

Enabling Social Innovation in Nepal

Country Snapshot

Social innovation: "the processes and outcomes of developing novel approaches to address societal challenges facing people and planet." ¹

This snapshot represents a descriptive, non-exhaustive overview of key highlights from Nepal's social innovation ecosystem.

- ✓ Direct focus on social innovation 🔗 Connected but indirect focus on social innovation ✗ No focus on social innovation

INSTITUTIONAL FRAMEWORK

Official Definition of Social Innovation 🔗



- Though there is **no official legal definition** of "social innovation" or "social enterprise" in primary law, related terms such as "innovation" and "entrepreneurship" appear in policy discourse.

Government Body for Social Innovation ✓



- While no dedicated national social innovation agency exists, a **Social Entrepreneurship Fund** is reported under the **Social Welfare Council** (NGO oversight).

Government Strategy for Social Innovation ✓



- Rather than a single dedicated national social innovation strategy, social-innovation-relevant provisions are **embedded across national frameworks** (e.g., **National Science Technology and Innovation Policy 2019**, **Industrial Policy 2010**, periodic development plans, and SDG roadmaps). Elements related to inclusive growth/innovation also appear in broader development planning ².

Policies, Laws & Regulations ✓ 🔗

While broader than social innovation, important enabling frameworks include:



- **Cooperatives:** **Constitution** recognizes cooperatives as a pillar of the economy; cooperatives operate as community-based economic and social mechanisms at scale ^{4 5}.
- **CSR requirement:** **Industrial Enterprise Act, 2020** requires certain firms to allocate **~1% of net profit** for CSR activities, channeling private resources to social objectives (indirectly enabling social innovation) ⁶.
- **Tax treatment:** Nepal provides **tax benefits and incentives** that can apply to NGOs, cooperatives, and some mission-driven / innovative enterprises; however, the country **does not appear to have a distinct legal form or primary-law definition** that formally classifies 'social enterprises' as a separate corporate category. ^{2 6}.

Official Statistics



- While broader than social innovation, proxy indicators exist related to cooperative numbers/membership, NGO registries, and MSME statistics ^{4 5}.

Government Programs



- Relevant **indirect** programs include entrepreneurship/MSME schemes and cooperative development supports; some limited social enterprise funding is reported via NGO-sector channels ^{3 5}.

ECOSYSTEM

Stakeholders



- **Incubation/acceleration and venture building** are the most visible supports (primarily Kathmandu-centric) ^{7 8}.
- Impact/enterprise intermediaries (e.g., accelerators and impact-focused investors) provide mentorship plus capital linkage for “for-purpose” ventures ⁸.
- **Cooperative federations** and community finance structures support local solutions at scale ^{4 5}.
- NGOs remain major implementers of innovative service delivery models, though not consistently labelled “social innovation” ^{2 3}.

Support Initiatives



- **Incubators/accelerators:** national idea competitions and startup accelerators provide training, mentorship, and exposure ^{7 8}.
- select financial institutions have launched training/fellowship **Bank-led social entrepreneurship education:** -style social entrepreneurship initiatives ⁹.
- **Networks:** emerging convening platforms for social entrepreneurship exist but remain fragmented ³.

Collaboration



- Collaboration is project-based and often donor/corporate-supported, rather than institutionalized ^{2 3}.
- Awards/challenges provide visibility and convening (social enterprise awards are a recurring mechanism). ¹⁰

FINANCE

Financing Schemes



- **CSR funding:** mandated CSR spending can support social projects and partnerships with NGOs/enterprises ⁶.
- **Donor/INGO grants:** significant for pilots and service delivery innovation (often time-bound) ^{2 3}.
- **Microfinance & cooperatives:** major financing channel for livelihood and community enterprise; typically small-ticket and local ⁵.
- **Impact investment:** small but growing; targeted to scalable SMEs/impact ventures (still limited relative to need) ⁸.
- **Bank finance:** generally collateral/track-record driven; difficult for early-stage social ventures ¹¹.



Financing Inclusivity

- More inclusive at **microfinance/community finance** level; less inclusive for growth capital and formal investment ¹¹.
- Most frequently targeted groups: **women, youth, rural communities, and marginalized groups** (often via microfinance, donor programs, and CSR priorities) ^{6 11}.

SOCIETY



Public Awareness of Social Innovation

- Public familiarity with the term “social innovation” remains limited; awareness rises mainly through media stories, competitions, and awards ^{7 10}.



Research

- Research on social innovation occurs in the work of individual academics and practitioner reports ².



Education & Human Capital

- Most capacity-building for social innovation occurs via short programs, fellowships, bootcamps, and incubators ².



Entrepreneurship



Business Environment:



Innovation capacity

In the Global Innovation Index 2025, Nepal ranks 107th (out of 139 economies), indicating constraints in innovation inputs and ecosystem capacity. [13].



Entrepreneurial culture

Nepal's broader entrepreneurship environment has improved, but remains constrained by regulation, market size, and finance access ¹²

Global Innovation Index 2025

Social & Environmental Consciousness



Solidarity

Strong community solidarity and volunteering traditions support grassroots problem-solving; environmental challenges are significant, creating need and demand for innovations (e.g., air quality, waste, climate resilience) ¹⁴.



Political Participation:



31% population

Culture of volunteerism



163th / 180 countries

Sustainability



CAFWorld Giving Index 2024