

Policy Priorities Paper Final

SUBMITTED TO: FEDERATION OF WOMEN ENTREPRENEURS'
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1. Executive Summary

Women constitute 51.5 % of the population of Nepal, according to the 2011 Census. People belonging to 125 ethnic groups live in Nepal, and 59 of them are legally recognized as indigenous communities¹. In a traditionally patriarchal society with multiple ethnic, linguistic, religious diversities and geographic specificities, realizing the rights of women in all its aspects on equal footing with men is extremely important not just for ensuring equality and justice in society, but also for judicious socio-economic transformation of the nation for inclusive and sustainable development.

However, ensuring equal opportunity and enabling equitable access for women entrepreneurs is still a far cry in various parts of the world including Nepal. Research has pointed out that small businesses of women which mostly employ women workers and are at the bottom of global value chains (UNDP 2020). They also face multiple survival challenges, such as getting into business, surviving in the market, and growing/or expanding businesses. Women entrepreneurship is a significant tool for uplifting women's status within a society. With rise in economic activities in the country, Nepali women's participation in entrepreneurial activities has also been rising. Many organizations have also begun to provide professional exchange bases for women entrepreneurs. They also provide mentorship to assist them in upgrading their business skills. Women are accepting entrepreneurship and many of them are successfully leading their businesses.

However, onset of COVID-19 and extended periods of lockdowns have imposed a serious challenge for the survival of women led enterprises, many of which were just starting to take a shape. Disruption in global and local supply chain has severely restricted availability of raw materials forcing some of the enterprises to halt their causing serious damage to their cash flow management. Due to lack of production and no other income source, many women are worried about how to repay their bank loan. Many of the firms which are somehow managing to operate are facing the issue of human resource management. Furthermore, market linkages which are not as smooth as earlier is adding another layer of challenges. Lack of idea and knowledge on predicting the financial status of business, gaps in technical know-how to adjust their business sustainability plan, and limited ideas on how to manage accounting, taxation, and business renewal issues at such time and absence of proper, knowledge on using digital channels for marketing, etc. have raised a big question mark on the survival and sustainability of many of the women run enterprises.

Therefore, to contribute towards decent employment creation through resilient enterprise recovery and help Women entrepreneurs advocate for evidence-based policy reforms, it is crucial to address these challenges to support resilient and green recovery from COVID-19. For this purpose, the following policy brief has been drafted identifying key areas for priority policy recommendations on enabling business environment for women entrepreneur in Nepal s who are badly affected by the first and second wave of COVID-19.

¹ As mentioned in the schedule of National Foundation for Upliftment of Adibasi/Janajati Act, 2002.

2. Methodology

The methodology used for the preparation of this policy brief involves the use of primary and secondary sources of data. Key information interviews (KII)/survey and Focused Group Discussions (FDG) with key stakeholders² were carried out using pretested questionnaires to identify key issues that women entrepreneurs of Nepal face. All these interviews and discussions were conducted virtually over a two-week period in June 2021. Desk research was also carried out to review available literature, and reports. Based on the literature review and interactions with various stakeholder groups, the issues identified were condensed into 5 broad categories that include:

- Socio-Cultural Aspects
- Access to Finance
- Access to Market – market linkage- value chain development
- Access to the Labor Market, Education, Capacity Building and Training efforts and
- Digital Economy and Adoption of ICT

This policy briefing paper attempts to highlight some of the key issues that women entrepreneurs of Nepal have been facing in the areas and recommends policy interventions which could help solve a host of issues and help in the growth of Nepalese female entrepreneurs.

3. Key Priority Policy Areas and Recommendations

I. Socio-Cultural Aspects

Situational Analysis:

Gender transformative policies need to aim at long leaps forward for women in the economy, politics and society at large, shifting norms as well as the structures that perpetuate discrimination. Even though Nepal has come a long way, policies on gender still do not reflect employment and the quality of jobs, unpaid work such as caregiving in homes, asset ownership, childcare support, gender-based violence and participation in community decision-making for women. Many women face multiple forms of discrimination in addition to gender, including related to age, class, caste, geography, language, religion and sexual orientation. The lockdown imposed by GON in response to Covid-19, has compelled women and girls more broadly to engage in more unpaid care work, including for children and the sick, and to undertake other domestic responsibilities (NHDR, 2020).

