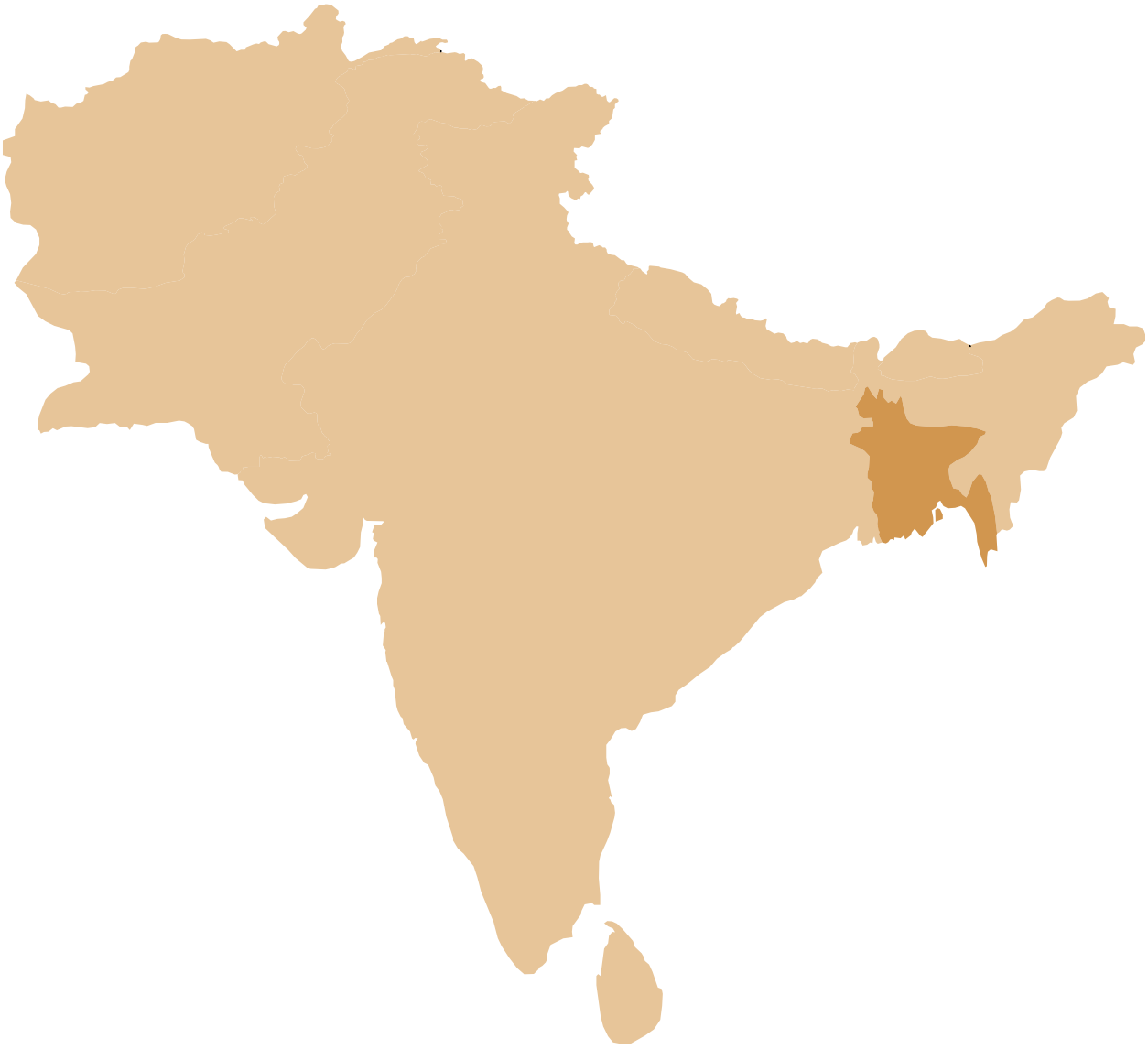


Social Enterprise Ecosystem
Country Profile

BANGLADESH

WORLD BANK GROUP

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 Intellecap 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.

