

Day 1

Session 1

Growing the Social Investment Market in Bangladesh

British Council: Auditorium

11:15am-12:30pm

Courtesy

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Speaker	P/A	Quotable Quotes	Action Points
Kazi M Aminul Islam, Executive Chairman, Bangladesh Investment Development Authority (BIDA), Prime Minister's Office, Government of the people's republic of Bangladesh	P	<p>I look forward to a large investment in future, taking into consideration the broader picture, including sanitation and health. It is difficult but we can do it if we give due emphasis on social enterprises.</p> <p>Irrespective of who is getting to enjoy the education, whether it is the son of a rich or poor man, a good social impact is still being created.</p> <p>If someone takes profit out of a health business, there is no problem as long as the greater social goal of providing health is met.</p> <p>Small initiatives will end up having a bigger impact. Let us take the fear out of social investment.</p> <p>My definition of investment is as follows: any investment which one does not wholly internalise is a social investment or impact investment.</p> <p>Remember that everyone is a stakeholder for social enterprises; we all want a better life. Shared missions have to have shared action and that action is creating a social enterprise.</p>	<p>This industry is still facing limited and discriminatory provisions. It happens only because we don't understand the significance or urgency of the need for social enterprises. 20% of people are below poverty line, and we need to bring them out. 2 million people are joining the labour force every year and the potential is immense.</p> <p>We've come a long way in terms of technology and integration. But it had unintended impacts as well, such as inequality.</p> <p>The president of the World Bank visited Bangladesh recently. He wanted to celebrate the historic reduction of poverty, which was made possible through inclusivity. We have a huge arsenal, in terms of market, to provide the society what it needs.</p> <p>Investment isn't necessary for profit, it can be for a social cause as well. But in order to invest you need money, so the economy needs to grow in that regard. With all the current initiatives, the growth rate will be higher which in turn will increase investment for social enterprises. The task now is to create awareness and engage people into investing.</p> <p>We are focusing on the business climate of our country. We currently stand 176th out of 189 countries. In order to improve that, we are taking into consideration every aspect of the ease of doing business. We intend to achieve a ranking below 99 within the next 5 years. We are targeting the first 10 countries, such as New Zealand for example, in terms of regimes, institutions, processes, policies. I can assure you that a lot is happening, we will see a very different Bangladesh soon; one that we haven't seen yet.</p>

			<p>Many of us from the older generations are polluted. We have to get away from all this. We should be concerned about the new generation who will recognize and understand the demand of social enterprises.</p> <p>An idea for a social enterprise can come from dreams and aspirations but it should also come from real life objective factors. Let's develop an alliance with young people and other stakeholders.</p> <p>We are the second largest producer of apples in the world and this is true because of investment. Hence, we are focusing on advocacy on behalf of investment.</p> <p>We have to have the right regulatory policies, funding and legal support to ensure that this industry flourishes.</p>
<p>Moderator: Tina Jabeen, Investment Advisor, Startup Bangladesh, ICT Division, Government of the people's republic of Bangladesh</p>	P	<p>A deeply rooted cultural issue is that we are not used to encouraging initiatives which keep failing. There will be failures but you need to stand up and go on and do it, you will get there eventually. It's the mind-set that needs to change, not just government policies.</p> <p>We need time but we can be successful. We just need to be resilient and absorb failures.</p>	<p>In a social enterprise the return is never guaranteed. 9 out of 10 such initiatives will die.</p> <p>The reason that the venture capital in US is successful is their government tax policies; the policies are friendly to entrepreneurs and investors. We have a lot to do on the government front, in terms of policies.</p> <p>We want to brand Bangladesh as a place where a lot of great initiatives are happening. We want to bring together policy makers, people from the legal and financial sectors to create an ecosystem for young entrepreneurs.</p> <p>Startup Bangladesh is going to launch formally very soon and there is going to be an accelerator to help such initiatives.</p> <p>You cannot really replicate silicon valley, it happened because it's near institutions like Stanford, and because of</p>

			government support. What we can do is take the best practices from all over the world.
Shawkat Hossain, Managing Director, BD Venture Limited, Bangladesh	P	<p>A social enterprise is supposed to serve some social issue. Whether it is a school in a slum or a large institute like Scholastica is irrelevant because they are both addressing the same problem of education. The question here is what the degree of importance being given to money and to education is. Ultimately, you have to serve both aspects. As long as it is not extremely biased towards profit or money, it can be considered a social enterprise.</p> <p>There's a missing link: software companies export their services, which shows that their products are of great quality. But local customers, such as our banks, still import from outside. We need to give our guys a chance.</p>	<p>When we started we faced great difficulty convincing entrepreneurs to buy equity because they were all aware of the debt ridden situation of the economy and did not think of us as a reliable source.</p> <p>As per law, not anybody can invest in venture capital. They must be eligible.</p> <p>Another problem is that people are only interested in the short run. They want a return in, say, 2 or 3 years.</p> <p>The bank is sitting on idle money but because there is no guarantee they back off from taking a risk.</p> <p>Impact investment is a challenge as it is viewed differently by different people. Impact is an emerging issue.</p> <p>Crowd funding is missing in our country. It's an important instrument for funding such enterprises. We are not getting the support that could be provided.</p> <p>Government is a big player but the government should decide strictly what it will do and not do. There should be role clarification.</p>
Nazmul Karim, Investment Manager, Aavishkar Frontier Funds, Bangladesh.	P	<p>Technology is important but non-inclusive technology in any business just does not work.</p> <p>Impact investment is becoming a buzz word.</p>	<p>Entrepreneurship in particular was not very exciting for most people; they wanted steady jobs and fancy colleges but the sentiment has shifted.</p> <p>Most of the startups here are ill equipped for getting any investment. If they get FDI, they have to report quarterly. Although the law has changed regarding remittance, the quarterly filing remains.</p>

		<p>Some relaxation needs to be provided regarding these administrative and legal processes. Exit regulations are different for local people and foreigners. The exit process should be such that it encourages investment.</p> <p>There are two types of funding: Market based solutions: This is when a company keeps taking investment for a long time from investors and try to grow with it. Grant based model: The enterprise keeps attracting grants till it can plough back profits and grow organically.</p> <p>Abroad, it starts with an early call from angel investors and then other investors come in. This whole cycle has to develop in Bangladesh.</p> <p>There should be an incentive structure for both entrepreneurs and initiatives so we have a fully functioning ecosystem.</p>
Anika Gazi Rahman,	p	<p>The issue of the quarterly report comes in whenever there is foreign investment. In order to ensure a transparent regulatory system, the requirements need to change.</p> <p>In Bangladesh people are very aware of protecting their trademark. Recently copyrighting has become very popular, even patenting software has become an issue.</p> <p>What we were told is that the government is actively looking into creating a legal environment where we have the hybrid profit and non-profit entities in the same scope.</p> <p>There are some indicators in the alternative investment policy. They are: social, environmental, beneficial and global.</p>

SESSION IN BRIEF

Discussion points

The broader point of discussion was the emerging social market in Bangladesh, the challenges we are facing in terms of investment and how to overcome them. The moderator and the panellists consisted of people from the government sector, financial sector and legal sector. Hence, the discussions were thorough in terms of the legal and financial aspects of the issue of social investment. Moreover, the involvement of government policies in this area was also discussed.

Recommendations

People should be made aware of the idea of social investment. Once that is done, they can be encouraged to do so with the help of relaxed government policies. There should be a legal framework which supports such investments. Instruments such as crowdfunding could be a game changer for this country. Lack of trust on social entrepreneurs and a mentality and culture that disfavours social enterprises need to be erased.

Outcomes