# Bangladesh Impact Investment Strategy and Action Plan



NATIONAL ADVISORY BOARD
for Impact Investment in Bangladesh

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# Bangladesh Impact Investment Strategy and Action Plan

# Stakeholders & Background of the Bangladesh Impact Investing Strategy & Action Plan (BIISAP)

## National Advisory Board (NAB) for Impact Investment in Bangladesh

The National Advisory Board (NAB) for Impact Investment in Bangladesh (https://nabbangladesh.org/) (https://gsgii.org/nabs/bangladesh/) was founded in August 2018. With a view to facilitate the growth of the Bangladeshi impact investing ecosystem, the NAB became a member of Global Steering Group (GSG) for Impact Investment in October 2018. To ensure a planned and effective development of the ecosystem, the NAB recommended developing the Bangladesh Impact Investment Strategy and Action Plan (BIISAP) as part of the next phase of solidifying the strategy for the wider impact investment ecosystem. In addition, NAB Bangladesh is the first NAB globally, to translate the 'On Impact' document from English to a local language. The original document was published by the GSG and NAB Bangladesh published the Bangla version to facilitate a better understanding of Impact Investment at a local level.

# Global Steering Group (GSG) for Impact investment

To solve some of the world's most pressing social and environmental challenges, the GSG was established in the United Kingdom (UK) in August 2015. Led by Sir Ronald Cohen, the organisation brings together leaders from finance, business, and philanthropy sectors. The GSG presently has 33 member countries including the European Union (EU). The GSG is an independent organisation that catalyses impact investment and entrepreneurship to benefit people and the planet.

# Embassy of Switzerland in Bangladesh

Switzerland aligns its priorities in economic and international cooperation in Bangladesh with the Agenda 2030 for Sustainable Development Goals and the 8th Five-Year Plan of the Government of Bangladesh. Inspired by the vision of leaving-no-one-behind, the Swiss Cooperation Programme for Bangladesh 2022-25 has a strong focus on promoting inclusive and sustainable growth and contributes to the international humanitarian response to the Rohingya refugee crisis. With this aim, Switzerland further addresses and includes governance and human rights in the way they work and engage with partners in Bangladesh. Switzerland is proud to partner with the National Advisory Board for Impact Investing in Bangladesh and to support the development of the Bangladesh Impact Investment Strategy Action Plan. Impact investment is about leaving no one behind while leveraging the potential of the private sector to be a game changer for sustainable development. To learn more, please visit the Embassy of Switzerland's website and follow on social media.

# Bangladesh Impact Investment Strategy Action Plan (BIISAP)

The key focus of the BIISAP is to promote increased understanding and advocacy while providing more structured pathways of scaling up the impact investing ecosystem in Bangladesh. The BIISAP identifies key areas of intervention needed to unlock the full potential of impact investing in Bangladesh, while also outlining the potential roles of key players and stakeholders in implementing the range of recommended actions and strategies. The goal is to support increased social and environmental development by further supporting the creation of an inclusive impact investing ecosystem in Bangladesh.

As a baseline context, this initiative builds on the 2020 study by NAB Bangladesh - *Policy Landscape Analysis: Impact Investment in Bangladesh* which depicted an overview of the impact investment landscape in Bangladesh. The study was done in partnership with the British Council, United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Embassy of Switzerland in Bangladesh, while Build Bangladesh coordinated and managed the study including liaising with all stakeholders and the local consultant, Light Castle Partners.

## Disclaimer

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The contents of this work are intended for the NAB as a strategic assistance for policy implementation and are not intended to constitute legal, securities, or investment advice, an opinion regarding the appropriateness of any investment, or a solicitation of any type.

The work was commissioned in January 2021. Due to the COVID-19 global pandemic, most of the stakeholder interviews and workshops were conducted through online video conferencing platforms. Each respondent received background information and briefing on the study prior to the interview and was encouraged to give open and honest answers.

December 2021

**Designed by**
Alvi Muhtasim

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# ACKNOWLEDGMENT

Bangladesh Impact Investment Strategy and Action Plan (BIISAP) has been prepared by the National Advisory Board (NAB) for Impact Investment in Bangladesh with the generous support from the Embassy of Switzerland in Bangladesh and Build Bangladesh. Roots of Impact and LightCastle Partners were appointed as the consultants to provide strategy support and recommend implementation guidelines compiled through stakeholder consultations.

The initiative was led by Arastoo Khan (Member Secretary, NAB) with extensive support from Farhad Reza (President, Build Bangladesh) and Ameena Chowdhury (Programme Manager, Embassy of Switzerland in Bangladesh).

Gratitude and appreciations are extended to Sustainable Financing Department at Bangladesh Bank; Economic Relations Division, Ministry of Finance, Government of Bangladesh; Bangladesh Securities and Exchange Commission; Startup Bangladesh Limited, Information and Communication Division, Government of Bangladesh for their active participation and support to the initiative.

Thanks and appreciations are also extended to the Global Steering Group (GSG) for impact investment; BRAC; Truvalu; United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP); Global Impact Investing Network (GIIN); Impact Investment Exchange (IIX) for sharing their experiences in Bangladesh as well as the South Asian impact investing arena.

The BIISAP also benefited from valuable contributions from peer reviewer at Roots of Impact. Special thanks go to YGAP Bangladesh, Bangladesh Angels Network (BAN) for their research support.

# List of Acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| AUM | Assets Under Management |
| BB | Bangladesh Bank |
| BD | Bangladesh |
| BEZA | Bangladesh Economic Zones Authority |
| BFP-B | Business Finance for the Poor in Bangladesh |
| BIDA | Bangladesh Investment Development Authority |
| BIISAP | Bangladesh Impact Investment Strategy and Action Plan |
| Bn | Billion |
| BSEC | Bangladesh Securities and Exchange Commission |
| CSR | Corporate Social Responsibility |
| DFI | Development Finance Institution |
| ERD | Economic Relations Division |
| EU | European Union |
| FBCCI | Federation of Bangladesh Chambers of Commerce and Industry |
| GDP | Gross Domestic Product |
| GIIN | Global Impact Investing Network |
| GoB | Government of Bangladesh |
| GSG | Global Steering Group |
| ICT | Information and Communication Technology |
| IDLC | Industrial Development Leasing Company |
| IFC | International Finance Corporation |
| IIX | Impact Investment Exchange |
| IMM | Impact Measurement And Management |
| IR | Investment Readiness |
| IRMF | Impact Ready Matching Fund |

| | |
|---|---|
| KII | Key Informant Interview |
| MCCI | Metro Chamber of Commerce and Industries |
| Mn | Million |
| NAB | National Advisory Board |
| NBFI | Non-Bank Financial Institution |
| NGO | Non-Governmental Organisation |
| OECD | Organisation for Economic Co-operation and Development |
| PPP | Public Private Partnership |
| RMG | Readymade Garment |
| ROI | Roots of Impact |
| RSA | Revenue Sharing Agreement |
| SDG | Sustainable Development Goal |
| SIINC | Social Impact Incentives |
| SME | Small and Medium Enterprise |
| UK | United Kingdom |
| UN | United Nations |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| US | United States |
| USD | United States Dollar |



# Foreword by NAB Chair

The Bangladesh Impact Investment Strategy and Action Plan (BIISAP) is a living document that sets the roadmap and implementation strategy to shape the future of the impact investment ecosystem in Bangladesh. As a precursor to the BIISAP, the National Advisory Board (NAB) for Impact Investment in Bangladesh released the 'Policy Landscape Analysis: Impact Investing in Bangladesh' in 2020 with the generous support of British Council - Dhaka, Swiss Agency for Development and Cooperation, and UNESCAP. The landscape report was a baseline study, gathering information from both primary and secondary sources to identify the strengths, weaknesses, opportunities and threats (SWOT) to devise a blueprint for the development of the BIISAP. The prior study also suggested six recommendations for the NAB to consider while developing the BIISAP.

Investments plays critical role in both the economy and society. Profit motif plays the central role behind traditional investment. This profit-making approach of traditional investment has been inadequate to solve the increasing social and environmental challenges of modern world. The role of charity, philanthropy, and non-profits has also been limited in providing sustainable solutions to these negative social and environmental externalities. Impact investment positions itself as the hybrid of these two extremes. It is a model that creates the opportunity for investment to generate measurable social and environmental impact alongside financial gain. It is a paradigm shift from a Risk-Return model of investment to a Risk-Return-Impact model of investment with an aim to marshal increased levels of investment from responsible and enlightened investors which positively impact people and planet.

Bangladesh is one of the fastest-growing economies in Asia and has been laying down the footing for impact investing. With the introduction of Alternative Investment Rules in 2015, the Bangladesh Securities and Exchange Commission introduced rules and regulations to accommodate registering and launching venture capital, private equity and impact funds in the country. Since then, the government played a proactive role -fiscal incentive by reducing stamp duty significantly for the overseas impact investors, providing investments in impact funds the same benefits as applicable in green financing, requiring scheduled banks and Fis to allocate 5% of their portfolio investment in impact projects - in developing the impact investment market.

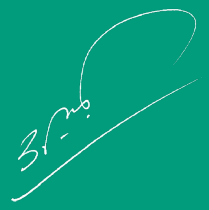
The National Advisory Board (NAB) for Impact Investment in Bangladesh - established in 2018 is working to support the prevailing government policies while creating a conducive environment for the impact investment to thrive in the country. The NAB Bangladesh tasked its secretariat - Build Bangladesh, the private sector pioneer leading the impact investment movement in Bangladesh, to formulate a strategy and action plan to shape its vision for the impact economy and to work out how to make the vision, a reality. The Global Steering Group (GSG) led by Sir Ronald Cohen is the frontrunner in driving the impact investment movement across the world. Currently, GSG has

33 member countries plus EU, of which the NAB Bangladesh is the 19th member country. NAB Bangladesh continues to receive guidance and directives from GSG in staying on-track with global best practices.

The BIISAP provides detailed guidelines for the key areas of intervention needed to unlock the full potential of impact investment in Bangladesh. A combination of secondary research, and primary research through in-depth interviews, and interactive, inclusive workshops among relevant stakeholders were conducted to gather data and intelligence. The thorough analytical approach of this document identifies the potential roles of key players and stakeholders and outlines what they can contribute towards each of the recommended actions and steps. It is hoped that this guiding document will be helpful in increasing momentum among impact builders, impact enterprise and impact investors.

The BIISAP is made possible with the generous support of the Swiss Agency for Development and Cooperation (SOC). I would also like to express my sincere gratitude to all stakeholders interviewed. It will be a remiss if we do not mention Build Bangladesh, LightCastle Partners and Roots of Impact for their commendable contribution in developing this document. Thanks to GSG for extending their support in improving the document.

I sincerely believe, this document will get favorable response from the stakeholders and general readership. This is the beginning of a new journey for Bangladesh to ensure our graduation from the UN's Least Developed Countries (LDC) list in 2026. Thank You.



**MD. Sirazul Islam**
Chair
National Advisory Board (NAB) for Impact Investment in Bangladesh
Executive Chairman
Bangladesh Investment Development Authority (BIDA)
Prime Minister's Office



# Foreword by Sir Ronald Cohen

The Bangladesh National Advisory Board (NAB), part of the Global Steering Group for Impact Investment (GSG), is contributing to the advance of the impact movement. Its Bangladesh Impact Investment Strategy and Action Plan (BIISAP) is vital to increasing awareness of impact investment and commitment for active engagement in Bangladesh.

Addressing inequality lies at the heart of the challenge in achieving the Sustainability Development Goals, which the Bangladesh Government has committed to achieve by 2030. The Covid-19 pandemic is likely to leave a lasting negative effect on the country's exports, remittances, and domestic demand, leading to a significant increase in unemployment, especially in informal sectors. While the Bangladesh Government has already taken several steps to support impact investment to speed recovery, much more needs to be done in terms of policy and regulation.

In order to achieve an impact investing economy, the NAB, through BIISAP, will facilitate partnerships, awareness and action in Bangladesh's impact investing arena, while communicating globally through the GSG with impact investment stakeholders, governments and their agencies.

I very much hope that the wide consultative process which has led to the creation of BIISAP will greatly boost momentum in Bangladesh to improve lives and the environment at scale. I wish you great success with all your efforts!

Ronnie



**Sir Ronald Cohen**
Chair, Global Steering Group for Impact Investment



# Foreword by Cliff Prior

Impact Investing is a rapidly growing field, with the power to transform the financial system globally. Impact investing is also evolving from small scale funds into social enterprises, to large funds from mainstream asset owners addressing bigger challenges, to now as a metric, a measurement tool across all investments and corporate decisions.

Impact is also diverse. Each country has its own challenges and opportunities for impact, and its own stage of development.

The Global Steering Group for Impact Investment works to support the development of National Advisory Boards in each country, taking a worldwide movement to specific country settings.

Making a start is challenging – particularly in an emerging economy and even more so in the Covid-19 pandemic and its much wider harms. Where to start? In data and mapping, in communications and awareness, sharing tools and systems, seeking policy interventions to make for an easier journey – so many options.

The National Advisory Board for Bangladesh has taken a thorough and analytical approach, understanding where the most important and valuable initiatives are. It has garnered the data which provides a platform on which far more work can be built in the future.

Most of all, the Board acts as a magnet to bring together the actors who will make an impact investing economy thrive in Bangladesh. There is nothing more powerful than an idea whose time has come, and nothing more influential than a group of likeminded people. Impact is the idea, and the National Advisory Board brings the people together.

Congratulations to all who have been developing the Bangladesh Impact Investment Strategy and Action Plan.