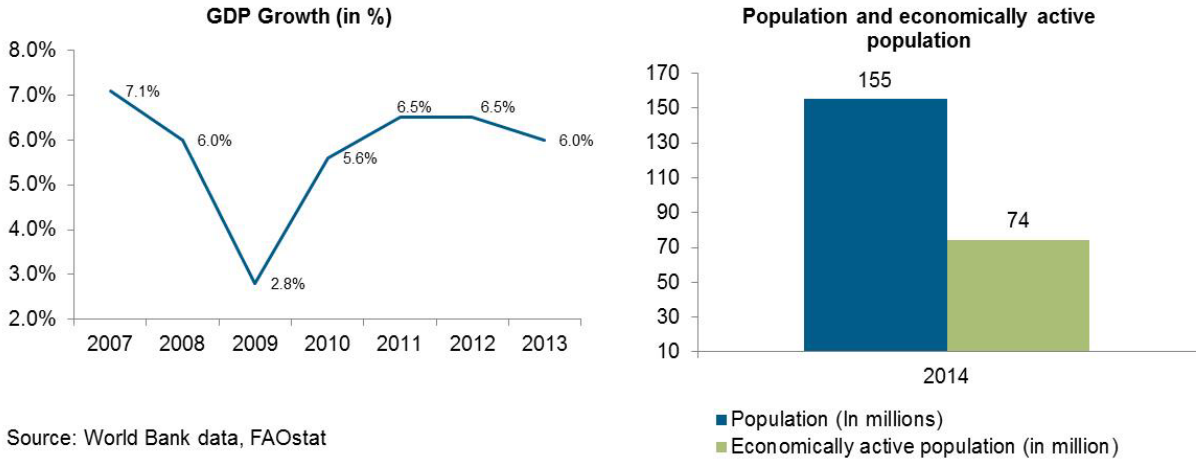
BANGLADESH

Contents

1. Introduction

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.1 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.2

Figure 1. GDP growth and population



Source: World Bank data, FAOstat

Bangladesh has grown at an average rate of more than 6 percent in terms of GDP in the last 3-4 years.3 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 indictors 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.4 Political uncertainty and conflict, corruption, labor issues such as strikes and bandhs (a form of political protest), and lack of basic infrastructure such road networks, are some of the key reasons that inhibit socio-economic growth in the country.

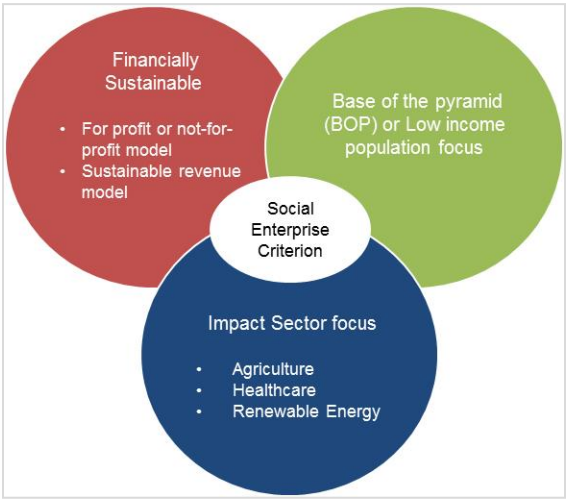
[1] FAO of the UN, FAO Stat Data 2013
[2] CIA world fact book, 2014 data
[3] World Bank development indicators, 2013
[4] Rural poverty in Bangladesh, Rural Poverty portal, IFAD

2. Methodology for Analysis of the SE Sector

While being cognizant of these challenges on definition and perception, this report aims to cover all the enterprises that meet the following criterion:

- **Financially sustainable**: The social enterprise (SE) operates as an independent registered business and can be either for-profit or a not-for-profit established on a financially sustainable revenue model.
- **Focus on social impact at base of the pyramid (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.

Figure 2. Criterion for SEs



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

The ecosystem in which SEs operate refers to interdependent networks of individuals and organizations (actors) and the influencing enterprise environment that act upon those networks, leading to a variety of actors. To this extent, the ecosystem is comprised of enabling or constraints conditions setting the parameters by which SEs operative. Many of these ecosystem conditions result from the decision or behavior of actors or from interactions of actors within the ecosystem and are indeed critical as these can shape the creation, sustainability and scale of SEs. The SE ecosystem was analyzed using framework covering four key dimensions: 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 3. Dimensions for analysis in this report

This sector-level assessment 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 to create impact on low-income populations. 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.

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

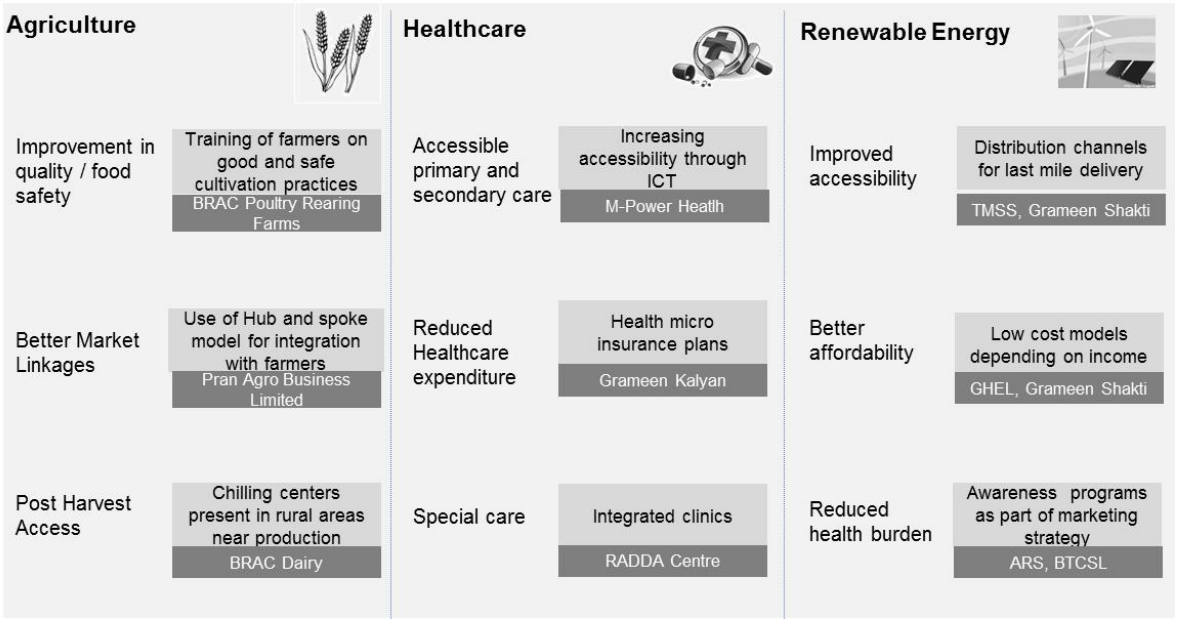
Based on key findings of the ecosystem assessment, sector- and firm-level assessment, key insights and recommendations have been developed and reviewed with ecosystem stakeholders, social entrepreneurs and sector experts. The main study *(*"Social Enterprise Ecosystems in South Asian Association for Regional Cooperation Countries") and the associated country profiles provide an overview of opportunities in the SE space across the SAARC region and deeper insights across the three focus sectors of 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 are 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 of the critical needs of the BOP and impact areas in a sector, but only the promising, potentially high-impact areas for SEs.

