the country.
- In the renewable energy segment, for-profit SEs may struggle to compete given the large presence of non-profits that reduce their financial viability of offering products or services. Provision of soft loans or grants to for-profit SEs will assist them to manage the cash cycle in a better way and reduce financial risks
- Promotion of B2B models in the healthcare sector with government or international aid agencies as key customer segments may ensure financial sustainability for the SEs active in the sector



- 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.
- Development agencies and funds can promote the growth of SEs by funding potential ideas to run as pilots first. 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.



- There are many sources of funding for medium and large size hydropower projects for grid supply; however capital supply to the off-grid segment seems to be limited to a very few enterprises. Solar power could provide a consistent source of power supply for many households in the country. Interventions in terms of capital supply to solar powered mini/micro grids and making them affordable would be key to providing energy security to the rural population.
- There is an opportunity for SE innovation in building non-invasive diagnostic methods and techniques¹³¹ - which can be incentivized by increasing availability of funding for research and development to these enterprises. Also, many non-profit models in the healthcare sector that are dependent entirely

¹³¹ No puncture or penetration of body is involved; instead data like pulse rate, imagery is used to diagnose health conditions

on grant and aid money with low revenue assurance may be suitably transformed to sustainable financial models through managerial training and non-technical assistance.



- Development agencies and funds could provide financial and managerial support to the large companies engaged in the fishery businesses. They could conduct capacity building activities to impart training to low-income fishermen. This would help in resolving issues related to unemployment and seasonality in employment.
- SEs can potentially play a very important role in improving Maldives' environmental footprint through reduced usage of fossil fuels for generation of electricity. Possible intervention may be investigated to promote roof top solar PV products for providing affordable and reliable electricity supply for low-income households.













- Development agencies and impact funds may invest in new ideas in the form of programs and pilots to test the proof of concept. This will also allow the enterprises to tackle the expected operational roadblocks better..
- Given the fluctuation in grant and donor money for Pakistan in the last few years, many of the non-profit SEs may find it challenging to scale up operations. Possible intervention in terms of technical and financial assistance will allow them to mitigate the tendency on aid/grant money while scaling up the business and replicating the model to other geographies.



- Development agencies should aim to provide only a partial fund requirement through grant based funding to SEs. This would ensure that the enterprise directs efforts towards raising requisite capital through other commercial formal sources while building a sustainable revenue model.
 - Development agencies and funds need to 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.
 - Development agencies and funds could provide assistance to SEs (especially active in the healthcare sector) to help them design and develop business models that ensure financial sustainability.
-

Table 23. Summary of recommendations for SEs across the seven SAARC countries

	Agriculture 	Healthcare 	Renewable Energy 
	Assisting SEs for backward integration with inputs supply players in agriculture	Assistance to SEs operating in rural areas for maternal and child care	Assisting SEs to develop cross subsidy models
	Development of post-harvest facilities for processing and packaging	Promotion of B2B revenue models for affordable drugs, devices and micro insurance	Provision of soft loans for managing short term capital requirements
	Provide market linkage to the local farmers to enhance rural income	Concept validation through pilots in healthcare delivery system such as telemedicine	Improvement in access to energy through mini/micro hydro and solar grids
	Focus on the Fisheries segment for employment creation	Promotion of SE activity through collaboration with government agencies	Promote renewable energy to reduce environmental footprint
	Supporting SEs for investment in technology and assist farmers improve farm productivity	Assisting SEs to develop new products / services techniques	Improving capital supply to the SEs active in the off-grid energy segment
	Improvement in agriculture productivity and validation through pilot programs	Assistance to not-for-profit for achieving sustainable revenue streams	Providing assistance to SEs to invest in technology enabled payment solutions
	Provide part funding to SEs in agriculture sector to build capacity in post-harvest facilities	Assistance to not-for-profits for migration to sustainable revenue models	Assistance to SEs in solar energy to expand their service in rural areas by innovative payments schemes

5. Annex

5.1 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 Intelicap's database on a similar study conducted from March to July 2014	
Pakistan	
Saima Irtiza and Noor Ullah	Acumen Fund
Fiza Farhan	Buksh Foundation
Kaloom 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

5.2 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 'non-profit' model? Why is one model preferred over the other? Do the non-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 'non-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 / access 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 'non-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 'non-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