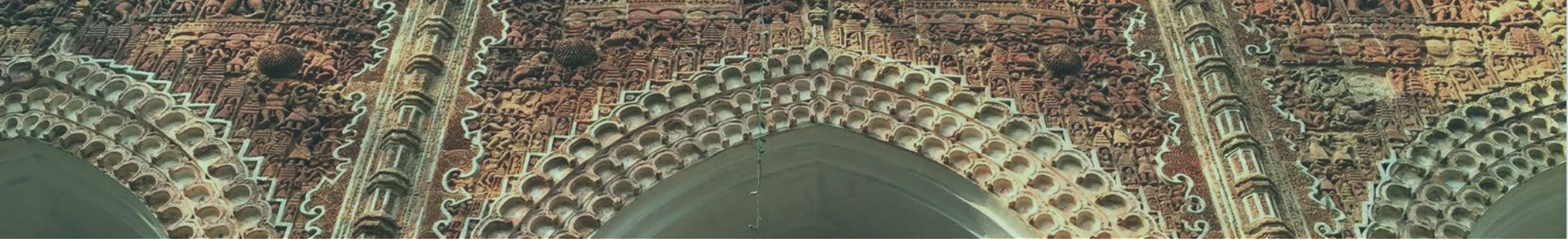


**Cliff Prior**
CEO
Global Steering Group for Impact Investment

# EXECUTIVE SUMMARY

Impact investment is any investment made with the intent to generate positive, measurable social and environmental impact, alongside financial return.[1] Globally, the last decade has witnessed the evolution of the impact investment industry, to a total of USD 715 billion.[2] As countries worldwide lean towards a values-oriented approach, Bangladesh has been shaping its own trajectory with deep intentionality and contextualisation. Over the last five to seven years, the country has been raising awareness and harnessing the growth of concepts, structures, and mechanisms, to lay the brickwork for impact investing to step into the next phase of growth. Today, Bangladesh's impact sector is growing with public and private stakeholders indicating support for the impact ecosystem, through both proactive actions and initiatives, and also by shifting towards deeper and wider impact investment mindset.

As Bangladesh approaches its middle-income status by 2026, enterprises and other stakeholders anticipate a shift away from mainstream financial instruments for development. Donors are also increasingly transitioning towards blended finance as an approach that accelerates the mobilisation of private capital. Across the spectrum, there is growing acknowledgement for the role of impact investment in targeting social and ecological pain points. Stakeholders are motivated to collaborate and work towards the impact agenda, by developing innovative and scalable solutions. The Government of Bangladesh (GoB) has been proactively promoting the impact agenda to advance the growth of this sector, through favourable investment guidelines, incentives, and circulars. These actions have been pivotal in augmenting the potential of the impact ecosystem in Bangladesh and drawing stakeholders into the impact arena. Furthermore, commercial investors have also started to



explore the ecosystem through distinct impact investments and funds, driven by the motivation to elevate their value propositions and keep up with global investment trends favouring sustainability agendas. Banks and non-bank financial institutions (NBFIs) are also expanding their knowledge regarding the Sustainable Development Goals (SDGs) and are keen in investing resources within the impact investment ecosystem. Additionally, while the COVID-19 pandemic manifested multiple challenges, it has also created areas of bright sparks and wider opportunities for the impact ecosystem. Sectors, such as e-commerce, digital payment/fintech, and logistics have come to the fore as attractive investment opportunities whilst also having a potential for large-scale impact. This has been facilitated as the pandemic redefined the potential for technology adoption, changes in consumer behaviour and new business models.

However, alongside these promising signs, a full-fledged uptake of the impact investment ecosystem is slowed down by challenges faced across all stakeholder groups. For example, while common standards and frameworks have been developed, the absence of well-contextualized policy tools and impact metrics, is stunting the growth of the impact ecosystem. Across all sectors, there are knowledge gaps regarding what impact truly means. This then manifests as a lack of understanding in grasping the nuanced differences between traditional and impact investments and also limited intersectional framing. Existing programmes are not available at sufficient scale to cater to demand for both prospective investors and impact enterprises. Additionally, the inadequate propagation of awareness and capacity building programmes into remote and rural areas is thwarting the



progression towards an inclusive impact ecosystem. Barriers such as access to relevant financial instruments and channels, training and more are preventing the build-up of a pipeline of investment-ready impact enterprises for investors to tap into. Existing gaps within the policy framework and limited due diligence mechanisms makes enterprises less able to report their outcomes, further fuelling supply side scepticism. Stakeholders have also cited the lack of incentives and non-awareness regarding existing incentives as a friction impeding their intent to engage in the impact ecosystem. However, there is boundless potential to be realised. Bangladesh, being one of the fastest growing economies in Asia, has been witnessing increasing appetite and economic ability for better services. The government's growing enthusiasm in impact investing and the economy's willingness to foster an impact revolution have opened a unique policy window for Bangladesh. With the increasing momentum from stakeholders and shifting mindsets around impact investment, Bangladesh's impact sector will be ready to take flight with the right policy tools.

The Bangladesh Impact Investment Strategy and Action Plan is based on research and feedback from stakeholders across the Bangladesh impact investing ecosystem. Fifteen in-depth interviews and one workshop consisting of 35 stakeholders were conducted, reflecting the views of impact entrepreneurs, impact investors, impact accelerators and incubators, policymakers and ecosystem intermediaries.



Over the course of the research and collaborative stakeholder consultations for the BIISAP, a series of recommendations have come to fore in terms of key priority areas. Targeting the action plan towards implementing these recommendations can support and unlock the full potential of impact investing in Bangladesh. Policymakers need to leverage on the growing enthusiasm of public and private sectors and actively pursue and embrace key policy tools, to accelerate the growth of the impact sector in Bangladesh.






| Priority Intervention Area | Strategic Recommendation |
|---|---|
| **Positioning & Identity** | R1: Sharpening and Amplifying Bangladesh's Impact Story to the World |
| | R2: Standardizing Impact Due Diligence Process and Impact Measurement and Management Frameworks |
| **Collaborations & Inclusivity** | R3: Promoting Collaboration among Ecosystem Builders |
| | R4: Supporting & Increasing Participation of Women and Marginalized Groups through Impact Investing |
| **Education & Training** | R5: Capacity Building Trainings on Impact Investing and Leveraging Post-secondary Institutions, Government Training Centres and Development Organisation Networks to Disseminate Impact Knowledge |
| **Alternative Financing Instruments and Tools** | R6: Facilitate the Growth of Catalytic Funding and Blended Finance |
| | R7: Procurement Policy to Guarantee Sourcing from Impact Enterprises |
| | R8: Ensuring Efficient Distributions of Untapped Capital in the Market |
| **Incentives & Policy Follow-through** | R9: Introducing a Mechanism for Acknowledging Investors and Impact Enterprises |



This document sketches out the roadmap and implementation guidelines to foster Bangladesh's impact revolution and transform the impact sector, from nascency to maturity. Bangladesh, one of the fastest growing economies in Asia, has been laying the foundation for impact investing, with growing enthusiasm and commitment. The BIISAP will serve as the skeleton to revolutionize this impact story and define an ambitious and achievable vision, to build the ecosystem, by spotlighting objectives, priority interventions, roles and responsibilities.

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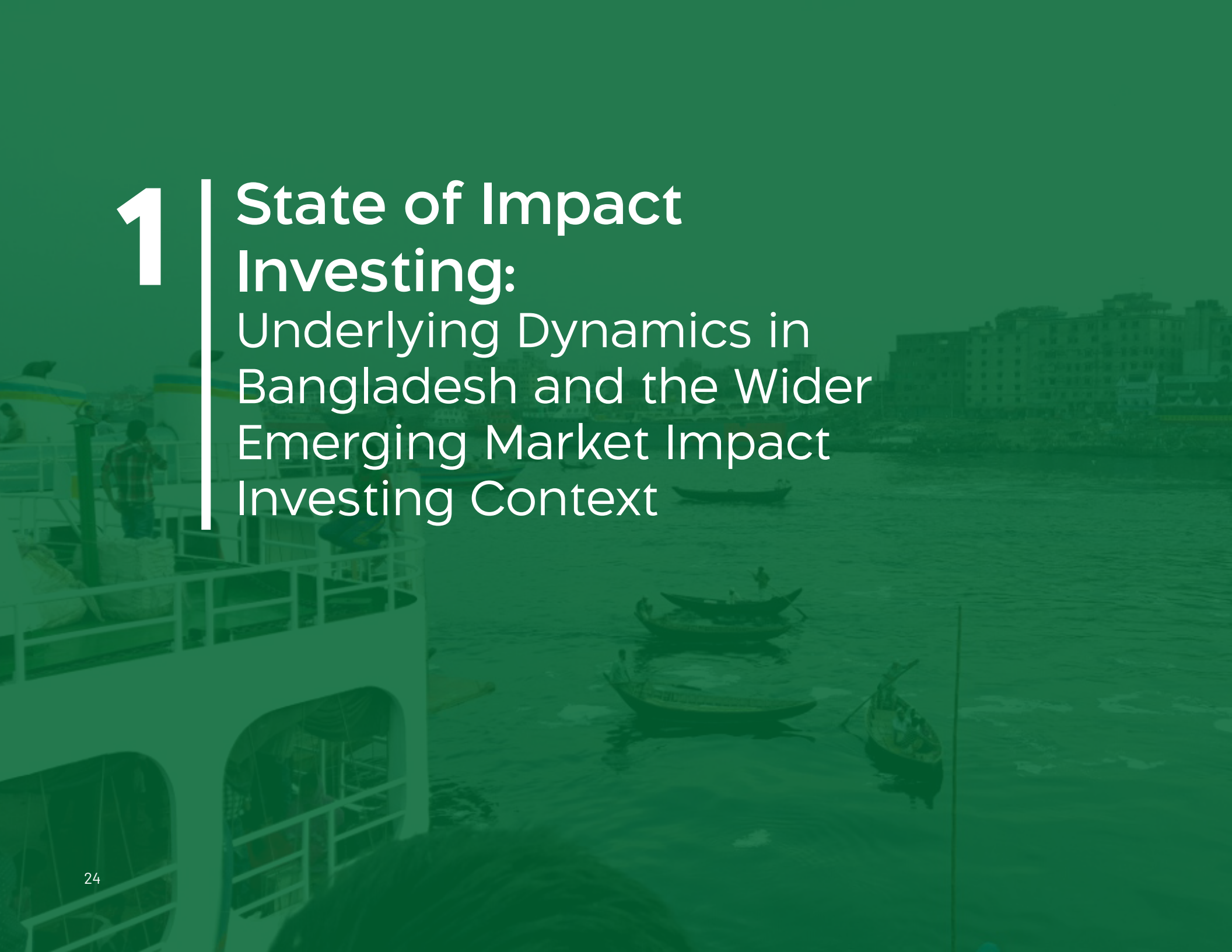
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# 1 State of Impact Investing: Underlying Dynamics in Bangladesh and the Wider Emerging Market Impact Investing Context

# 1.1 Definition, Background and Key Concepts

Impact investing is witnessing strong growth across both emerging and developed markets. Impact investing involves generating positive social and environmental impact alongside a financial return. The growth in this capital allocation is enabling businesses across sectors to scale up as they aim to address some of the world's most pressing social and environmental challenges.

Since impact investing is an emerging concept in Bangladesh, over the last five to seven years there has been rising awareness and growth of the concepts, structures, and solutions, underpinning the need for greater capacity building and wider harmonisation. The Impact Investment Policy Landscape Study, commissioned by the National Advisory Board for Impact Investing (NAB), was completed in late 2020. The study analysed 10 definitions provided by international impact investing organisations, development finance institutions (DFI), management consulting firms, economic research institutes and academia.[3] "Positive", "measurable", "social impact", "environmental impact" and "financial return" were the most repeated words in those definitions. Based on the analysis, the Study proposed a common definition based on international and local experience[4], which ties in closely with the GIIN definition, embodies all five characteristics and was deemed as the most appropriate for Bangladesh.[5]

*"Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return."* [6]

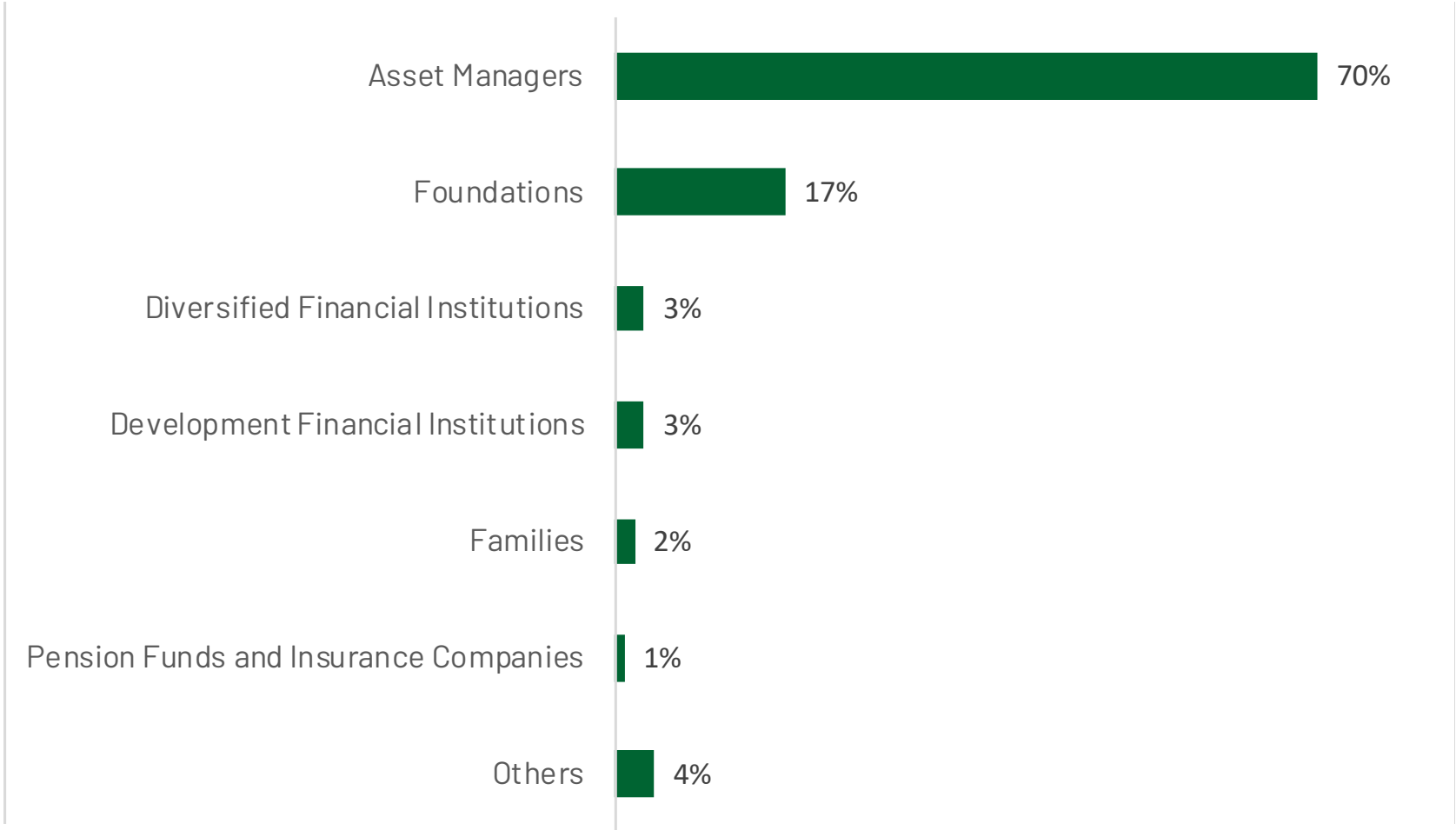
However, when any investment is being routed through any impact fund registered under the Bangladesh Securities and Exchange Commission (BSEC), the definition recommended by the BSEC is:

*"Impact investments are investments made with the intention to generate positive, measurable social* ***and/or*** *environmental impact alongside a financial return."*

# 1.2 Growth of the Impact Ecosystem and Comparative Analysis across Relevant Regional/Emerging Market Ecosystems

The global impact investment industry, totalling USD 715 billion, has grown in depth and sophistication over the last decade.[7] The latest Global Impact Investing Network (GIIN) survey reports that 68% of the impact investors around the globe consider that impact investing has passed its nascent stage and continues to grow steadily.