3. SEs in Bangladesh—An Overview

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 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 in one location. Grameen Shakti, a renewable energy SE, has introduced a micro-utility model at very low cost to reach poor people who cannot afford a Solar Home System individually. Figure 4 lists innovative business models across the focus sectors in Bangladesh and some examples of SEs pursuing these models.

Figure 4. Innovative business models in Bangladesh



Source: Intellecap analysis

Case 1 describes a company that provides market access and technical training to farmers in the dairy sector.

Case 1: 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 a successful SE. The company provides a direct link 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 very 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 poor and remote rural areas are operational to ensure income sustenance for farmers even though these centers may accumulate 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, among others.

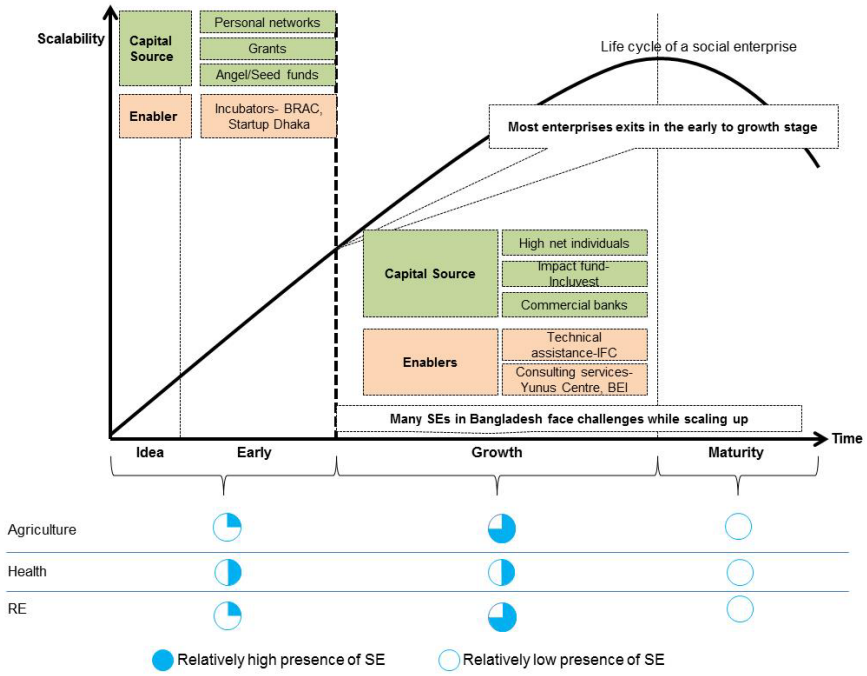
Case 2 describes the issues faced by an enterprise providing solar PV home systems and products to low-income populations.

Case 2: Examining the case of an enterprise providing solar products in Bangladesh
A well-known solar company in Bangladesh had to recently curtail their operations because 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 not-for-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 a majority of the not-for-profit enterprises in the solar PV segment made it difficult for this company to make their products affordable despite having a proven technology and quality product.

Given that organizations such as 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 low-income customers in the healthcare segment, since 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 5. 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 the 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.

4. Ecosystem Assessment

Landscape | Policy | Capital | Enablers

The concept of SE in Bangladesh is well understood due to the activity of organizations such as BRAC and Grameen. Both for-profit and not-for-profit models of SEs are present across the impact sectors.

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 not-for-profits organizations that operate as a non-loss, non-dividend business that do not return money to investors[5]; BRAC enterprises typically focus on financial sustainability and are profit oriented organizations where the profits are reinvested into philanthropic or social activities.[6] Majority of the SEs incubated by BRAC or Grameen essentially were created out of various social projects and programs started by these organizations. As operations of these programs scaled up with time, they were registered as a separate business identity either as for-profit or not-for-profit enterprises.