The Constitution guarantees inclusive socioeconomic and political development, it guarantees women's freedom, equality and social justice, with the expressed commitment to substantive equality and the translation of these principles into practice. As per the constitutional mandate, women have a legal right to access land and property, but in practice their ownership of property as well as financial and natural resources to engage in entrepreneurial and business activities, is lacking. Further, despite advances in women's representation (33% of parliamentary seat and dedicated sections in the ministries), their roles in decision-making are still weak. There is a reluctance to adopt and apply the affirmative action policy. As a result, minimum reservations are not always fulfilled. Government policy is limited mostly to meeting targets for women's participation in various programmes and projects, rather than systematically uprooting gender inequality. A lack of adequate human resources and weak technical capacity in provinces and locally limit the scope of implementing policies effectively, which in turn adversely affects

² Major stakeholders involved were FWEAN general members, FWEAN executive board members, women entrepreneurs, and BFIs.

gender equality. A number of policies, guidelines, strategies and mechanisms for gender equality and social inclusion have yet to be developed. With limited revenues at the provincial and local levels, there is no strong policy of allocating resources to women empowerment. Local judicial committees are not fully capable of addressing gender.

Women need to balance between work and home responsibilities. The mixture of the business with family responsibilities may challenge the success of their business. Many women claim that they do not have enough time and resources to understand the full implications of policies, laws, and regulations to their businesses, because “they are unclear” and “change so fast” that “the interpretation depend too much on the discretion of government officials” they deal with. Female entrepreneurs also face discrimination from male customers and potential business partners who prefer to engage with men. For this reason, male family members often take over a women’s business once it has grown to certain size. However, women MSME workers often have low educational attainment, are unskilled and lack training, and lack skills for searching better jobs. In reality, many women find the formal procedures a major bottleneck in starting and scaling up their businesses. Given so, women definitely want to operate their businesses in the formal market, as it brings more opportunities for networking, expansion, and business advisory services.

Recommendations:

MSME policies and strategies must also recognize the issue of women as workers who are concentrated in some of the MSME sector. Social structures and reform areas that require changes are:

- Adopting an explicit ‘zero tolerance policy’ toward all forms of violence. Safe, clean, respectful working environments where women can freely commit their time and energy into the business activities. Receiving appreciation for their work motivates them to perform even more efficiently.
- The value of women’s unpaid work to families and communities needs to be acknowledged by offering tax deductions and providing subsidies for the development of care infrastructure- such as better toilets, ease of transportation, etc. The government has not fully factored familial care into the social policies- such as maternity leaves and childcare expenses. (Emerging lessons)
- Promote sole ownership registration for women entrepreneurs with holistic and simplified approach. An alternative would be to assist joint ownership registration for microenterprises; wife-husband (or other types of female–male family members) with simplification and cost reduction of registration processes in areas where limited asset ownership by women is a major bottleneck.
- Formalizing dedicated sections in the ministries and government bodies such as in health and population, agriculture and cooperatives, education and federal affairs and local development, to institutionalize gender equality and social inclusion.
- Improving Public-private partnership and dialogues to tap into private sector potential to improve access to services, deliver quality health care and expand health insurance coverage.

Women must be able to equally lead and participate in this process, which may require support to overcome barriers such as heavy workloads at home, poor access to finance, low literacy and entrenched gender norms.

II. Access to Finance

Situational Analysis:

According to data published by Nepal Rastra Bank, 61% of the Nepalese population has Access to Financial Services, while 21% are dependent on informal channels and 18% remain financially excluded. Further segregation of this data shows that there exists a huge gap in the financial access of males and females with 56% males having financial access whereas the percentage of females is confined to a mere 36%.³ Similarly out of an estimated 14,300 women led MSMEs registered in Nepal, roughly 90% still depend on the informal sector to meet their financing needs.⁴ The grim picture of female financial inclusion and access painted by these facts can be attributed to issues on both the demand and supply side of financial services

Various supply side studied have shown that banks and financial institutions remain hesitant to lend to women entrepreneurs. The woman SME segment which remains one of the most untapped and neglected sector can help us understand major issues on the supply side of financing for women. According to a report published by UK AID, banks remain hesitant to lend to women because:

- They lack property to be used as collateral due to lack of equal property rights and refusal of bank to lend without collateral despite provisions for the same
- Limited specialized financing products for women
- Limited female representation of women in the senior management of banks and think tanks to ensure Access to Finance for women.
- Patriarchal socio- cultural system
- Government apathy towards Access to Finance for women

The demand side of financing also exist a number of issues which are responsible for the hesitation among women to approach banks to meet their financing needs. Some of those issues include:

- Lack of awareness about opportunities for finance: This includes limited information on availability of products, gaps in know-how on loan processes and inadequate financial literacy to select appropriate financing products and channels.
- Complicated and cumbersome loan documentation and eligibility requirements.
- Lack of forums to provide information to women on products of banks and financial institutions

The COVID-19 pandemic and lack of applicable women entrepreneur focused recovery packages has further magnified these issues. Financial inclusion and access of women can only improve through a series of systemic intervention and changes that addresses both demand and supply side constraints faced by women entrepreneurs.