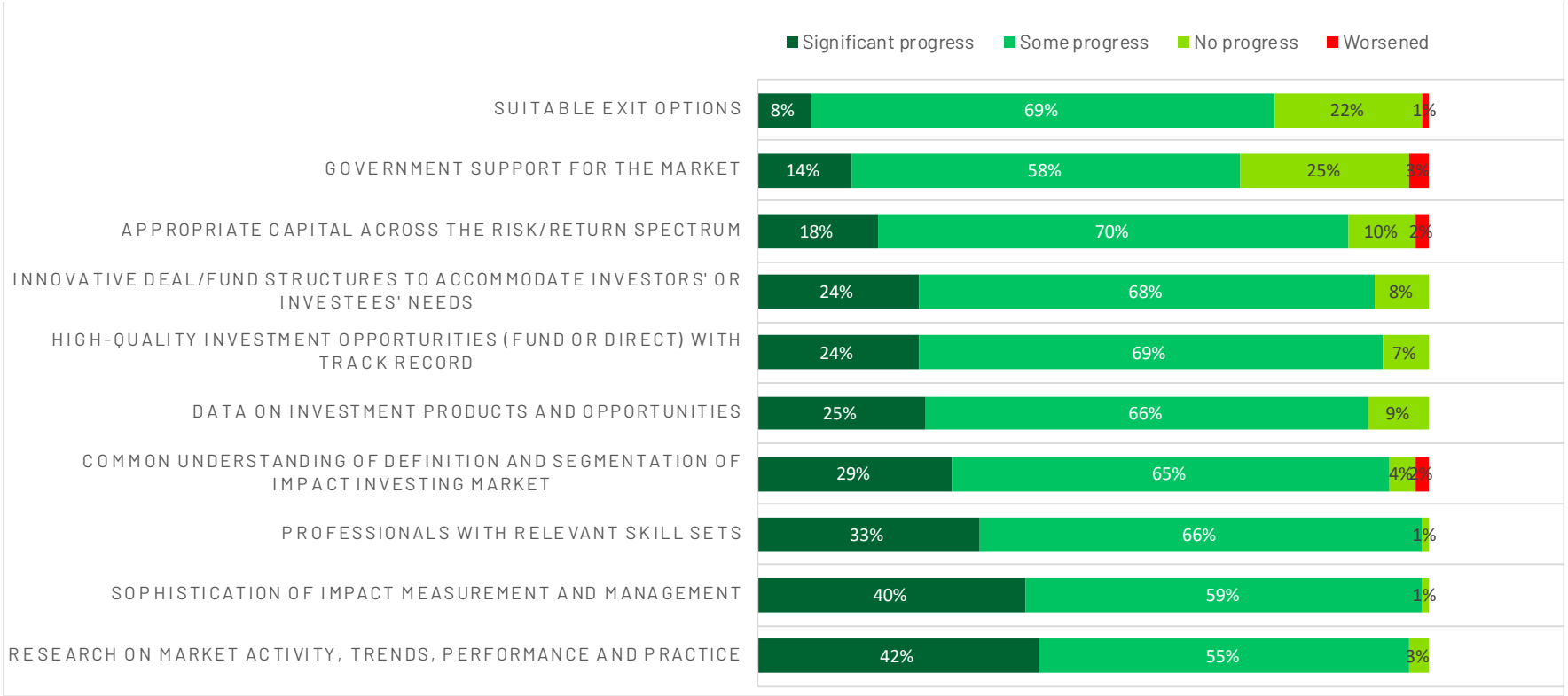
# Chart 1: Impact Investing by Organization Type (Total AUM USD 715 Billion)




Source: GIIN Annual Impact Investment Survey 2020

While over the past decade significant strides have been made across areas including impact measurement frameworks, skills development and market research, there remains room for further improvement when it comes to data reporting, exit alignment and related investment procedure harmonisation, as depicted in Chart 2.

## Chart 2: Progress over the Past Decade on Indicators of Market Growth (Investors' response%)




Source: GIIN Annual Impact Investment Survey 2020

# 1.3 Mapping the Current State of Impact Investment in Bangladesh

Bangladesh has been affected by the COVID-19 pandemic, but the economy is gradually rebounding to its pre-pandemic stage. GDP growth is projected to reach 3.6% in FY21 owing to the recovery in manufacturing generated by strong export demand, the rebound in construction supported by accelerating public investment, and the growth of services catalysed by the ongoing vaccination campaign.[8]

In the series of interviews, workshops and surveys conducted for this strategy and action plan, respondents across the business, financial and development ecosystems have echoed the potential for impact investment to underpin the sustainability of economic and financial development activities. Specifically, respondents believe the availability of impact investment and impact-oriented funds underpin the market and the ability to connect enterprises with investors who can provide guidance and funding, catered specifically to realizing impact, alongside financial returns.

The sentiment that investments can secure financial returns while creating value for society and environment is gaining traction across investors and related stakeholders. While agriculture, consumer food, healthcare, education, housing and fintech continue to remain priority sectors, there

is also growing emphasis on climate-related activities, the wider technology space, and wider, intersectional approaches such as using a gender lens for investing or blending investment with development funding; all of which suggest the widening of the opportunity set. Regulators within the ecosystem are also pro-actively propagating this agenda while banks and NBFIs are keen to invest, prompted by the new green financing rules by Bangladesh Bank.[9] The rise of impact investment can help foster systemic change within Bangladesh's financial market. Impact investment is a key component to complement the mainstream investment climate and redefine the investment outlook in Bangladesh.

Given this increasing momentum around impact investing, this section will highlight the ongoing shifts, trends and opportunities in the Bangladeshi ecosystem. This timeline of activities is sketched out in Figure 1 below. Here the key milestones to date are highlighted:

- One of the starting points was the launch of the Alternative Investment Rules 2015 by the Bangladesh Securities Exchange Commission (BSEC), with this aimed at impact funds, private equity, and venture capital. [10]



- Bangladesh Bank subsequently released two circulars which have enabled banks, financial institutions (FIs) and non-resident investors to invest in impact funds, followed by another circular in 2019 linking impact investing and green financing to encourage banks and FIs' contribution to impact funds. [11,12,13]
- In 2016, the first International Conference on Impact Investment in Bangladesh took place, followed by an International Workshop on Impact Investment in 2017, both organised by Build Bangladesh.
- The establishment of the NAB in 2018 and its GSG membership represented a new step for impact investing in Bangladesh. A detailed analysis covering the NAB's mission, vision, theory of change and role in advancing the ecosystem has been provided in Appendix B.
- In September 2017, the honourable Prime Minister of Bangladesh launched the "Build Bangladesh – UNDP SDGs Impact Investment Fund". This was the first proposed impact investment in the country, through a partnership between Build Bangladesh and the UNDP/UNSIF with the aim of raising over USD 100 million from private investors to create positive social and environmental impact in Bangladesh while addressing the wider communities need. Over the last three years, the Build Bangladesh-UNDP SDGs Impact Investment Fund has:
    - » Operationalised three open ended mutual funds currently worth USD 10 million [14]
    - » Registered the Build Bangladesh Social Entrepreneurs Fund worth USD 10 million in partnership with overseas investors and UNDP as the Impact Advisor, while ICL is the Fund Manager[15]

» Invested more than USD 1 million to support young impact entrepreneurs across the country[16] through YGAP Bangladesh in partnership with YGAP Australia[17]

» Build Bangladesh raised impact capital from private sectors, mainly from the Impress Group and high net worth individuals (HNWI) to establish and support the Impact Investment Ecosystem in Bangladesh.[18]

- In March 2020, the Embassy of Switzerland in Bangladesh in partnership with Roots of Impact and LightCastle Partners launched 'B-Briddhi – Scaling Impact Enterprises of Bangladesh' – a multiyear programme that contributes to an ecosystem where impact enterprises have better access to growth capital and investors can tap into a pipeline of investment ready impact enterprises using innovative forms of financing to help them scale. This is done by improving the services available to entrepreneurs, by stimulating investments into early-stage social enterprises, and creating incentives for enterprises to become more impact oriented. See Appendix E for more information and results.
- Also in March 2020, Build Bangladesh, in partnership with YGAP Bangladesh, conceptualised and introduced the Micro Impact Investment (MI2) [19], which is an Impact Investment Tool aimed at supporting impact entrepreneurs to navigate through the storm created by COVID-19.
- Another impact focused initiative i.e., the "SME Blended Capital Fund" was launched by Oxfam in partnership with LightCastle Partners with a view to invest in 15 SMEs in Rajshahi and Khulna division. SMEs will be selected based on their ability to generate social and environmental benefits while also ensuring financial return.[20]

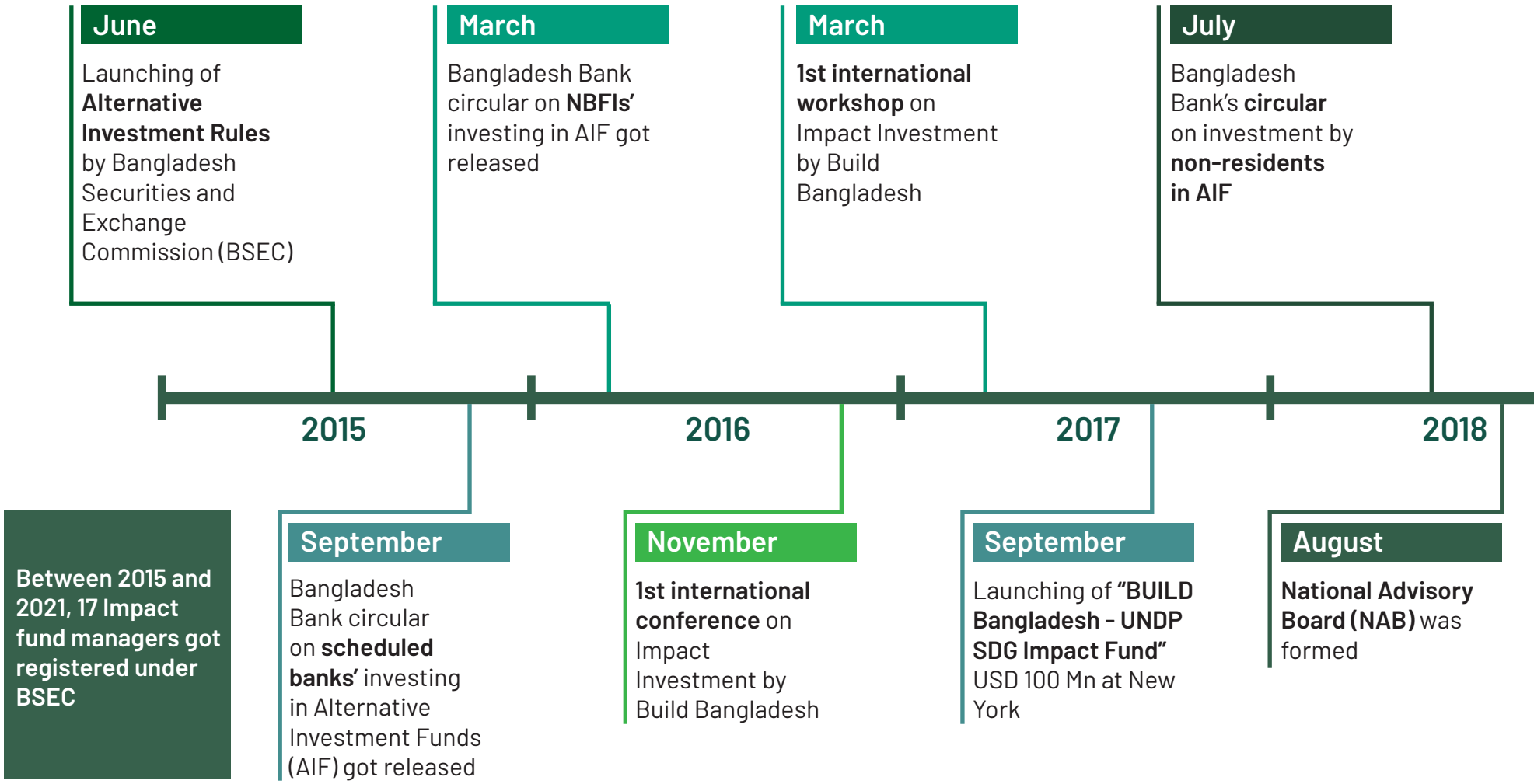
- In June 2021, YGAP Bangladesh in partnership with United Nations Development Programme Youth Co:Lab launched a five-day mentorship programme in which it provided tailored mentorship support to aspiring entrepreneurs to enhance their skills in Finance, Business Operations, Marketing and Branding, Impact Mapping and Reporting and other relevant fields.