[5] M. Khalid Shams (2009), Building SEs as Business Ventures
[6] Intellecap interviews with key stakeholders and sector experts

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 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 not-for-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.[7] 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 and SMEF aim to encourage the development of small businesses in the country; however, specific policies relating to SEs in the country are presently missing.

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.[8]

Table 1. Policies and projects to support for-profit SEs in Bangladesh

Policy/Projects	Objectives
Bangladesh Bank Credit Policies[9]	• 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	• 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 • 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	• Identifies commercial private sector as key to implement food security, improve land productivity, and ensure profitable and sustainable production

[7] Ease of doing business in Bangladesh 2015 report, The World Bank Group
[8] Transparency International of Bangladesh 2005: Corruption in Bangladesh: a household survey, Intellecap interview with relevant stakeholders
[9] Small and Micro Enterprises (SMES) Development in Bangladesh, Kazi Iqbal et al, 2010

Policy (NAP)[10]	• Creation of partnerships between various key stakeholders such as the Government, Private sector, NGOs, farm organizations and other civil society organizations
Renewable Energy Policy, 2009[11]	• 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 2011[12]	• 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

Landscape | Policy | **Capital** | Enablers

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

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 the most preferred destinations for many impact investors in the country.[13]

Table 1. Sources of capital for SEs in Bangladesh[14]

Investor type	Investors
Angels/Seed	• Venture Investment Partners Bangladesh Ltd
Donor/ Development Institutions/ Foundations	• 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	• Tiger Capital Partners, BD Ventures Limited, SEAF Bangladesh Ventures. Incluvest, Brummer & Partners, Tindercapital

[10] A synthesis of agricultural policies in Bangladesh, Ministry of Agriculture, Government of Bangladesh, 2006
[11] RE Development Initiatives in Bangladesh, SREDA 2014
[12] Health Policy 2011, Ministry of Health & Family Welfare, Government of the People's Republic of Bangladesh
[13] The landscape for impact investing in South Asia, GIIN, 2014, Intellecap interviews with relevant stakeholders
[14] Note- Sources of finance are not for SEs exclusively

Banks/Others	• There are various banks and MFIs to provide loans including: [15] – 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.

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 2. Incubators and other enablers active in Bangladesh

Incubator type	Enterprise
Incubators/ Accelerators	• Grameen Group , BRAC, Open Accelerator, Team Engine, Startup Dhaka
Advisory Services	• Bangladesh Enterprise Institute, LightCastle Partners, Yunus Centre, Light Castle
Technical Assistance	• 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 the country, whereas Health Sector Development Program is aimed to improve healthcare delivery services for the poor through increased private sector participation.[16]

5. Sector-Level Assessment

This section covers sector-level assessment of the SE activity in Bangladesh across the agriculture, healthcare and renewable energy spaces. Each sector assessment study includes a detailed description

[15] Annual report 2013-14, Bangladesh Bank
[16] World Bank: Bangladesh projects, available at http://www.worldbank.org/en/country/bangladesh/projects/all,

of the presence of SEs across the sector's value chain and the critical needs that these SEs are trying to address to create an impact on the low-income population group in the country.