Recommendations:

To help improve the financial access of women, the following interventions are recommended:

- Promotion of ‘uncollateralized lending’ and or ‘project financing’ schemes for women run enterprises, from grassroot level.
- Development of a think tank forums and ensuring female representation which work towards ensuring financial inclusion of women.

³ NRB Working Paper No. 50, Changing Dimension of Financial Inclusion in Nepal: A Comparative Analysis, Prakash Kumar Shrestha

⁴ <https://www.uncdf.org/article/4358/is-lack-of-access-to-finance-impeding-the-growth-of-female-led-small-businesses-in-nepal>

- Development of specialized banking and financial products that focus on the needs of women entrepreneurs.
 - Ensuring adequate information on banking products
 - Simplification of loan documentation and other processes.
- Increased mobilization and strengthening of cooperatives to ensure Access to Finance for women due to their reach and ability to bring women together.
- Development of financial literacy training programs to empower women. Inclusion of financial literacy in school curriculums.
- Lobbying to ensure strict implementation of subsidized and collateral free loans for women with strong monitoring and feedback mechanism.
- Partnering with Venture capitalist to allocate funds to venture capitals and business incubators to incubate Women centric companies that aim to provide green solutions to the people

III. Access to Market – Market linkage- Value Chain Development

Situational Analysis:

Strong market linkages allow female entrepreneurs to progress their MSMEs- by having the opportunity to earn incomes, and grow their businesses. However, it is not always easy to seek out the proper support network for women entrepreneurs it is contingent on her education, family situation and the state of the economy.

Nepal's productive capacity to generate an export surplus, and strength to compete in price and quality in international markets are low. It ranks 108th among 141 countries in the Global Competitiveness Index prepared by the World Economic Forum. The Eighth WTO Ministerial Meeting of December 2011, through a waiver decision, decided to allow members to provide preferential treatment for Least Developing Countries (LDC) services and service suppliers (NHDR, 2020). Despite preferential access to major markets, Nepal has not been able to integrate with the global market, as per its comparative advantage on goods and services based in The Nepal trade Integration Strategy (NTIS) 2016. Procedural obstacles, logistical issues and sub-optima warehousing facilities and customs infrastructure, along with lost time and high cost are reasons behind Nepal's inability to secure enough markets.

Nepal has not been able to fully use available market access preferences such as under the Nepal-India Trade Agreement which provides duty-free market access to all products, except tobacco and liquor. Similarly, the United States provides duty-free market access to 77 types of items under the Nepal Trade Preference Act, and furthermore, Nepal has only used 52.8 percent of available preferences in the Japanese market and 35.6 percent in the Chinese market (NHDR, 2020). Apart from market access policies and treaties, women also face other challenges in the form of confidence, limited access to technology, mobility, insufficient knowledge of business including products differential and labelling and packaging, limited access to networks, including large scale purchases, making them reluctant to take the plunge. All these factors create a loss of preferential market access increasing competition in international markets and disproportionately impacting export-oriented small and medium enterprises and employment generated by them.

Recommendations:

To help women enterprises access broader national and international market the following areas are recommended:

- Undertake a value chain analysis improving micro-meso-macro linkages to identify opportunities for women's broader participation in markets. The analysis should focus on forward and backward linkages to maximize ripple effects in global value chains where women cluster as workers and producers.
- Access and reach to broader international market by establishing and improving quality testing labs and quality certification units (labelling & packaging) for women led enterprises- e.g. NAST; ease the process of export through transit points e.g.: Kolkata port; and increase in trade agreements with multiple countries that focus on local products and harmonized trade. The agreement should consist of measures to avoid tariff and non-tariff barriers in cross border trade.
- Improving competitiveness and diversifying exports from a narrow range of agriculture and low value-added manufacturing products to high value-added industrial products (natural fibres – allo, dhaka, silk, tea, coffee, jewellery), strengthening women's productive capacity and advancing to a higher growth trajectory. Parallely government should improve incentive for export of agri products, including freight costs.
- Promote rural women in agricultural entrepreneurship to recover the trade deficit of Nepal training them to produce exportable well valued food crops and cash crops that can compete in international markets. E.g. improve contract farming policies.
- Domestic, regional and national and international networking opportunities for women entrepreneurs which also help facilitating access to domestic and international trade fairs, arts, and crafts bazaars. The government should consider allocating funds to subsidize participation in trade fairs, the provision of export intelligence, and other export promotion activities that specifically target women SMEs.
- Promote clustering and networking for women producer groups allowing them to access services collectively, which they might not be able to purchase as individual entrepreneurs, due to societal norms.
- Pooling of resources for a central buying office for different types of women entrepreneurial products/services. Developing niche and solidarity marketing campaigns geared toward European and American buyers.

IV. Access to the Labor Market, Education, Capacity Building and Training efforts

Situational Analysis:

With increased impetus on foreign employment and the lack of good employment opportunities mean that Nepal faces a shortage in the supply of skilled labor. According to data published by a recent study, Nepal is expected to face a a labor shortage of 3.6 million by 2030 if this situation is allowed to continue⁵. The current demand-supply mismatch in skills is a clear manifestation of education policy failure and the lack of proper employment opportunities in Nepal. The average literacy rate is about 56 percent in Nepal.

⁵ The Nepal Labour Market: A Four Sector Case Study, Supporting Economic Transformation Nepal, October 2017

Out of that, female literacy is just 43 percent. As far as literacy rate is concerned, about 69 percent of the economically active population of Nepal is illiterate (CBS, 2001). With the education system largely unable to provide youth with foundational skills needed to succeed in employment, many cannot transition from school to work, and leave the country for foreign employment. The 15th National Plan aims to transform education with specific targets. It focuses on early childhood education, equitable quality education, technical and vocational skills for employment, and capacity development, among other priorities all of which also needs to be focused on women entrepreneurship.

Numerous government programs and I/NGOs have been conducting workshops for enhancement of women entrepreneurship skills. Despite the workshops, due to the illiteracy, they lag in upgrading their entrepreneurship education and skills. Female participation in workshops is also low, due to their household responsibility and restrictive mobility women face. The conundrum that lies is that Nepal has a significant level of unemployment yet employers struggle to find qualified skilled human resources as needed. Technical and Vocational Education and Training (TVET) can offer a viable path to close the skills demand-supply mismatch. But this can happen only when programmes are designed and implemented in partnership with employers to make them relevant and responsive to market needs.

Women participation in a project-run vocational skills training averages at around 53 percent while in the other project, the total women staff is only at 30 percent (SEP. 2012). Although TVET can be a smart strategy to capacitate women there are 5 major causes that hinder access to women in TVET: 1) lower education levels, 2) involvement in household work, 3) male dominance, 4) lack of access to information and 5) financing. A key challenge is to create an entrepreneurial climate, sharpen entrepreneurial skills and emotional intelligence, and stimulate an entrepreneurial spirit.

Recommendation:

Policy-makers must bring together the public and private sector as well as other relevant partners to strengthen vocational training and apprenticeship, and inculcate entrepreneurial and employment skills among youth and women that are well aligned with labour market demands. Few suggestions to build an entrepreneur ecosystem are:

- Women-focused education programs to increase their access in all kinds of education, skills and trainings related to business development including creating networks and opportunities, providing start-up incubation services and ensuring access to capital.
- Mass awareness campaign programs taking account local culture, language, politics, economic status to provide information on and promote the importance of education to females.
- Skill Based Training Programs that focus on development of marketable labor skills to ensure obsolete skills are not being passed on repetitively. Skills development in innovative technology with women-friendly machineries to enable women entrepreneurs to conduct labor intensive work.
- Development of labor banks and portals. to bridge the mismatch between the demand and supply of skilled labor for entrepreneurs, particularly women.
- Establishment of wage rates that are in the interest of both the workforce as well as entrepreneurs.