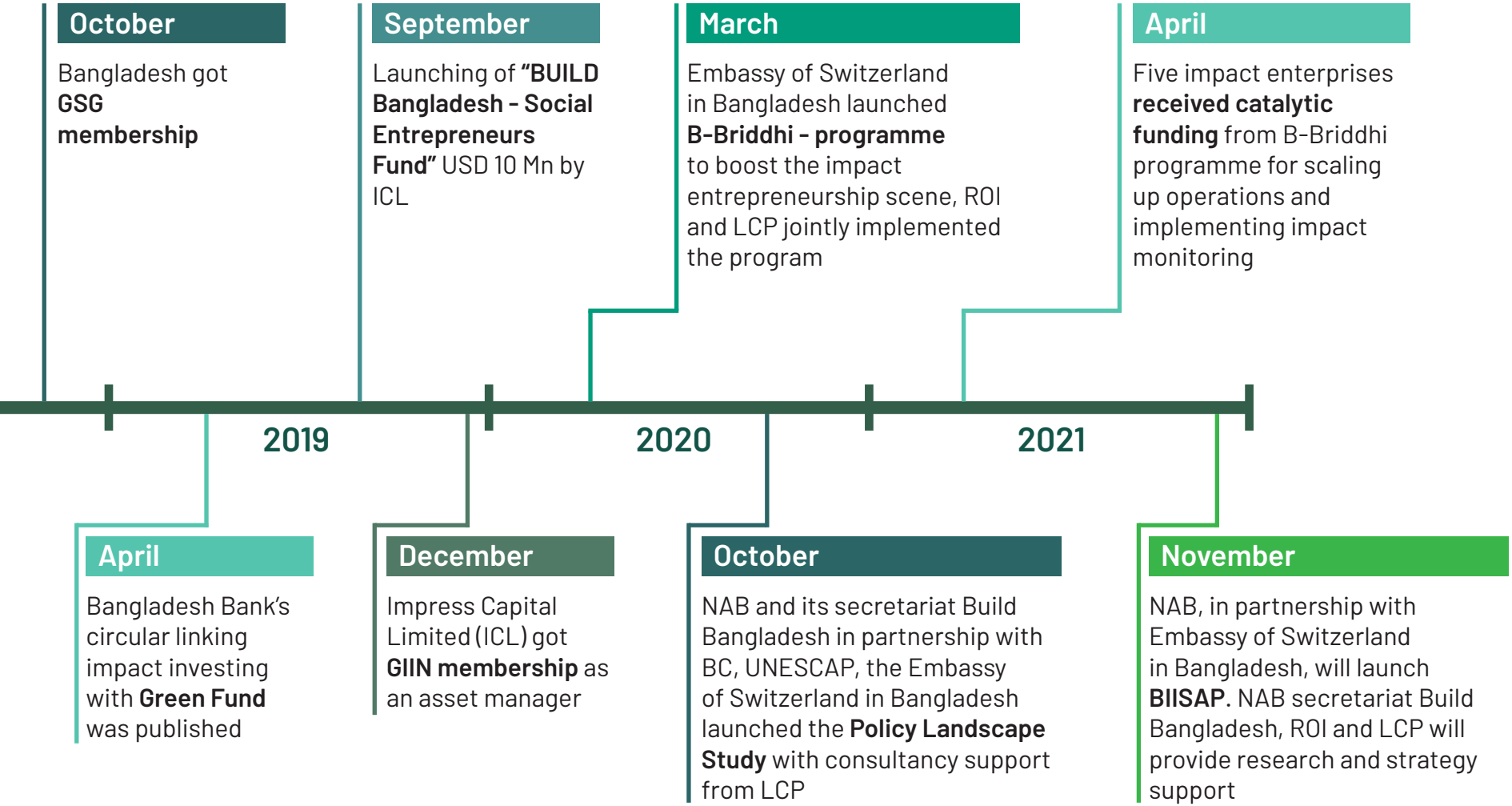
Additional information and examples have been provided in Appendix E to illustrate the different forms of local impact investing activity and the breadth of models and structured being utilised.

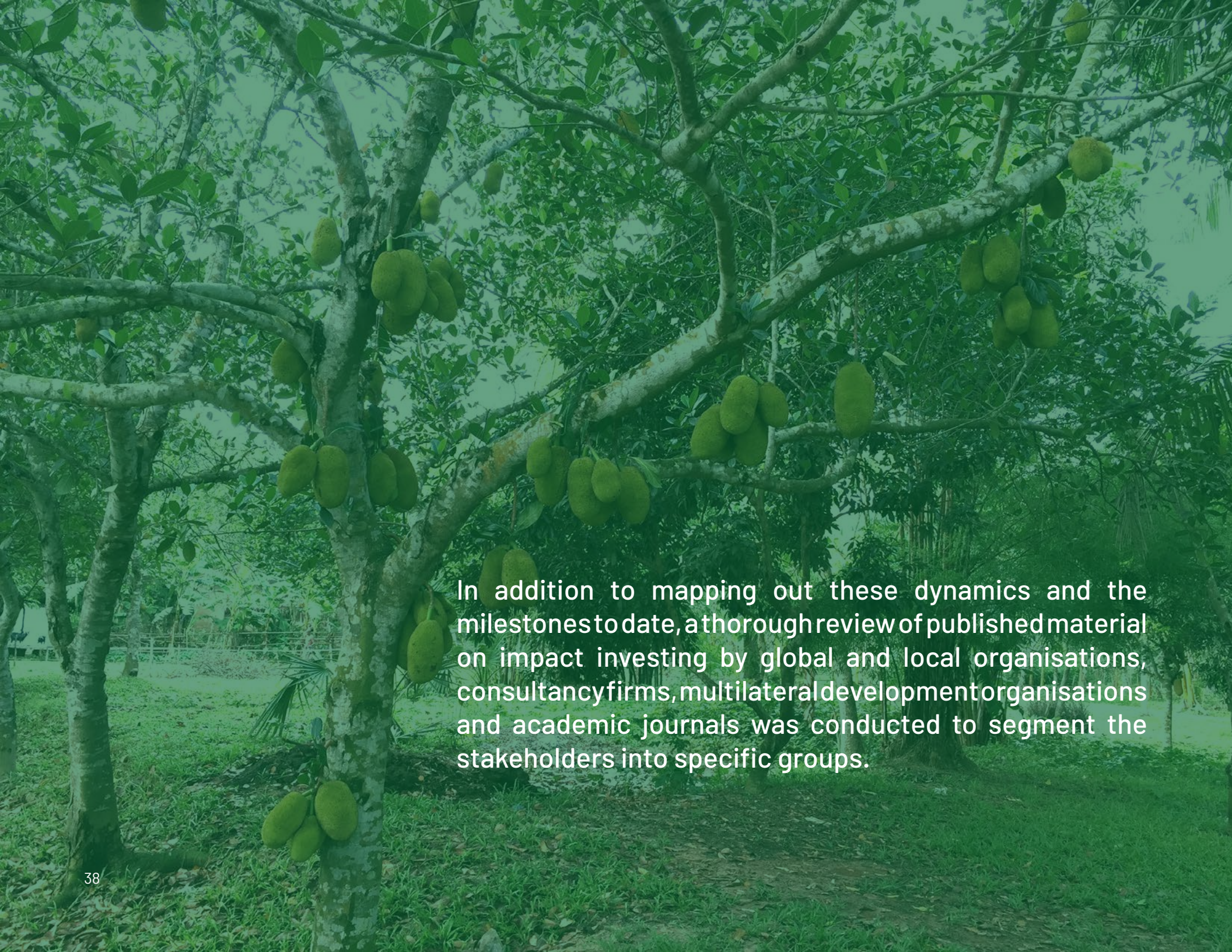

THREE RINGS
CEMENT

## Figure 1:

# Timeline of Impact Investment in Bangladesh




October
Bangladesh got **GSG membership**
September
Launching of **"BUILD Bangladesh - Social Entrepreneurs Fund"** USD 10 Mn by ICL
March
Embassy of Switzerland in Bangladesh launched **B-Briddhi - programme** to boost the impact entrepreneurship scene, ROI and LCP jointly implemented the program
April
Five impact enterprises **received catalytic funding** from B-Briddhi programme for scaling up operations and implementing impact monitoring
2019
2020
2021
April
Bangladesh Bank's circular linking impact investing with **Green Fund** was published
December
Impress Capital Limited (ICL) got **GIIN membership** as an asset manager
October
NAB and its secretariat Build Bangladesh in partnership with BC, UNESCAP, the Embassy of Switzerland in Bangladesh launched the **Policy Landscape Study** with consultancy support from LCP
November
NAB, in partnership with Embassy of Switzerland in Bangladesh, will launch **BIISAP.** NAB secretariat Build Bangladesh, ROI and LCP will provide research and strategy support



In addition to mapping out these dynamics and the milestones to date, a thorough review of published material on impact investing by global and local organisations, consultancy firms, multilateral development organisations and academic journals was conducted to segment the stakeholders into specific groups.

Three broad stakeholder groups were identified, as depicted in the chart below, and comprise:

a. **Impact Enterprises –** these are the capital demand side players driving social and environmental changes through businesses.

b. **Impact Investors –** these are the capital supply side players providing the growth capital to the emerging impact enterprises. Institutional investors, faith-based organisations, high net worth individuals (HNWI), non-resident Bangladeshis (NRB) could supply the impact capital to the market.

c. **Ecosystem Builders –** this group bridges the gap between the supply and demand side by providing capacity building trainings and devising the regulatory frameworks. Policymakers, accelerators and incubators belong to this group.

d. **Intermediaries –** these private sector players channel in mainstream capital into the impact investment sector ecosystem. Impact fund managers belong to this group.

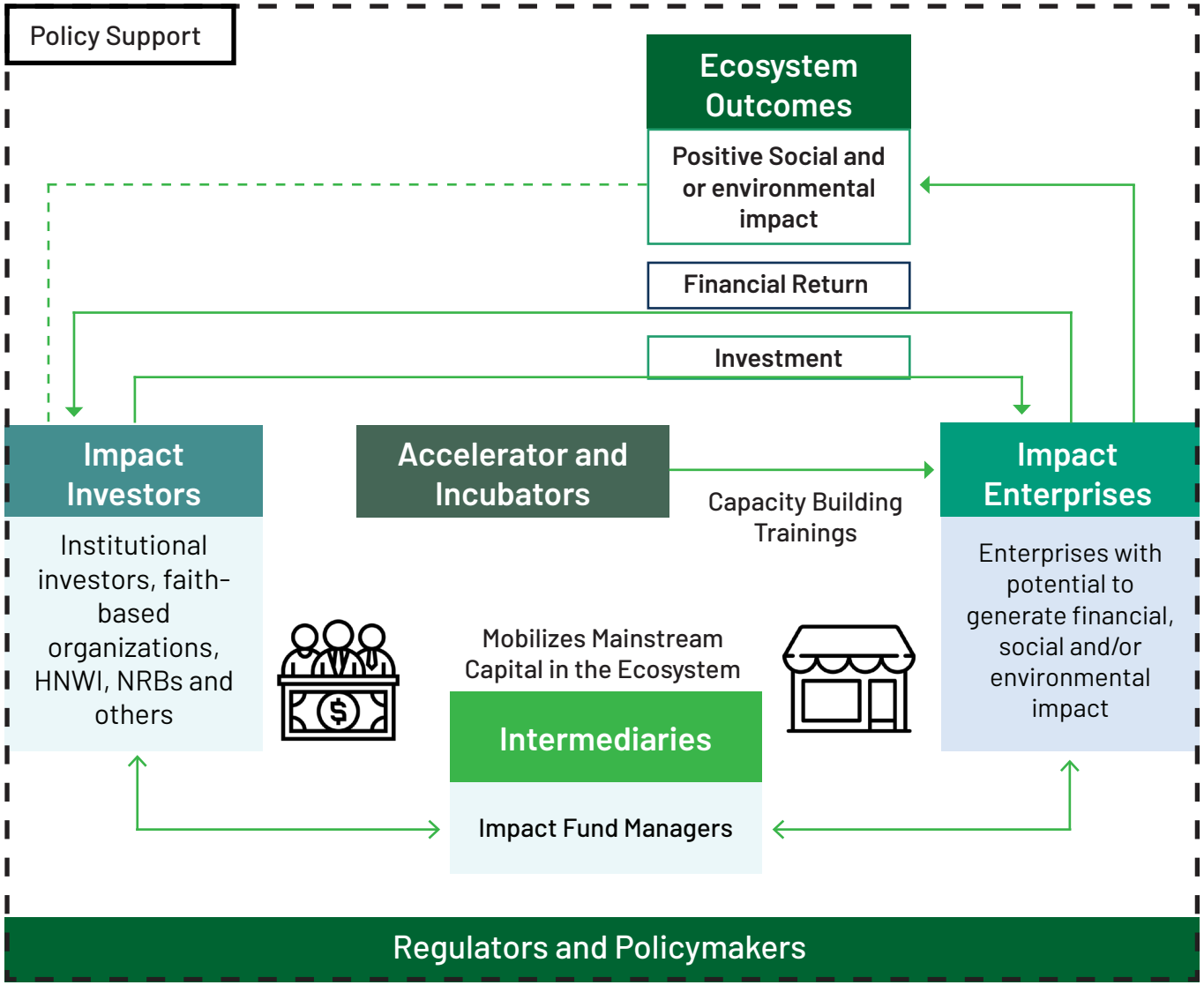
Figure 2 depicts the ecosystem flows. Impact investors provide impact enterprises with growth capital, while accelerator and incubator programmes prepare the businesses to become more impact and investment ready through relevant business and Impact Measurement and Management (IMM) trainings. Ecosystem intermediaries work towards bringing in more conventional capitals to the impact investment pool, while ecosystem builders, specifically policymakers create a conducive environment that supports the growth of impact enterprises.[21]

Impact enterprises generate financial return along with positive social and environmental outcomes – these three can be considered as ecosystem outcomes. Regulators and policymakers facilitate the growth of the impact investment ecosystem by designing and implementing relevant policy guidelines.