5.1. Agriculture Sector

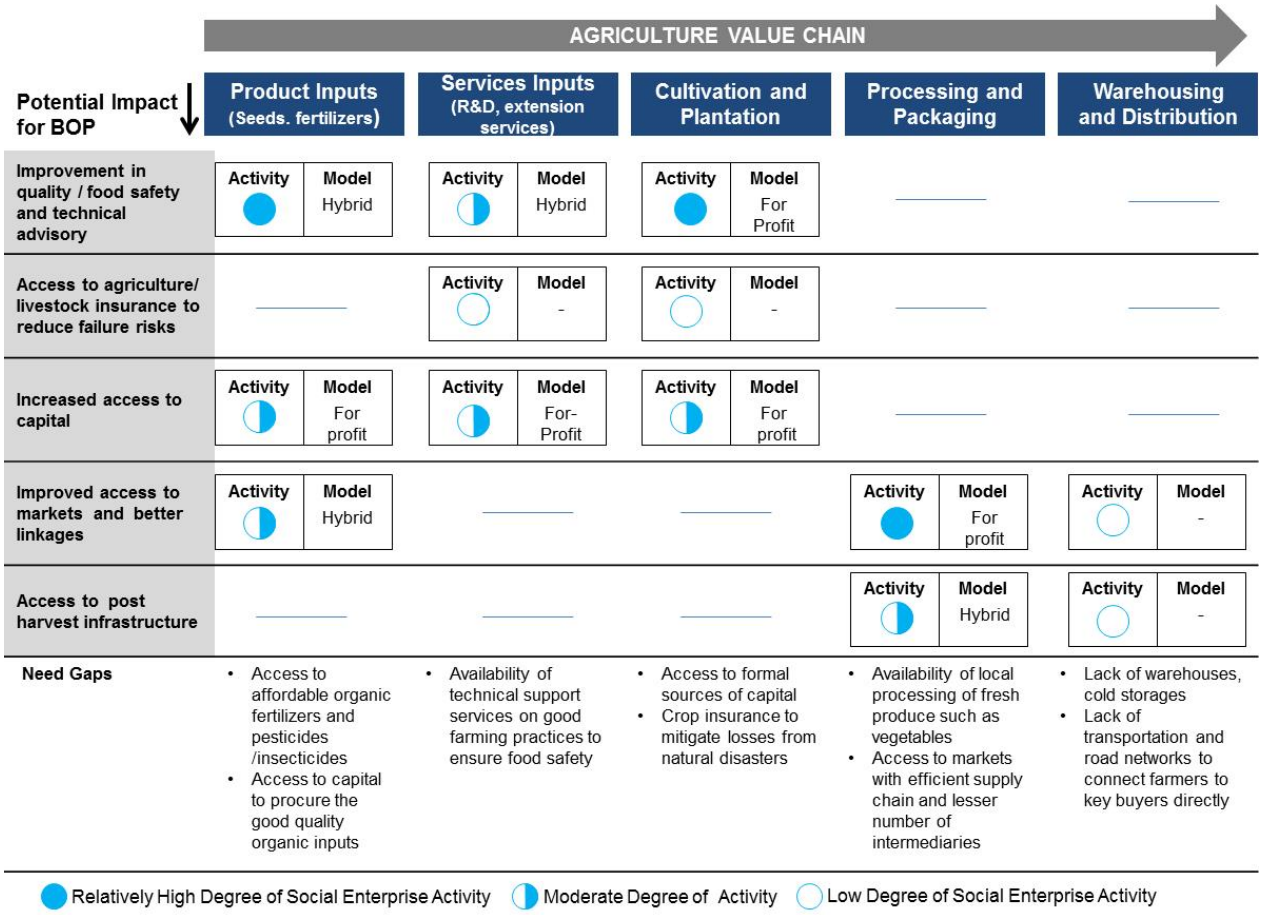
Agriculture plays an important role in Bangladesh's economy, more crucially providing employment and source of livelihood to a significant portion of its population. Agriculture productivity in terms of crop yield per acre and livestock yield has improved substantially in the last few decades with the country becoming self-sustainable in food production and less dependent on imports. Strong presence of the private sector and supporting government policies and projects on the pre-harvest value chain such as provision of inputs in terms of seeds, fertilizers and extension services have led to this improvement in productivity. However the country still struggles on the post-harvest value chain activities due to inadequate processing, warehousing and transportation network. Further the average farm area cultivated in Bangladesh is only 0.5 hectares with small farmers representing nearly 95 percent of the total population holding 70 percent of the cultivated area.[17] This makes it difficult to achieve economies of scale through aggregation of agriculture produce.

Most of the SE activity is focused toward improving agriculture productivity through provision of inputs and advisory services. There is considerable SE activity in the livestock and dairy post-harvest value chain of processing and packaging.

Bangladesh has improved considerably its agriculture productivity, with many key indicators such as Cereal yield nearly doubling from 2200 kg per hectare in early 1990s to nearly 4400 kg per hectare in 2013. Similarly the production of livestock items such as meat and poultry, aquaculture production and milk production has increased substantially in the last few decades. The role of the private sector has also been very critical in this success. A number of Shave emerged in the input segment providing quality seeds, livestock feed and other inputs to improve the farm or livestock productivity. For profit organizations such as ACI Agribusiness and not-for-profits such as Proshika Manobik Unnayan Kendra provide high quality seeds/saplings with proper training to improve farm productivity. For profits such as ERAS Phosholer Pran provide advisory services to smallholder farmers on new products and services to improve farm productivity. Similarly not-for-profit Grameen Krishi (Agricultural) Foundation aims to introduce new irrigation technology to raise farm production. In the livestock segment, BRAC Artificial Insemination offers 'door-to-door' artificial insemination services and technical training to farmers. BRAC Poultry Rearing Farms supplies high quality chicks at a competitive price to smallholders and provides technical support via their poultry extension program.

[17] Smallholder Farming in Asia and the Pacific: Challenges and Opportunities, IFAD 2011

Figure 6. SE landscape in agriculture sector in Bangladesh



Source: Insights from relevant stakeholders, Intellecap analysis

SEs in Bangladesh are also increasing efficiencies in the post-harvest segment of agriculture by providing market linkages to the farmers. However their activity seems to be largely concentrated in the livestock, aquaculture and dairy segments with less presence in the fresh produce segments of horticulture as well as in the crops segment. For instance, for-profit Shiblee Hatchery & Farms Ltd. supplies farmers with hatchlings, technical advice and assistance to access finance and equipment, while providing a secure market for their fish produce. Similarly BRAC Dairy has established chilling centers in many rural pockets to provide market access to small milk farmers. Access to capital for farmers is usually available through various channels such as MFIs and through large processors. However access to capital is a challenge for small holding farmer groups in the country.

There are potential opportunities for SEs in crop insurance, improved access to post-harvest infrastructure, and improvement in market linkss for fresh produce items such as vegetables.