- TVET programs should be restructured to gain maximum women participants by being sensitive on flexible time schedules, ensuring their participation isn't disrupted by household tasks and family. TVET should partner with private businesses to reform CTNET courses in Nepal.
- Allow the registration of private certification as well as international certification agencies in the country who can compete and provide better-quality vocational as well as technical trainings to the women entrepreneurs.
- Establishing BDS on a local, provincial and national level for greater reach and participation from women entrepreneurs. A business counselling unit need to be established in each municipal and district offices that are responsible to support and guide registration of women run micro, cottage and small industries.
- A strong support network and association among women MSME owners and employees, such as women's business associations and chamber of commerce and labor unions.
- Mentorship, counselling and networking by established businesswomen is an important strategy for expanding business opportunities and reaching aspiring women entrepreneurs. It has been seen that woman "over mentored and under sponsored.", (HBR, 2010) Meaning that actively facilitating useful connections an opening up networks for new entrepreneur can have greater impact than simply sharing experience and advice.

V. Digital Economy and Adoption of ICT

Situational Analysis:

The term digital economy can be best described as *"A broad range of economic activities that rely on digital computing technologies as factors of production. It consists of various components, which include government, policy and regulation, the Internet, intellectual property rights, human capital and knowledge workers as well as emerging technologies."*⁶ While the entire world is in the process of undergoing rapid digitization in various sectors of work and life, there remains a large gender divide when it comes to the digital economy and adoption of ICT. According to the GSMA Mobile Gender Gap Report 2020, out of the 393 million women of the world who don't have access to smartphones, 207 million belong to South Asia.⁷ In the context of Nepal, a recent study found that women are 20% less likely to use Internet than men.⁸ The reason for this gender divide can be traced back to gender inequality which has resulted in lesser females getting the opportunity to adopt ICT for their enterprises Lack of access to information, patriarchal socio-cultural system, devoid of skilled manpower and poverty remain the reasons as to why female MSMEs haven't been able to embrace the digital economy, particularly in the context of Nepal.

With the end of the COVID-19 pandemic still unknown, it's imperative for women entrepreneurs to adopt ICT as a way of business. With more and more people confined to working from home, breaching this digital divide is a necessity. Even though Nepal's digital system is still in a nascent stage, it is growing rapidly and remains vibrant with the presence of 13 sub sectors of IT related businesses.⁹ Harnessing the rapid growth in ICT to integrate women entrepreneurs can unlock tremendous avenues for growth and expansion especially since a digital economy offers less biases compared to physical economy. However,

⁶ Women and the Future of the Digital Economy in Asia, Maria Dolores Picot and Kerstin Spath , May 2020

⁷ THE GENDER DIGITAL DIVIDE PRIMER, USAID, DAI, Digital Frontiers, August 2020

⁸ The Gender Digital Divide in Developing Countries, Amy Antonio and David Tuffley

⁹ Rapid Assessment of Socio Economic Impact of COVID-19 in Nepal, UNDP

any interventions in this area will need to overcome the following barriers 1) Lack of Access to information and digital literacy 2) Exclusion of women from planning and development of ICT policies resulting in their exclusion 3) Socio-cultural and economic barriers to women embracing the digital economy 4) Formalization of businesses and cost of digitization and 5) Access to ICT infrastructure.

Recommendations:

The policies and strategies that are devised to encourage women MSMEs to grow must include a digital component as well. With digitization becoming the new normal, the key interventions that need to be taken to integrate women entrepreneurs into the digital economy include:

- The first intervention needs to be the inclusion of more women in the planning and developing of policies that aimed at the digitization of businesses. One of the principal barriers to the integration of women into the digital economy has been the lack of representation and therefore the presence of women in the planning and implementation process is a must.
- Secondly, training programs and curriculum on digital literacy must be implemented for women entrepreneurs from the grass root level. This can be achieved through a collaboration between women associations, organizations that work at the grass root level and the government. A crisp training program will help enhance awareness and at the same time increase information availability for women.
- Digitization of business registration and other governance processes which reduces dependence on agents and middlemen. E-governance can have a positive impact on digitization of businesses as it increases the use of digital technology while developing a sense of assurance about it. Combined with campaigns on the importance and implication of business registration, this can also help in formalizing many businesses led by women.
- Ensuring affordability of ICT. Cost of digital technology remains a barrier to the adoption of ICT. Therefore, ensuring the availability of ICT technology at affordable rates remains critical for its adoption. Therefore, incentives and subsidies for women can also help bridge the digital gender divide.
- Last but not the least the success of all these interventions hinge on one key area- the availability of digital infrastructure. It is critical to ensure that digital infrastructure is not just urban centric and is spread across areas beyond the large cities of Nepal.

4. Way Forward

Based on the above identified priority areas, the next step will be to prepare the policy advocacy strategy document where specific actions will be recommended for implementation to support in business recovery.