Regulations that are presently governing the impact investment ecosystem in Bangladesh have been analysed to identify existing gaps and recommend strategies to bridge the gaps. This detailed policy analysis table (Table 7) can be found in Appendix C.

## Figure 2:

# Bangladesh Impact Investing Ecosystem





# 2 The Challenges & Opportunities in the Bangladesh Impact Investing Ecosystem

In this chapter, the main challenges and opportunities for impact investing in Bangladesh have been highlighted. These insights have been collated via an extensive and collaborative series of interviews, focus groups discussions, workshops, background research and analysis, and build on the previously-conducted SWOT Analysis (See Appendix D). Overall, the awareness around impact investment is increasing and market respondents are showing enthusiasm to collaborate for the impact investing economy agenda. Stakeholders across the spectrum are indicating support for the impact ecosystem, either through proactive actions or through an evolving impact investment mindset. While new opportunities unlock the potential for impact investment in Bangladesh, existing industry challenges also need to be overcome to ensure the growth of a vibrant impact investment ecosystem.

# 2.1 Opportunities for Growth within the Sector

The emerging impact investment ecosystem in Bangladesh is gaining momentum as new avenues of growth and opportunities emerge. Increased enthusiasm across stakeholders' groups is fostering this change within the ecosystem. It is crucial for policymakers to build on this momentum and better tailor and amplify the current policy tools in the market with the needs of the ecosystem players. This section spotlights the current opportunities for growth within the impact sector as derived from the stakeholder consultation process.



## a. Increased enthusiasm in the impact arena across all stakeholder groups

Stakeholders from across the business, financial, and development ecosystems are motivated to take on impact as an agenda in their respective fields of work. There is acknowledgement of the role impact investment can play to build inclusive growth, by developing and scaling innovative solutions to social and ecological problems. Stakeholders also have the appetite to collaborate to elevate the impact ecosystem and work towards intersectional approaches such as climate resilience, gender lens investing, social equity, economic empowerment and more.

## b. Donors are shifting towards investment approaches and blended finance

As Bangladesh approaches its middle-income status by 2025, enterprises anticipate a shift away from mainstream financial instruments for development. Currently, Overseas Development Aid (ODA) are being disbursed by NGOs as grant financing with no expectation for return. This can be observed in the trend for ODA received by Bangladesh, as a percentage of its Gross National Income (GNI) over the years. Net ODA consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by international organisations or countries to promote economic development and growth. As Bangladesh's own proliferating industries such as RMG, Pharmaceuticals etc. propel its economic growth and development, ODA as a percentage of GNI has declined from 8.04 percentage in FY-1996 to 1.41 in FY-2019.[22]

Donors have also started to shift towards blended finance from grant financing only. Blended finance is an approach that accelerates the mobilisation of private capital. For instance, Build Bangladesh (Impress Group), Oxfam, BRAC, Syngenta Foundation for Sustainable Agriculture (SFSA), and Asian Development Bank (ADB), among others, have already started working towards impact investing alongside grants. In the coming decade, donor funds could be mobilized to finance enterprises in information and communication technology (ICT), energy, manufacturing, financial services, agro-processing and other sectors.[23,24] Impact investment could help Bangladesh in tackling the shift in development financing by opening more opportunities for blended finance. As previously highlighted, across the ecosystem, there is an increasing acknowledgement for the role of impact investment as an instrument for sustainably finance SDG activities through supporting enterprises with impact agendas. This indicates a growing recognition and support for more impact-conscious investors and impact-oriented investment.

## c. COVID-19 opportunities paving the way for innovative solutions

Whilst the challenges for COVID-19 are well-documented, the opportunities manifested insofar as tech-enabled solutions have come to the fore to deal with the changing demand and barriers to doing business. Market respondents believe in the opportunities facilitated by COVID-19 to open new doors for impact investment as the pandemic redefines the potential for technology adoption, changes in consumer behaviour and new business models. Sectors, such as e-commerce,

digital payment/fintech, and logistics have come to the fore as attractive investment opportunities whilst also having a potential for large-scale impact.

## d. Commercial investors have started to explore the impact arena

Commercial investors have started to explore the impact arena through distinct impact investments and funds. Alongside their conventional investment agenda, institutional investors are setting up and managing impact funds motivated by two factors- to enhance their value proposition and to keep up with the global investment trends rapidly leaning towards sustainability.

## e. Investment potential of banks and NBFIs

Banks and NBFIs are enthusiastic and committed to participating in the impact agenda. They are expanding their knowledge regarding the impact arena and gaining understanding of the SDGs. While they have already invested resources in CSR, they are now exploring the impact investment opportunities. Banks and NBFIs are being incentivised to invest in impact funds through the green financing provisions which entitle them to preferential treatment (i.e., high credit score, mention in Bangladesh Bank website), and tax incentives.

## f. The Bangladesh government is committed to a target of achieving the SDGs and promoting inclusive growth through impact investing

Bangladesh aims to achieve the Sustainable Development Goals (SDGs) by 2030 and to attain this vision. The Government has already taken a series of steps to support impact investing in Bangladesh, including: i) the establishment of the Alternative Investment Rules 2015, ii) Bangladesh Bank's series of circulars allowing scheduled banks and financing institutions to invest in impact funds, iii) opening doors for impact investors and investees to access similar perks afforded to green financing facilities and iv) The National Board of Revenue, creating tax incentives for impact investment. All of these are noteworthy and a key element of the sector's future advancement and continued growth.



# 2.2 Challenges within the Sector

The growth of the impact investment ecosystem is slowed down by challenges faced across all stakeholder groups due to the impact of the global pandemic since late 2019. To transition from an evolving impact environment into a vibrant one, policymakers must sustain private public partnership, to counter these challenges to enable the impact industry to grow to its full potential.



## a. Knowledge gaps impede the growth of the impact ecosystem

Across various sectors, there are differences in the definition and the perceived role of impact and impact investment. There is a varied level of understanding regarding what impact truly means and a lack of conceptual understanding by ecosystem stakeholders regarding the nuanced differences between conventional and impact investments. The existing capacity building, advocacy, and awareness programmes follow varied standards and guidelines which leads to different understanding of impact and impact investment across the various stakeholders. Knowledge gaps also manifest in the form of a lack of understanding in distinguishing the differences between social entrepreneurship/enterprises vs. impact entrepreneurship/enterprises.

## b. Limited collaboration amongst ecosystem builders

To be able to scale impact and reach as many beneficiaries as possible, impact enterprises rely on an empowering framework and a concerted effort from investors, intermediaries, policymakers, and advocates. However, ecosystem builders tend to work in siloes, limiting collaboration to work towards the impact agenda. Various stakeholders within the ecosystem are largely focused on their own priorities and not as much cross-collaboration is happening as would be beneficial. Additionally, the absence of a formalized impact measurement framework impedes collaboration and harmonization, as it gives rise to decentralized utilization of various impact measurement frameworks. Insufficient acknowledgement and recognition of key players actively engaged

within the ecosystem further hinders the motivation of players to commit to the ecosystem, through collected efforts.

## c. Impact enterprises lack the capacity to scale and sustain their business models

The nascency of the impact ecosystem and limited due diligence frameworks prevents impact enterprises from being investment ready. There is a lack of awareness and access to existing capacity building programmes, investment-readiness support, and other training. Existing programmes are not available at a sufficient scale to cater to demand for both prospective investors and impact enterprises. Barriers such as access to relevant financial instruments and channels, training and more are preventing impact enterprises from scaling and sustaining their businesses. To build the impact ecosystem further, impact enterprises need increased access to investment, and investors should be able to tap into a pipeline of investment-ready impact enterprises.

## d. Significant gaps in development of impact measurement and reporting structures

The existing policy framework still hosts multiple gaps while common standards and frameworks are still at an early stage. There is a lack of appropriate and relevant impact measurement and management frameworks. The absence of standardized or well-contextualised due diligence frameworks also contributes to supply-side scepticism. Without impact metrics for different sectors and policy tools, enterprises

are less able to report their outcomes. This creates deficiencies of viable impact enterprises and investors in the ecosystem, leading to insufficient matching of the demand and supply sides. Some of the IMM frameworks could benefit further from a deeper intersectional and gender lens, deepening the enhanced measurement of impact further. Without such formalized impact measurement and management structures, the full potential of a robust and vibrant impact ecosystem remains stunted.

## e. Policy and guidelines are still at an early stage

The existing policy framework still comprises multiple gaps while common standards and frameworks are still at an early stage. Policy tools need to be devised to tailor impact measurement and metrics to different sectors and types of enterprises, within the local Bangladeshi context.

## f. Mismatched supply and demand of impact capital

Impact enterprises typically operate in a way that is very different from the operating models of conventional enterprises; given their focus on 'time demanding' and slow financial and social returns. As such impact entrepreneurs need varied and enhanced access to more patient capital allowing them to scale-up and overcoming the added layer of infrastructural barriers. However, stakeholders reported that the small size of impact funds is insufficient to meet the existing demand for impact capital in the ecosystem.

## g. Rural impact enterprises are underserved

Impact entrepreneurs at the rural level have limited access to funding, capacity building programmes and advocacy sessions, limiting their ability to contribute to the impact ecosystem. To build a more inclusive impact ecosystem, awareness and capacity building programmes must propagate across all regional areas. Smaller organisations are sustained via microfinance while larger organisations are reliant on banks and NBFIs. To solve the exclusion of the rural impact enterprises, there also needs to be a movement towards blended finance and other innovative and contextualised/issue-based investment solutions.

## h. Inadequate incentives for impact enterprises and investors

Stakeholders from across the ecosystem have continued to cite the absence of incentives or non-awareness of such incentives as hindrance to further involvement in the impact investment ecosystem and overcome barriers. The lack of awareness and inadequacy of existing incentives has hindered further development of the impact investment ecosystem. Additionally, the inadequate dissemination of the current incentives the impact sector offers, leads to the failure of the impact ecosystem in engaging key stakeholders.

## i. Genders gaps prevail and an intersectional lens could support further nuancing and targeted approaches

Women's participation in entrepreneurship is generally low in Bangladesh, with only 13% of enterprises owned by women and 5% managed by women[25], although this is growing. Underpinning these dynamics is an array of structural barriers at the household, community and even market levels, and are driven by discriminatory social norms around gender roles, which leads to lower economic participation overall. Furthermore, there is limited access to finance, such that according to British Council research, more female-led social enterprises had trouble with profitability for equity investors (32% compared to 18% for male-led ones) and limited networks preventing access to investors (58% compared to 34%), while more female-led firms felt constrained by limited supply of capital (73% compared to 61%) [26]. Furthermore, stakeholders that were spoken to mostly described "gender neutral" approaches where there is no particular attempt but the yher[27] , to invest in women owned or women targeted companies.' all of which is to say there is substantial room for improvement from a wider intersectional and gender lens.

# 2.3 Priority Intervention Areas in Impact Investing Ecosystem

The emerging opportunities and challenges within the current impact investment arena in Bangladesh have revealed five core areas of interventions which must be addressed, going forward. Policymakers could intervene in these priority areas to unlock the full potential of impact investment in Bangladesh and realize measurable positive social, environmental and financial returns. The core areas for interventions include positioning and identity, collaboration and inclusivity, education and training, tools, services and frameworks, and incentives and policy follow through. These areas have been arrived at, through a collaborative and co-created process with the wider impact investing ecosystem stakeholders and through the research and analysis conducted. This user-focused approach is helpful in ensuring the priority areas that have been mapped out below reflect the links between the opportunities at hand, the strengths and areas to build on This methodology has enabled prioritisation and a structured approach to the pathways at hand to scaling up the Bangladesh impact investing ecosystem.





## a. Priority Intervention Area 1: Positioning and Identity

Strengthening the conceptualisation of impact investing by establishing clear principles and standards for practices remains a core action area for the roadmap. Sharpening the positioning and harmonising on this identity could encourage new actors into the space, lower transaction costs for current players, and mitigate the risk of impact washing — the misapplication of impact investing label to investments that do not actively target a positive societal or environmental change. Enhanced understanding will clarify the defining characteristics of impact investing and facilitate smoother coordination between different stakeholders.

## b. Priority Intervention Area 2: Collaboration and Inclusivity

Collaboration across stakeholders is a vital element to build the impact investment ecosystem. Without collaboration, needs of the different actors are not always properly acknowledged, such that solutions are not as co-created. The lack of an inclusive approach to training sessions lowers cohesion amongst actors and hinders the ability for different stakeholders to collaborate, as they hold different understandings of impact investment and the broader sector. While currently there are enterprises and policymakers actively engaged in the impact field, the number is relatively low to cause a widespread adoption of an

impact investment-oriented mindset. The low levels of collaboration in the ecosystem also hinder the ability for impact enterprises to connect with the right supply-side actors, to fund their impact agenda. Without a viable pipeline of impact enterprises, the ecosystem cannot grow. Additionally, as echoed in the stakeholder interviews, there is room to enhance the engagement with the Bangladeshi diaspora, faith-based organisations and supporting this area would further a stream for supply-side funding. Efforts for deeper, multi-stakeholder collaborations across programmes, investor activities and government initiatives are warranted and possibly even the creation of dedicated and thematic working groups that can support further collaboration and execution of action plans.

## c. Priority Intervention Area 3: Education and Training

The lack of harmonised understanding around impact investment is an impediment slowing down the growth of this ecosystem. While advocacy and capacity building training sessions are taking place, they are sporadic in nature, not very nuanced or include any intersectionality, and are holding back the full understanding of impact as a concept. Different training modules across the country pursue different curriculums building a varied level of understanding. This gives rise to a range of definitions across the sector regarding frameworks, definitions, policies and the awareness of impact investment opportunities and challenges. There are also opportunities to collaborate with academic partners and research institutions to further this knowledge and capacity building agenda. Given

the bias towards urban centres and rural impact enterprises being less well served, more attention could be paid towards more even and equitable rollouts of these programmes, alongside generally more human centred approaches that meet the needs of various participants, their entry points and capacity levels.