The landscape in the agriculture sector is vibrant but there are a few areas that hold potential for SEs. Bangladesh is a flood prone country and faces issues related to pests and insects affecting the final produce. Many farmers in the country are thus susceptible to crop failures and destruction thereby impacting their income. Crop insurance could provide a possible safety against such hazards and situations. Also, SEs may offer technical assistance and advisory on use of organic fertilizers and pesticides as well as train farmers on the ill effects of using chemicals such as formalin for preservation to expand their operations. Opportunities for SEs are also seen in the processing, packaging and warehousing segments (including cold storages) of fresh produce items specially vegetables given that

post-harvest loss ranges from 23 percent to 43 percent in fruits and vegetables due to poor handling during harvesting, transportation and lack of storage facilities.[18]

There is a significant presence of SEs in the agriculture sector in Bangladesh but these enterprises face several challenges in managing their operations and expanding their outreach. Firstly, SEs find it difficult to raise capital from foreign investors given the lack of clarity on the PE/VC regulation, minimum capital requirements, or reporting. Secondly, a few segments such as fertilizers and seeds are largely dependent on government subsidies and grants for ensuring financial stability. Thirdly, lack of infrastructure facilities such as road and transportation network, erratic power supply and post-harvest infrastructure (cold storages and warehouses) impede the SE activity in the country.

5.2. Healthcare Sector

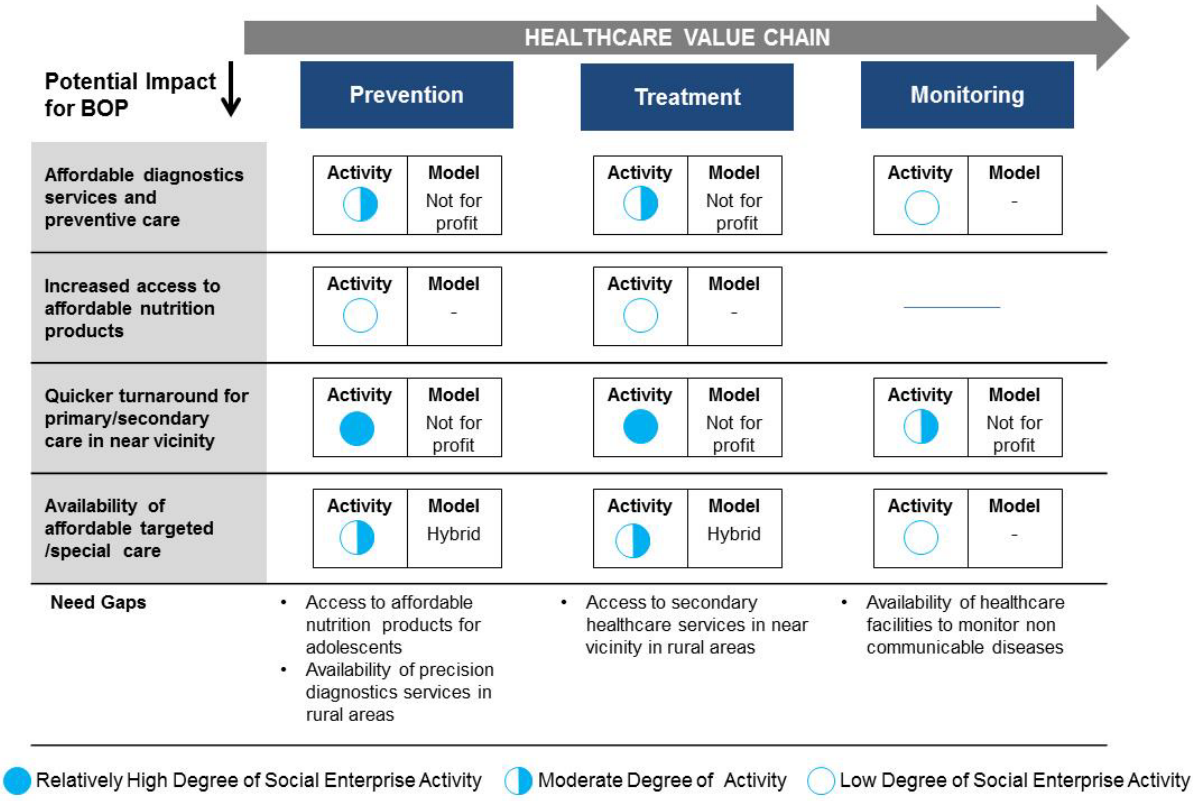
Good outreach of not-for-profits SEs, NGOs/charities and donor/aid programs in coordination with government support has assisted Bangladesh to perform well on several healthcare indices. The country has outperformed its neighbors in the area of maternal and child health, with maternal mortality dropping by nearly 75 percent in the last few decades, infant mortality reducing by 50 percent, and life expectancy increasing to nearly 71 years, one of the highest in SAARC region.[19] However government's health expenditure in Bangladesh is only around 1.3 percent of the GDP (comparable to other SAARC nations) indicating a key role for other players in improving the healthcare system. The limitation of the government in reaching out to rural areas with very low accessibility to transportation and road network has attracted a number of SEs to the sector. Though the healthcare sector is traditionally dominated by not-for-profits SEs, NGOs and charities a few for-profit and financially sustainable models have started to emerge in the last few years.

