

## Financing the green transition: Changing the game for Nepali agribusinesses

Six out of every ten Nepalis work in the agricultural sector, growing products from cardamom to coffee to tea. Their efforts are playing a major role in the South Asian nation's economy, bringing in one-quarter of its gross domestic product.

Historically, however, Nepal's smaller businesses, especially those working in agroprocessing, have faced a tough road when it comes to getting the finance they need to grow, including for adopting greener production practices. Even directives from Nepal's central bank that require commercial banks to grant 15% of all loans to commercial farms by end-2023 have not translated to better financing for smaller processors in practice.

To help change the game for Nepal's agribusinesses, ITC worked with local institutions to set up a GreenToCompete Hub, which is a model that ITC has deployed in several countries and regions around the world to help support MSMEs as they undertake the green transition.

The Nepal-based Hub is hosted by the Agro Enterprise Center (AEC) the agricultural wing of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), and the Hub has now been in place since 2019. It has paired up with the NMB Bank to help make MSMEs' financing dreams a reality — and thus far, the bank has already mobilized Nrs. 120 million, or \$902,620 for 25 agribusinesses under this model. Following the success of this loan model, other Nepali banks have taken the initiative to replicate it.

The Hub's role extends beyond just making connections between MSMEs and financial providers: it also helps

small producers learn about the stock-in-trade of applying for loans and other financial support, from what documents they need to how they can make the best case for support and plan the financial aspects of their businesses.

The loans themselves aim at increasing sustainable agricultural production, meaning that the loans will support agro-processors who need to undergo certification and audits for compliance with voluntary sustainability standards. The Hub coaches MSMEs so they are well-positioned to undertake these steps, including by developing a sustainability strategy. That, in turn, leads to them being able to produce higher quality products, which command better prices on the market.

Another big win is that participating agribusinesses are building deeper relationships with one another, and in turn are learning from the practices that each one has developed to run their businesses and make them more environmentally sustainable.

The extensive reach and impact this Hub has achieved in just a few years of operation has led to public recognition at major international conferences, including at the UN Climate Change Conference in Dubai. At COP28, Dinesh Prasad Parajuli, the Agro Enterprise Center's (former) CEO, joined the ITC delegation to share the Hub's successes thus far and where they plan to go next.

D.B. Basnet, the new Chairman of the Agro Enterprise Center, told ITC that the Hub's results have been 'inspiring,' and hopes that the success thus far continues to deliver for more small agribusinesses.



**1.** Nepali women farmers from Ajirkot Gorkha Central Coffee Cooperative harvesting coffee © Laxmi Prasad Ngakhushi/ITC **2.** Sushil Acharya, founder of MountBrew Coffee in Nepal **3.** Nepali farmers in Dhankuta District practicing sustainable techniques to make Arabica coffee © Laxmi Prasad Ngakhushi/IT **4.** Farmers drying coffee beans at Nepal Coffee Company Nuwakot © Laxmi Prasad Ngakhushi/ITC

*‘The effort has translated into increased access to crucial financial resources, improved market linkages, and enhanced sustainability practices.’*

**D.B. Basnet**, Chairman, Agro Enterprise Center

‘The effort has translated into increased access to crucial financial resources, improved market linkages, and enhanced sustainability practices. Through collaborative efforts and innovative approaches, we have been able to initiate dialogue with the major commercial banks of Nepal in regard to access to finance to agro-SMEs,’ said Basnet.

Looking to the future, the Hub aims to set up more partnerships with commercial banks and other financial institutions, building on its successful relationship with the NMB Bank. As part of the wider network of GreenToCompete Hubs globally, the best practices and

experiences being developed in Nepal are shared with partners in the Caribbean, Latin America, East Africa, and beyond. Meanwhile, Hub partner institutions continue advocating for other steps that can help Nepali agribusinesses have a better chance at growing and trading, such as better rural infrastructure and more support for value addition activities.



## LINK

Learn more about GreenToCompete:  
<https://environment.intracen.org/>

## FUNDERS

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