## d. Priority Intervention Area 4: Alternative Financing Instruments and Tools

Access to finance is a key barrier for early-stage impact enterprises to grow. Impact enterprises usually operate in a different ecosystem to traditional enterprises because they face more uncertainty as a result of potential instability and infrastructure barriers. There is a need for a variety of, and greater access to, alternative financial instruments. Stakeholders shared that the small size of impact investments is insufficient to the demand. This imbalance in supply and demand needs to be mitigated to harness the growth of more impact projects within the ecosystem. While there is an increasing emergence of fund and asset managers to manage impact investments/funds and the setting up of alternative fund structures, there is a limited supply of catalytic funding and blended finance approach in the market that takes higher risk or accepts lower return. The lack of knowledge regarding financial instruments further aggravates financing frictions as impact enterprises are not aware that there are financial services, especially catered to the impact agenda. Hence, this is an area to not only build further awareness and capacity, but to support collaboration around initiatives, funding mechanisms and much more.

## e. Priority Intervention Area 5: Incentives and Policy Follow-through.

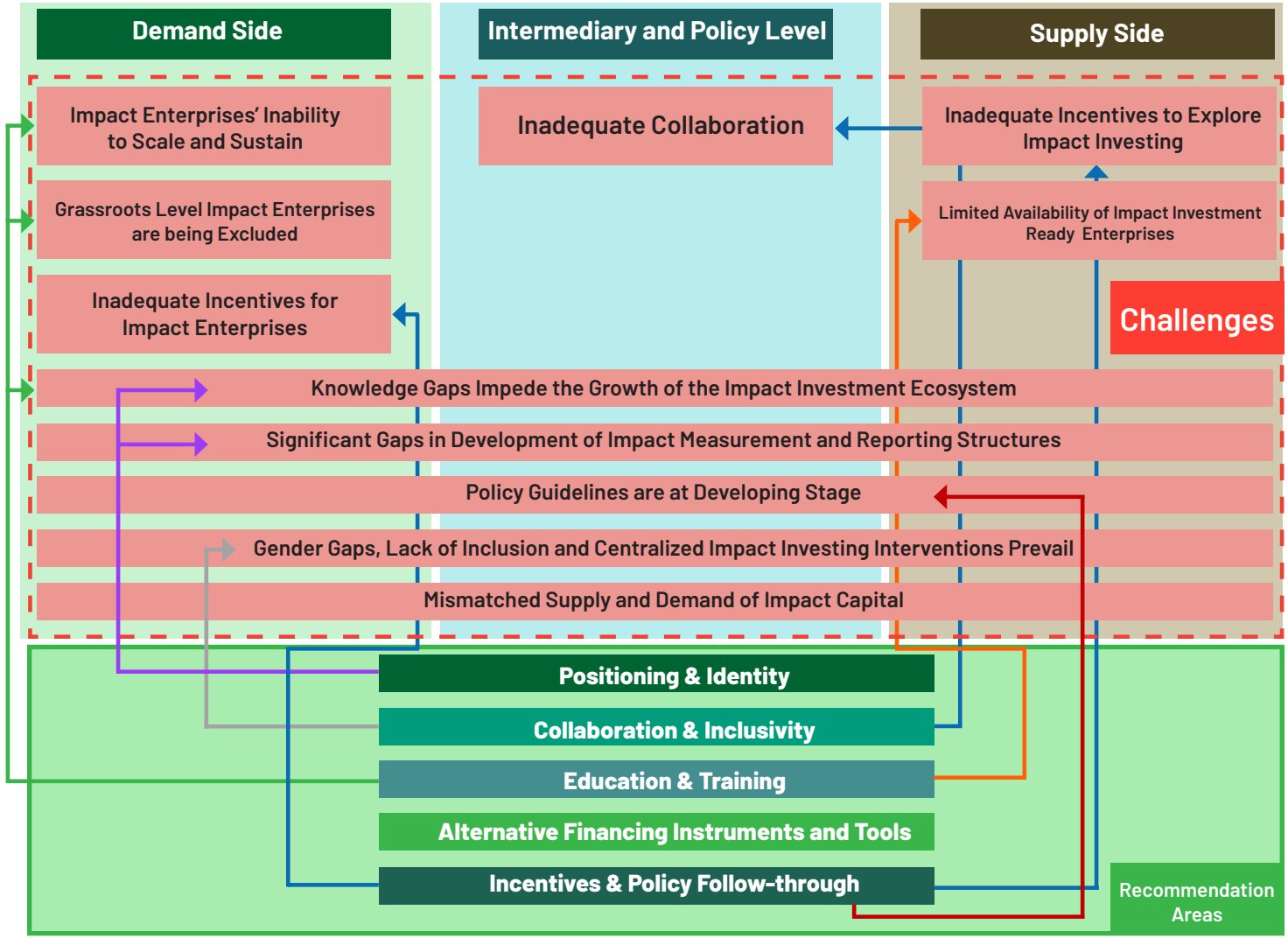
The private sector is a vital component to build the impact investment ecosystem. Without tapping into the private sector, this ecosystem will not be able to unlock the full access to funds for impact investment-oriented projects. Government mandates and incentives catered to promoting development activities have already incentivized private sector participants to take up development activities aligned with this commitment. This is demonstrated by private banks' expansion of agent banking to cater to last-mile needs and rural access to financial services. However, while policymakers have already introduced such incentives, information needs to be adequately disseminated to ensure stakeholders are aware of these advantages. A chicken-and-egg paradox prevails as private sector individuals look towards favourable government regulations to engage in the impact investment ecosystem; while on the other hand, policymakers look towards private sector enthusiasm and engagement to provide viable policies. This points to further collaboration, and the need for lower financial barriers and more incentives to further engage the private sector.

Policy and regulatory mechanisms are still at a developing stage, despite the active engagement and support of the policymakers. Across the sectors, different stakeholders have adopted different frameworks and measures for impact activities which disrupts the potential for collaboration. Within the policy framework there is no standardized impact measurement and management guidelines. In addition, there needs to be continued clarity and further awareness-building around guidelines of the already established policies around impact funds, the role/scope of foreign investors, and whether minimum subscriptions or taxes can be lowered to accommodate more diverse and foreign investors, and other such incentives and initiatives. These recommendations could be covered by an awareness building campaign that further supports their roll out, spotlights best practice, reduces information asymmetries, and thus enhances the integral role of the policy makers and related intermediaries.

Figure 3 depicts how the five priority intervention areas come into play in addressing the existing ecosystem challenges. In the next chapter, nine strategies have been recommended under the selected intervention areas.

## Figure 3:

# Challenges in Impact Investing Ecosystem and Priority Intervention Areas







# 3 Bangladesh Impact Roadmap 2030: How the Country can Work towards Becoming an Impact Investment Economy

As the global economy gravitates towards a deeper, values-oriented approach in which businesses are increasingly purpose driven, the goalpost is coalescing towards the proliferation of *impact economies*[28]. Bangladesh, one of the fastest growing economies in Asia, has been walking down this impact investment pathway with much promise and commitment. The government's rising interest in impact investing and the economy's readiness to foster an impact revolution have opened up an opportune window for Bangladesh to strike upon and unlock the true potential of the proposed impact investment economy. In this chapter the roadmap and implementation guidelines have been sketched out.



# 3.1 Recommended Strategies to Harness the Power of Impact Investing in Bangladesh

Over the course of this research, stakeholders from the demand side, supply side, intermediaries and ecosystem builders shared their insights on the vital elements to transform the impact sector, from nascency to maturity. In turn, all the ensuing recommendations identified within the BIISAP have been assigned priority ratings and defined as either high, moderate, or low priority; as per the weighting of insights and opinions expressed in the data collection process and a subsequent analysis and stakeholder consultation process.

The recommendations have also been constructed in a way that they reflect and incorporate the best practices from the relevant emerging impact investment markets. These have been analysed and recommendations extracted as they fit, while also being contextualised to suit the Bangladeshi ecosystem. Table 8 in Appendix C sketches out this analysis of other relevant emerging market impact ecosystems and discusses the best practices and takeaways for Bangladesh in detail.

The following Table 2 outlines the priority intervention areas, recommended strategies and the priority ranking. Subsequently, Figure 3 above outlines how the existing challenges in the ecosystem could be mitigated by the recommended strategies.

Priority weightings are classified as follows:

- An average rating between 75% to 100% has been termed as “high” priority.
- An average rating between 50% to 74% has been termed as “moderate” priority.
- An average rating between 25% to 49% has been termed as “low” priority.



## Table 1:
# Priority Matrix for Recommendations

| Priority Intervention Area | Strategic Recommendation | Demand Side Stakeholders | Supply Side Stakeholders | Ecosystem Builders | Intermediaries | Average Rating | Priority Rating |
|---|---|---|---|---|---|---|---|
| Positioning & Identity | R1: Sharpening and Amplifying Bangladesh's Impact Story to the World | 29% | 75% | 67% | 67% | 69% | Moderate |
| | R2: Standardizing Impact Due Diligence Process and Impact Measurement and Management Frameworks | 86% | 75% | 100% | 100% | 90% | High |
| Collaborations & Inclusivity | R3: Promoting Collaboration among Ecosystem Builders | 57% | 100% | 100% | 100% | 89% | High |
| | R4: Supporting & Increasing Participation of Women and Marginalized Groups through Impact Investing | 85% | 50% | 67% | 67% | 73% | Moderate |
| Education & Training | R5: Capacity Building Trainings on Impact Investing and Leveraging Post-secondary Institutions, Government Training Centres and Development Organisation Networks to Disseminate Impact Knowledge | 86% | 75% | 100% | 100% | 90% | High |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Alternative Financing Instruments and Tools** | R6: Facilitate the Growth of Catalytic Funding and Blended Finance | 71% | 75% | 67% | 100% | 78% | **High** |
| | R7: Procurement Policy to Guarantee Sourcing from Impact Enterprises | 71% | 25% | 33% | 67% | 49% | **Low** |
| | R8: Ensuring Efficient Distributions of Untapped Capital in the Market | 43% | 50% | 67% | 100% | 65% | **Moderate** |
| **Incentives & Policy Follow-through** | R9: Introducing a Mechanism for Acknowledging Investors and Impact Enterprises | 57% | 100% | 67% | 67% | 73% | **Moderate** |

In this sub-section, each of the priority intervention areas and the subsequent recommendations with underlying rationale has been mapped out.

## Priority Intervention Area 1: Positioning & Identity

### R1: Sharpening and Amplifying Bangladesh's Impact Story to the World (Moderate)

To further bolster the identity for Bangladesh's impact investing market, a positive brand image highlighting the economic resilience and investment opportunity is key. For instance, the advantages that come with Bangladesh's geo-political position could be leveraged to become a part of regional trade bodies (i.e., ASEAN) and ensure learnings are shared and cross-pollination occurs. Facilitation of investment through setting repatriation clauses and defined entry/exit strategies, integration of start-up friendly tools and instruments, enhancement transparency of supply-chains to eliminate information asymmetry are some of the actions that can guarantee a strong foothold for Bangladesh in the international capital market in this decade. Furthermore, the Bangladeshi diaspora could be better integrated into the wider identity mapping given their economic and intellectual contributions. These shifts are to enable Bangladesh to carve its unique impact proposition in the region and the wider emerging markets sphere, being a beacon for what is possible when the variety of actors along the impact continuum coalesce for the common and shared vision of creating a thriving impact investing economy. In terms of priority rating, this recommendation received a moderate rank, but supply-side players assigned high priority to it, highlighting the positive impact of country positioning on the overall investment scenario. On the contrary, demand-side players assigned a low priority to it, indicating that the potential of positioning Bangladesh's impact story is not realized fully by the entrepreneurs.

### R2: Standardizing Impact Due Diligence Process and Impact Measurement and Management Frameworks (High)

There is also an opportunity to reduce the knowledge and information gaps further by greater alignment and harmonisation of what impact means and the ensuing impact measurement and management (IMM) frameworks. The current practice of varying and diverse due diligence & IMM frameworks, alongside fragmented approaches that are being practiced, could be further harmonised to create a stronger collective impact identity. A legal framework to protect position of enterprises and investors could be developed in tandem. There is a need to reconcile the variety of existing frameworks and promote best practices. Considering the interest from foreign impact investors and multilateral institutions these frameworks need to be compatible with international standards. Standardization will facilitate understanding and improve transparency in both demand and supply side. Of the nine recommendations, this received the highest priority, with an average rating of 90%. This unanimous focus by all ecosystem players demonstrates the gap and desire from all market players for more standardized tools and processes.

## Priority Intervention Area 2: Collaborations & Inclusivity

### R3: Promoting Collaboration amongst Ecosystem Builders (High)

Greater collaboration and alignment around knowledge dissemination and capacity building programmes are required to standardize market behavior and expectations. The ecosystem builders, especially the intermediaries, need to collaborate more closely to leverage each other's strengths and learn from one another. A more robust and formal network to connect invested enterprises with later-stage investors could be another measure to enhance collaboration and synergies in the ecosystem. The Bangladeshi diaspora could be engaged in this coalition to increase the flow of impact capital into the country. There may also be opportunities for partnering and increased engagement with other organisations working on advocacy, inclusive development and those advocating for systemic change more broadly. This recommendation ranked the second in the priority

list with an average rating of 89%. This reflects majority of the stakeholders' collective desire for a higher level of collaboration among the ecosystem players and activities. The demand-side players assigned a moderate priority to this recommendation, signaling the effect of inadequate collaboration did not impact them as much as it impacted other stakeholders.

## R4: Supporting & Increasing Participation of Women and Marginalized Groups through Impact Investing (Moderate)

Impact investing can be an effective instrument to support the reduction of the prevailing gender gaps in the investment ecosystem and the wider economic realms. Policies and strategies should be formed in a way that allows investors, accelerators, incubators to favour impact enterprises that are managed by women, work for the betterment of women and marginalized groups, and create equal opportunity for women, people with disabilities and other marginalized groups. Furthermore, given the concentration of activities in the capital, Dhaka, a wider and more targeted approach that accounts for mitigating rural/urban differences could also be supportive. Although, this recommendation received a moderate priority ranking with an average rating of 73%, it received a high priority ranking from the impact entrepreneurs. The lack of inclusion disproportionately affects some of the entrepreneurs and thus they want more intervention in this area.

## Priority Intervention Area 3: Education and Training

### R5: Capacity Building Trainings on Impact Investing and Leveraging Post-secondary Institutions, Government Training Centers and Development Organisation Networks to Disseminate Impact Knowledge (High)

There continues to be widespread support for increased capacity building, awareness, and advocacy for impact investing. This recommendation was marked high priority by stakeholders with an average score of 90%, demonstrating the consensus reached by all players regarding the need for capacity building activities in the ecosystem.