The majority of SE activity in the sector is concentrated in the primary and secondary healthcare delivery segment with a focus on both rural and urban poor populations.

SEs in Bangladesh mainly operate in the primary and secondary healthcare delivery segment with a focus both on rural and urban areas serving the low-income population groups. For instance SEs such as Dushtha Shasthya Kendra and Grameen Health Care Services Ltd. provide primary and secondary health care services to both urban and rural poor. SEs such as Kumudini Hospital provides free health advisory services and low cost surgical procedure while maintaining high quality and service standards. Majority of these SEs follow the not-for-profit model and provide services at very low or subsidized costs and thus are dependent on external infusion of capital to maintain their operations. A few for-profit models of SEs that utilize information technology and mobile communication have recently been established in the country. SEs such as m-power have developed platforms to equip health workers with devices that can be used to connect patients to doctors for remote diagnosis and advice.

Figure 7. SE landscape in healthcare sector in Bangladesh

[18] UnB Dhaka (2011), Tk 3,442cr annual loss for fruit, vegetable wastage: Study, available at http://archive.thedailystar.net/newDesign/news-details.php?nid=205621
[19] World Bank Development indictors 2013



Source: Insights from relevant stakeholders, Intellecap analysis

A few not-for-profit SEs such as Grameen Kalyan and Gonoshasthaya Kendra provide healthcare insurance services at low insurance premiums that help low-income population to meet their healthcare expenditure. Targeted and special care health services have recently emerged in the country with a few enterprises such as AMCARE-Diabetes Management providing affordable consultation services.

Accessibility to nutritional food products for children and affordable targeted/special care for monitoring patients has good potential future for SE development.

Though Bangladesh has improved on various indicators on infant and maternal healthcare, child malnutrition remains one of the key healthcare challenges. Nutritional products and fortified food provide good avenues for SEs in the country. Also, there is growing risk of non-communicable diseases, including cardiovascular and metabolic diseases such as diabetes that are on the rise in the country.[20] Poor water and sanitation conditions in the urban slums where nearly a third of the city population resides are sources of communicable and water borne diseases. Potential opportunities for SEs are present in the affordable targeted or special care services for non-communicable diseases, diagnostics services and preventive care for water borne disease especially in the urban slums.

The healthcare sector in Bangladesh has been dominated by not-for-profit organizations, charities and government healthcare facilities that provide services and medicines at very low or free of cost. Over time this may have led to a low willingness in low-income customers to pay for product or services. Hence it may be difficult for 'for-profit' SEs in Bangladesh to sustain their operations in the healthcare delivery or drugs space. Majority of these not for profit organizations are dependent on either grants or donations to sustain their operations and do not have a proven revenue model to ensure financial

[20] Mark Tran 2013, Healthcare in Bangladesh soars despite widespread poverty, available at http://www.theguardian.com/global-development/2013/nov/21/bangladesh-healthcare-poverty-lancet-study

stability. Also given the perceived low level of intellectual property right protection in the country SEs may face challenges in developing innovative low cost nutritional products.

5.3. Renewable Energy (RE) Sector

Nearly 45 percent of the population in Bangladesh does not have access to grid electricity.[21] Even for the grid connected population, reliability and quality of electricity supply is an issue. Moreover, majority of the population uses traditional sources such as straw, jute stick, animal dung and firewood to meet their energy requirements for cooking and for heating. These traditional sources are the key sources of household pollution and are also responsible for increasing the disease burden related to respiratory diseases in the low-income households. Bangladesh has a good renewable energy potential in solar power and wind energy to meet its power requirements. To meet the energy requirements of the 'off-grid' population, many SEs with the support of government institutions such as Infrastructure Development Company Limited (IDCOL) have emerged in the last 10 years. The solar home system program by IDCOL has seen remarkable growth in the last 10 years covering nearly 13 million beneficiaries or around 9 percent of the total population of Bangladesh.[22]

The SE landscape is well-developed. Many enterprises are active in the off-grid solar products and solar PV segments, providing last-mile energy solutions at affordable financing options for low-income households.

SEs offering solar PV home systems and solar products such as irrigation pumps are tying up with IDCOL and MFIs to offer affordable pricing mechanisms such as low interest loans to the low-income households. TMSS Renewable Energy provides Solar Home Systems to rural people at an affordable cost with a soft loan facility tie-up with local MFIs in the region. Bright Green Energy Foundation provides these products to rural people through an innovative financing mechanism in tie-up with commercial banks such as Grameen Bank. SEs are also setting up mini solar grids and bio-gas plants to ensure power supply and clean energy in rural areas. IDCOL has set up domestic bio-gas program and solar mini grid project to promote SE activity in these segments.

Potential opportunities for SEs could be investigated in clean cook stoves, solar irrigation pumps and setting up mini/micro grids using solar power.