Targeted capacity building programmes can mitigate prevailing conceptual gaps within the ecosystem. Training on due diligence, impact measurement and management, impact reporting and use of different financial instruments can strengthen both the supply and demand-side players, while building a pipeline of impact-ready enterprises and impact-educated investors. More nuanced and intersectional approaches that start with human centered design all the way to deeper, rigorous and inclusive impact measurement can support Bangladesh in elevating and sharpening its positioning further. Spreading further impact awareness and building more impact capacity, in every region of the country, and collaborating with post-secondary institutions is recommended. Presently, most of the capacity building activities are confined to the major cities. However, to foster the growth of impact enterprises, the presence of more impact accelerators and incubators are necessary across the country. Development organisations, such as ygap Bangladesh, BRAC, Truvalu, Oxfam, Swisscontact, among others, have been working with rural entrepreneurs from the remotest parts of the country to drive economic and social impact for those communities. Many organisations such as YGAP (private), a2i – UNDP innovation lab (public-private partnership) are running accelerators and incubators programmes for start-ups, social businesses and impact enterprises across the country. Partnership opportunities to further these efforts across both the demand and supply side have been outlined in the recommendation table.

## Priority Intervention Area 4: Alternative Financing Instruments and Tools

### R6: Facilitate the Growth of Catalytic Funding and Blended Finance (High)

From earlier stage ventures to those that have more fixed capital needs, there are different capital needs for impact enterprises. For example, a cleantech impact enterprise might require upfront investment, but this brings risk and return considerations that keep certain investors at bay,[29] and as such, more targeted and impact-oriented investment approaches or blended finance solutions could be undertaken. Blended capital is a mix of government/non-profit funding, equity investments and/or loans put into a venture or project. In blended finance, governments and development partners can provide catalytic capital to the enterprise in the form of grants, guarantees or other forms of patient or concessionary capital to attract additional investment. This can support the enterprise to bring products and services to market and to underpin its growth plan. Catalytic capital supplied by the government or development organisations helps to curtail investors' financing risk.[30] In order to illustrate the possible range of catalytic funding, highlights from the Innovative Financing toolkit prepared by Roots of Impact within the B-Briddhi programme has been presented in Appendix F.[31] The toolkit introduces several financing opportunities for impact enterprises following a blended finance approach. This recommendation received a high priority ranking with an average score of 78%. This prioritisation by all players reveals the need for catalytic and blended finance to attract more growth capital to the ecosystem.

## R7: Procurement Policy to Guarantee Sourcing from Impact Enterprises (Low)

Presently, there are no procurement rules that mandate public or private entities to source from impact enterprises. Interviews with stakeholders and comparative analysis of global impact best practices have demonstrated that procurement policies that favour impact enterprises could be supportive in creating an equitable ground for impact enterprises. This recommendation received a low priority ranking with an average rating of 49%. However, the impact entrepreneurs allocated a moderate priority to it revealing their desire for access to a forward market with certain return.

## R8: Ensuring Efficient Distribution of Untapped Capital in the Market (Moderate)

Untapped capital such as such as Zakat (Charity fund) can be mobilised to finance impact enterprises that create social and environmental impact.[32] In 2020, USD 3.2 Bn of Zakat was accumulated in Bangladesh among which 83% was disbursed personally and the rest was disbursed through institutions.[33] Since people donating to Zakat funds do not expect a return, Zakat can be used as a patient capital fund on its own or serve as a risk capital provider in blended finance arrangements. Similarly, establishing policy frameworks that enable banks and financial institutions to allocate a portion of their CSR fund to impact investment could help enhance the impact capital pool. Additionally, dormant assets such as unclaimed funds could be mobilised to finance impact enterprises. For instance, in 2016 Japan launched a policy that declares unclaimed bank accounts as dormant assets when the account owners do not perform any financial transaction within one year. These dormant funds are then used to finance projects targeted to solve any social challenges.[34] United Kingdom and South Korea have also undertaken similar policies.[35]

In Appendix E, a spotlight on this potential of Islamic financing as a source of impact investing has been provided. This recommendation was moderately prioritised by ecosystem players, indicating the potential of charity fund mobilisation could be explored in the medium-term.

## Priority Intervention Area 5: Incentives and Policy Follow-through

### R9: Introducing Mechanisms for Acknowledging Impact Investors and Impact Enterprises (Moderate)

Interviews with stakeholders and comparative analysis of global impact best practices have demonstrated that certification programmes for impact investors, coupled with the already existing fiscal benefits could ensure greater participation in the market. In addition, other financial mechanisms could be considered such as loans at a discounted rate, tax breaks and other such incentives. This recommendation received a moderate priority ranking. However, all supply-side players placed high priority to it which reveals that incentivising mechanisms will encourage potential investors to explore more investment opportunities or help existing investors to invest with more confidence.

# 3.2 Phase-wise Implementation Plan for Recommendations

With a view to align its outcomes with the Government of Bangladesh's initiatives to achieve the SDGs, the implementation deadline for the proposed BIISAP has been set at 2030 with a proposed review in 2025. A detailed implementation guideline has been presented in Table 3. Based on the priority matrix, the recommendations have been segmented into three different phases. Recommendations with high, moderate and low priorities have been placed under immediate-term, medium-term and long-term timelines respectively. The activities under each recommended strategy have been devised based on findings from primary interviews and secondary literature. Also, best practices from other countries have been analysed to draw examples where applicable.

- **Immediate-term recommendations are scheduled for implementation between 2021 and 2023;**
- **Medium-term recommendations are scheduled for implementation between 2023 and 2027;**
- **Long-term recommendations have been set for implementation between 2026 and 2030.**

The lead implementors and support agencies have been suggested based on their existing and planned ecosystem activities. Each of their valuable contributions to the existing ecosystem are rightfully recognised as starting points for the subsequent dialogues on specific initiatives, roles, responsibilities and ensuing action plans for each category of activities. Appendix G provides a snapshot of these players' current and planned activities and roles. NAB, as the owner and coordinator of BIISAP, is involved role in the implementation process for each recommendation.

A monitoring and evaluation framework has been discussed in the next chapter.



## Table 2:
# Phase-wise Implementation Plan

| Strategic Recommendation | Estimated Outcome of Intervention | Suggested Lead(s) for Implementation | Suggested Supporting partner(s) for Implementation | Activities | Timeline |
|---|---|---|---|---|---|
| **R1:** Sharpening and Amplifying Bangladesh's Impact Story to the World | Enabling a stronger foothold for Bangladesh and the immense opportunities in the international capital markets for this coming decade and beyond. | Bangladesh Investment Development Authority (BIDA)<br><br>NAB's role: To assist BIDA and other public and development sector partners in implementing the recommended activities with a special focus on generating impact awareness and running advocacy campaigns. | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators: BSEC, BEZA, BB, Ministry of Foreign Affairs, ICT Division through its venture capital wing Startup Bangladesh Limited<br><br>**ii.** Development Partners and Organisations: IFC, UNDP, JICA, Embassy of Switzerland in Bangladesh, ADB<br><br>**iii.** Association: Bangladesh Women Chamber of Commerce and Industries (BWCCI)<br><br>**iv.** Accelerators & Incubators: YGAP<br><br>**B.** Ecosystem Intermediaries (EI): BUILD Bangladesh<br><br>**C.** Supply-side Players (SP): Bangladesh Angels Network (BAN) | **1.1** Set profit repatriation clauses and define investment entry/exit strategies.<br><br>**1.2** Create awareness and advocacy campaign materials for impact investment, communicating trends, benefits and opportunities<br><br>**1.3** Augment visibility and transparency of capital flows to eliminate information asymmetry and attract foreign and local investors into the ecosystem.<br><br>**1.4** Enhance Bangladesh's geographic positioning with more incorporation into the ASEAN region.<br><br>**1.5** Integrate the Bangladeshi diaspora into the ecosystem to enhance the pool of capital and insights<br><br>**1.6** Deepen Bangladesh's integration in international impact investing networks'<br><br>**1.7** Facilitate dialogue around impact investment by amplifying various forms of content, on mass media, to augment understanding of the concept. | Medium-term |

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| **R2:** Standardizing Impact Due Diligence Process and Impact Measurement and Management Frameworks | - Improved impact understanding and transparency in both demand and supply side<br>- Reduced risk of impact washing understanding and transparency in both demand and supply side<br>- Reduced risk of impact washing | Bangladesh Bank (Sustainable finance division)<br><br>NAB's Role: Leading the formation of the inclusive board leveraging their existing network. NAB might also guide BB in identifying the best-suited framework for impact due diligence and IMM practice | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators: Ministry of Environment, Ministry of Finance, Ministry of Commerce, Ministry of Social Welfare Development<br><br>**ii.** Development Partners and Organisations: Embassy of Switzerland in Bangladesh<br><br>**iii.** Private Sector: ROI, LCP, Legal Circle<br><br>**iv.** Accelerators & Incubators: YGAP<br><br>**v.** Chambers of Commerce: FBCCI, MCCI<br><br>**B.** Ecosystem Intermediaries (EI): BUILD Bangladesh<br><br>**C.** Supply-side Players (SP): Bangladesh Angels Network (BAN) | **2.1** Establishing an inclusive board with relevant experiential, regional and gender diversity to underpin the governance framework<br><br>**2.2** Development of a common impact measurement and management framework to be applied by major market actors<br><br>**2.3** Base the central mode for the IMM framework on international standards, while creating flexibility for adaptation to the local enterprise context | Immediate |

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| **R3:** Promoting Collaboration amongst Ecosystem Builders | - Increased and more informed awareness on impact investing and related concepts<br>- More streamlined impact interventions<br>- Reduced risk of impact washing | NAB:<br>Deploying its existing connections with both the supply and demand sides;<br>Creating a common platform to enhance collaboration | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators: ICT Division through its venture capital wing Startup Bangladesh Limited<br><br>**ii.** Development Partners and Organisations: Embassy of Switzerland in Bangladesh, UNDP, FCDO, ADB, BRAC, JICA<br><br>**iii.** Private Sector:<br>ROI, LCP<br><br>**iv.** Academia: University of Dhaka, Daffodil University and all major regional universities<br><br>**vi.** Accelerators & Incubators:<br>YGAP, BYLC and other national and regional programmes<br><br>**B.** Ecosystem Intermediaries (EI):<br>BUILD Bangladesh<br><br>**C.** Supply-side Players (SP):<br>Bangladesh Angels Network (BAN), ICL, IDLC Venture Capital, Edge Asset Management and all current and potential impact investors | **3.1** Conduct mapping of all key stakeholders in the impact investment sector ecosystem, including their current and future activities<br><br>**3.2** Development of networks to connect both early-stage and invested enterprises with investors<br><br>**3.3** Development of working groups to promote cross-collaboration and execution of action plans, shared learning and more. These could be thematic or sector-focused and enable further cross-pollination and collaboration<br><br>**3.4** Facilitate conversations among incubator & acceleration programmes<br><br>**3.5** Initiate call for alignment within the public sector organisations, such as the various ministries and departments, to streamline bureaucratic processes<br><br>**3.6** Support government-led initiatives (such as PPP) to attract more investors to come into the impact investment ecosystem and reinforce the government-side commitment to the impact movement<br><br>**3.7** Prepare an impact investing deal tracker (live dashboard or database) to track the activities - numbers and value of deals, sectoral participation, stage of business etc. | Immediate |

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| **R4:** Supporting & Increasing Participation of Women and Marginalized Groups through Impact Investing | - More equitable impact outcome for women, PWD[36] and people from marginalized groups | Ministry of Women and Child Affairs (MoWCA), GoB<br><br>NAB's Role: In partnership with BWCCI, NAB can run policy advocacy campaigns for including gender focus in the impact due diligence process in the first phase. In the next phase, emphasis on including other underrepresented communities could be included. | **A.** Ecosystem Builders (EB):<br><br>**i.** Development Partners and Organisations: IFC, UNDP, Embassy of Switzerland in Bangladesh<br><br>**ii.** Association: Bangladesh Women Chamber of Commerce and Industries (BWCCI)<br><br>**iii.** Accelerators & Incubators: YGAP, BYLC and other national and regional programmes<br><br>**B.** Ecosystem Intermediaries (EI): BUILD Bangladesh | **4.1** Map out the challenges and barriers that women and other underserved stakeholders face<br><br>**4.2** Integrate gender and inclusion angles in development of impact investment due diligence and frameworks, and other training materials<br><br>**4.3** Facilitate inclusion of women, people with disabilities, people from underrepresented and marginalized groups to the accelerator and incubators programmes.<br><br>**4.4** Extend the network of accelerator and incubator programmes to include impact entrepreneurs located in the remotest part of the country and support the creation of tailored programmes with this deeper gender and social inclusion lens. | Medium-term |

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| **R5:** Capacity Building Trainings on Impact Investing and Leverage Post-secondary Institutions, Government Training Centers and Development Organisations' Networks to Disseminate Impact Knowledge | - Increased informed awareness on impact on the demand-side<br>- Reduced risk of impact washing<br>- Enhanced impact reach across Bangladesh | Ministry of Industries and Ministry of Education<br><br>NAB's Role: NAB can assist the lead implementor in designing and launching training programmes. Also, help lead implementor and post-secondary institutes, govt. training centers and NGO networks in adopting impact training modules | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators: ICT Division through its digital public service delivery wing a2i, Palli Karma Sahayak Foundation (PKSF)<br><br>**ii.** Development Partners and Organisations: UNDP. Oxfam, Truvalu, BRAC and other development partners with established programmes/projects to provide trainings to impact and social entrepreneurs<br><br>**iii.** Academia: University of Dhaka, Daffodil University and all major regional universities and colleges<br><br>**iv.** Accelerators & Incubators: YGAP, BYLC and other national and regional programmes<br><br>**B.** Ecosystem Intermediaries (EI): BUILD Bangladesh | **5.1** Facilitate partnerships between academic and capacity building institutions for provision of programmes/courses/incubation relevant to impact investment through development of coursework and material.<br><br>**5.2** Proactively engage local academic institutions to drive research, producing more locally relevant context<br><br>**5.3** Support development of programmes and curricula on social entrepreneurship / impact investing at post-secondary institutions by enabling resource mobilization; and facilitating knowledge-exchange amongst networks and institutions providing such programmes.<br><br>**5.4** Development of central portal or database for impact investment coursework & relevant learning materials.<br><br>**5.5** Create further dialogue around impact investment by amplifying various forms of content, on mass media channels, to augment understanding of the concept.<br><br>**5.6** Create awareness campaign material for impact investment, communicating main trends and opportunities in Bangladesh.<br><br>**5.7** Mobilise further technical assistance & financial resources to support business incubators, accelerators, and business development services and enhance their own ability to undertake more inclusive development activities. | Immediate |