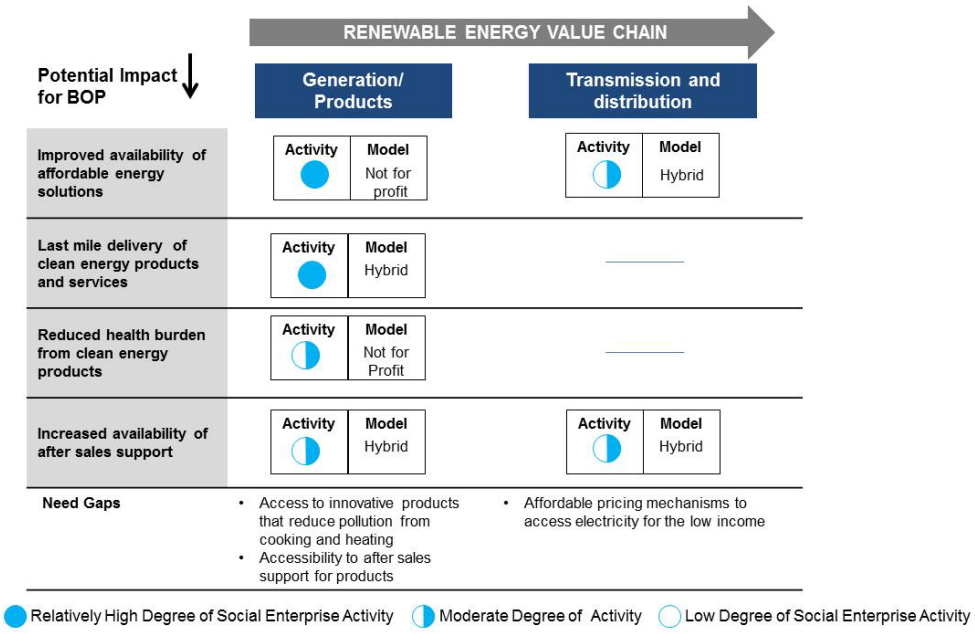
Traditional bio-mass is largely used in rural areas of Bangladesh to meet the energy requirements for cooking and heating. However the usage of such products leads to high air pollution that could lead to respiratory disorders and in turn increase healthcare expenditures. SEs in the country can use the opportunity to promote clean cooking stoves by increasing customer awareness.

Similarly there is a good scope for promoting solar irrigation pumps in the country coupled with supportive financial plans. SEs can also investigate the mini/micro grids using solar power segment and design innovative payment mechanisms to ensure affordability of the services.

The majority of the SEs in the renewable energy sector are not-for-profit enterprises that tie-up with MFIs and other financial institutions to provide low cost financing options for low-income population. In the last few years many such enterprises have emerged in the country leading to intense competition in the solar PV and products segment and further impacting the revenues of the enterprises. Given the not-for-profit focus of many enterprises, for-profit models with focus on financial sustainability may find it difficult to operate and scale-up in the country.

Figure 8. SE landscape in renewable energy sector in Bangladesh

[21] World Bank development indicators 2010
[22] IDCOL, Solar Home System Program , available at http://idcol.org/home/solar



Source: Insights from relevant stakeholders, Intellecap analysis

6. Conclusions and Recommendations

The concept of SEs 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 not-for-profit organizations, especially in the healthcare and renewable energy sectors, and there are several not-for-profit models where SEs have focused on financial sustainability to reduce dependency on external sources such as grants and donations.

In Bangladesh, there is a high SE activity and presence of growth stage SEs across all the three research sectors (agriculture, healthcare and energy), the highest among all seven countries studied. The following figure provides a snapshot of the areas SEs are trying to address across these sectors.

Figure 9. Key impact areas addressed by SEs

Agriculture	**Healthcare**	**Renewable Energy**
▪ Improvement in quality/food safety and technical advisory ▪ Increased access to capital ▪ Improved access to markets	▪ Affordable diagnostics services and preventive care ▪ Quicker turnaround for primary/secondary care in near vicinity ▪ Availability of affordable targeted/special care	▪ 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

While there are several potential interventions to promote and develop the SE ecosystem in Bangladesh, the following key areas have emerged from the study:

- Promote the development of the SE ecosystem by the government and other key actors by **clearly defining SEs** in both for-profit and not-for-profit sectors, focusing on the following attributes of 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 the 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.

- **Channel targeted grant funding and other financing mechanisms to support the development and growth of SEs.** The donor community could provide targeted funding to SEs linked to specific development challenges and prevailing social issues. For instance, in the renewable energy segment, for-profit SEs may struggle to compete given the large presence of not-for-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.

- Promote partnership and collaboration between government, donor community and SEs, especially in the energy or health sector. There is an opportunity to promote **B2B models with government or international aid agencies** as key customer segments to ensure financial sustainability for the SEs active in the sector.

- Identify and pilot the development of innovative business models to address increasing challenges around climate change and extreme weather conditions and support the adaptation of technology suitable to the Bangladesh climate.

- The pre-harvest value chain in the agriculture sector is well-developed. However, 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.

7. Annex

7.1. 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 Intellecap's database on a similar study conducted from March to July 2014	
Pakistan	
Saima Irtiza and Noor Ullah	Acumen Fund
Fiza Farhan	Buksh Foundation
Kalsoom 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	Bimputh Finance
German Mueller	GIZ

7.2. 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 'not-for-profit' model? Why is one model preferred over the other? Do the not-for-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 'not-for-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/assess 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 'not-for-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 'not-for-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