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| **R6:** Facilitate the Growth of Catalytic Funding and Blended Finance | - Reduced risk for impact investors<br>- Improved access to capital for impact enterprises<br>- Reduced cost of capital for impact enterprises | Bangladesh Bank<br><br>NAB's Role: To assist lead implementor in policy drafting and then promoting the tool to potential investors | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulator: Ministry of Finance<br><br>**ii.** Development Partners and Organisations: Embassy of Switzerland in Bangladesh, ADB, FCDO, ADB and all donor organisations which could be tapped for catalytic capital<br><br>**iii.** Private Sector: Legal Circle, ROI and other organisations to devise the financial structures<br><br>**iv.** Chambers of Commerce: FBCCI, MCCI<br><br>**B.** Ecosystem Intermediaries (EI): BUILD Bangladesh | **6.1** Design and structure blended finance instruments, according to the needs of the impact enterprises, within the Bangladeshi context<br><br>**6.2** Amplify the sharing of the business case around catalytic capital (public or philanthropic) helping to strengthen the pipeline of impact investments, as well as spotlight relevant and ongoing examples that are working well.<br><br>**6.3** Support profiling of innovative finance models, structures, closed deals, and best practices through dissemination of case studies and collation of profiles, sharing lessons learned etc.<br><br>**6.4** Support the creation of new models of financial structures<br><br>**6.5** Streamline lengthy loan procedures and include provisions for crowdsourcing and convertible bonds<br><br>**6.6** Support inclusion of first loss capital within catalytic funding to catalyse the participation of investors<br><br>**6.7** Establish an Exchange system for Impact Investment to create a forward market for impact stocks | Immediate |

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|---|---|---|---|---|---|
| **R7:** Procurement Policy to Guarantee Sourcing from Impact Enterprises | - Increased motivation for impact enterprises and investors<br>- Reduced risk for impact investors | Ministry of Finance<br><br>NAB's Role: NAB can assist lead implementor to devise policy and provide a list of impact enterprises to the government agencies and corporations. | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulator:<br>Ministry of Commerce<br><br>**ii.** Development Partners and Organisations: IFC to provide strategic assistance based on their experience in developing markets' supply chain financing interventions<br><br>**iii.** Private Sector: Legal Circle<br><br>**iv.** Chambers of Commerce: FBCCI, MCCI<br><br>**B.** Ecosystem Intermediaries (EI):<br>BUILD Bangladesh | **7.1** Devise policy guidelines that incentivise government offices to procure a fixed percentage from impact enterprises<br><br>**7.2** Create a digital platform where details of all impact enterprises and their offerings can be found.<br><br>**7.3** Create a mechanism through which impact enterprises can directly apply for the tenders of government contracts<br><br>**7.4** Upon successful piloting, extend the policy to corporations and incentivise them to procure from impact enterprises as well<br><br>**7.5** Regularly update the list of impact enterprises | Long-term |
| **R8:** Ensuring Efficient Distribution of Untapped Capital in the Market | - Reduced risk for impact investors<br>- Improved access to capital for impact enterprises<br>- Reduced cost of capital for impact enterprises | Bangladesh Bank<br><br>NAB's Role: Assist lead implementor to design the investment and return mechanisms | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators:<br>Ministry of Finance, Islamic Foundation (Ministry of Religious Affairs)<br><br>**ii.** Development Partners and Organisations: UNCDF to provide strategic assistance in Zakat mobilisation<br><br>**iii.** Private Sector: Islamic finance institutions to provide strategic guidance<br><br>**B.** Ecosystem Intermediaries (EI):<br>BUILD Bangladesh | **8.1** Support collaborative investment models that mitigate investment risk and minimize costs.<br><br>**8.2** Engage private sector participants, including corporate houses and established businesses.<br><br>**8.3** Encourage banks and financial institutions to allocate a portion of their CSR fund to impact investment.<br><br>**8.4** Mobilize further Zakat funds to finance impact enterprises and support catalytic financing solutions<br><br>**8.5** Leverage unclaimed bank accounts to finance impact enterprises | Medium-term |

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|---|---|---|---|---|---|
| **R9:** Introducing a Mechanism for Acknowledging Impact Investors and Impact Enterprises | - Increased motivation for impact investors and impact enterprises<br>- Improved access to capital for impact enterprises | Bangladesh Bank<br><br>NAB's Role: NAB can conduct policy advocacy and provide the list of impact investors and enterprises initially | **A.** Ecosystem Builders (EB):<br><br>**i.** Regulators:<br>Ministry of Commerce, BSEC, National Board of Revenue (NBR), Ministry of Finance<br><br>**ii.** Chamber of Commerce: FBCCI, MCCI<br><br>**B.** Ecosystem Intermediaries (EI):<br>BUILD Bangladesh | **9.1** Target creation of Impact Investment annual magazine, online publications, web page (to include a repository of successful impact investment practice in Bangladesh and highlight novel impact investors in the market).<br><br>**9.2** Coordinate hosting of annual impact investment award to acknowledge top contributions of prominent impact investment actors.<br><br>**9.3** Support the development of fund-of-funds and other collaborative models to further grow the local ecosystem.<br><br>**9.4** Support the creation of further tax incentives, in the form of lower capital gains taxes, to promote more impact investments in the economy.<br><br>**9.5** Announce impact enterprises and social enterprises as a special company class and provide tax breaks for the first 3 to 5 years of business under the condition of impact reporting to government. | Medium-term |





# 4 Monitoring & Evaluation: Way Forward for BIISAP

# 4.1 Monitoring and Evaluation Framework

Policy monitoring is a continuous process that collects systematic data on specific indicators to update stakeholders on progress and achievements of an ongoing policy intervention.[37] Policy evaluation indicates to the objective and structured assessment of the design, implementation and results of a proposed or ongoing or completed policy intervention.[38] Before proposing a monitoring and evaluation (M&E) framework for BIISAP, some M&E structures have been analysed in Table 3. This table is not exhaustive as it only includes approaches with proven applicability in policy implementation projects.

## Table 3:
# Different M&E Approaches

| Types of M&E Framework | Brief Overview | Case in Point | Takeaways for BIISAP |
|---|---|---|---|
| **1. Results-Based Monitoring and Evaluation** | Based on the theory of Results-Based Management (RBM), this approach encompasses the processes of planning, implementation and M&E. Results-based M&E assesses a programme or an activity continuously in order to achieve the targeted objectives.[39] | 1. Organisation for Economic Co-operation and Development (OECD) has been using this M&E approach in assessing policy interventions across open governments<br>2. Various United Nations organisation, such as WHO, United Nations Evaluation Group also follow this approach.<br>3. Some climate and environment conservation groups also follow this approach to measure the effect for climate mitigation and adaptation strategies. For instance, International Union for Conservation of Nature (IUCN) uses this method to regularly monitor regional progress.<br>4. Global Impact Investing Network (GIIN) also uses this approach by defining outputs, short-term outcomes and longer-term outcomes. | This model offers a level of flexibility which can help projects with undefined or continuously changing goals due to shift in external environment. Also, when the intervention is unprecedented, it might be better to measure them on an ongoing basis than on a periodical basis. |
| **2. Logical Framework Approach** | This systematic approach involves preparing a log frame matrix which gives an overview of the current situation. The matrix divides the programme information into problem, goal, purpose of the programme, outputs or deliverables of the programme, and activities for achieving the outputs. For each of these, objectively verifiable indicators are identified along the sources of information or the means of verification for these indicators and their relevant assumptions.[40] | 1. This method was developed for the e United States Agency for International Development (USAID) in the late 1960s. USAID has been using this approach in almost every project across various sectors.<br>2. World Bank uses a mix of the result-based approach and logical frame approach. | This approach lacks flexibility once the indicators are defined. It emphasises on the measurability of the indicators. |

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|---|---|---|---|
| **3. Opportunistic Impact Measurement** | Opportunistic impact evaluation assesses the adaptation intervention based on a comparison of the reference area with and without (or before and after) intervention.[41] | This approach is suitable for capacity building interventions and usually practiced by human resource management organisations (e.g., and academia (e.g., Harvard Business School, University of Hagen etc.) for specific studies. | The degree to which planned impacts are achieved (depending upon the baseline) after the intervention determines the success of the adaptation. As two states are being compared in this framework, it is heavily dependent on the baseline assessment. The impact investing policy landscape study already serves as a baseline assessment for BIISAP. |
| **4. Outcome Mapping Approach** | The framework maps the activities of a programme to the outcomes it brings about in its beneficiaries.[42] | 1. This assessment framework has been designed by the International Development Research Centre.<br>2. This method is best suited for tracking long-term behavioural changes in the reference group. | The framework is used to increase the effectiveness of an intervention by linking the intervention activities directly to outcomes. The framework focusses on planning and M&E, and can therefore be used for assessments during the design, mid-term and post hoc implementation of the programme. |
| **5. Objectives-Oriented Project-Planning** | Deriving from the log frame method, this approach uses Project Planning Matrix as an M&E framework and lists the tasks of the programme, the intended outputs, the relationship between output and input, the responsibilities of stakeholders, intermediate goals, budget compliance, time line, etc.[43] | This has been developed by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ - German Technical Cooperation) in 2002. It has been widely adopted for the rigour of its methods. | Like the logical frame approach, this method is not suited for projects that are subject to uncertainty. |



The goals of BIISAP are clearly defined and the implementation plan engages multiple stakeholders. Additionally, some of the recommendations might face some risk due to the unprecedented nature of the activities (i.e., mobilising charity fund). Therefore, BIISAP implementation requires a degree of flexibility so that any changes in external environment can be reflected in the assessment tool. Simultaneously, well-defined indicators are also necessary to ensure measurability of outcomes. Lastly, the M&E process has to be ongoing rather than periodical to maintain the momentum of the intervention. Based on these assumptions, a mix of result-based M&E and logical framework approach has been recommended for BIISAP monitoring and evaluation process.

## Table 4:
# Proposed Monitoring and Evaluation Framework for BIISAP

| Priority | Activities | Outcomes | Assessing Results | | | | |
|---|---|---|---|---|---|---|---|
| | | | Baseline | Mid-Term | Completion | Status | Comments |
| Immediate-Term | Standardizing Impact Due Diligence Process and Impact Measurement and Management Frameworks | Improved impact understanding and transparency in both demand and supply side | 2021 | 2022 | 2023 | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Reduced risk of impact washing | | | | | |
| | Promoting Collaboration amongst Ecosystem Actors | Increased and more informed awareness on impact investing and related concepts | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | More streamlined impact interventions | | | | | |
| | Capacity Building Trainings on Impact Investing and Leverage Post-secondary Institutions, Government Training Centers and Development Organisations' Networks to Disseminate Impact Knowledge | Increased informed awareness on impact on the demand-side | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Enhanced impact reach across Bangladesh | | | | | |
| | | More impact investment-ready enterprises | | | | | |
| | Facilitate the Growth of Catalytic Funding and Blended Finance | Reduced risk for impact investors | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Improved access to capital for impact enterprises | | | | | |
| | | Reduced cost of capital for impact enterprises | | | | | |

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|---|---|---|---|---|---|---|---|
| Medium-Term | Sharpening and Amplifying Bangladesh's Impact Story to the World | A stronger foothold for Bangladesh in the global impact investing arena | 2023 | 2025 | 2027 | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | More opportunities in the international capital markets | | | | | |
| | Supporting & Increasing Participation of Women and Marginalized Groups through Impact Investing | More equitable impact outcome for women, PWD and people from marginalized groups | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | Ensuring Efficient Distribution of Untapped Capital in the Market | Reduced risk for impact investors | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Improved access to capital for impact enterprises | | | | | |
| | | Reduced cost of capital for impact enterprises | | | | | |
| | Introducing a Mechanism for Acknowledging Impact Investors and Impact Enterprises | Increased motivation for impact investors and impact enterprises | | | | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Improved access to capital for impact enterprises | | | | | |
| Long-Term | Procurement Policy to Guarantee Sourcing from Impact Enterprises | Increased motivation for impact enterprises and investors | 2026 | 2028 | 2030 | a. Planning<br>b. On track<br>c. Behind schedule<br>d. Intervention required | |
| | | Reduced risk for impact investors | | | | | |

# 4.2 Conclusion and Way Forward

The Bangladesh impact investment ecosystem is increasingly garnering enthusiasm and commitment across stakeholder groups. This momentum of the impact investing sector is aligned with the growing wave of impact investing trend dispersing globally. The Bangladesh impact sector has witnessed noteworthy milestones over the last decade; however, strides have to be made to realize the vision for impact investment.



Firstly, a strong positioning and identity needs to be created for the Bangladeshi impact investing ecosystem so that the ambiguity regarding the definition and measurement of impact could be minimized. Secondly, higher level of collaboration has to be established among stakeholders to orchestrate impact investing interventions that generate inclusive outcomes. Thirdly, impact investing education and trainings could be made more available and accessible to the impact enterprises across Bangladesh to accelerate capacity development of the entrepreneurs and scalability of the enterprises. Fourthly, alternative financing instruments and tools including blended financing, procurement policies for impact enterprises, and untapped capital utilization could be explored to increase the flow of impact capital to the market. Lastly, there should be more incentives and support for the supply side (i.e., investors) to explore impact investing. Standardised due diligence processes and guidelines, more clearly defined exit strategies, and a forward market for selling impact stocks (impact exchange) would go a long way to crowding more investors in to the impact ecosystem.

The BIISAP reinforces the ambitious yet achievable vision for impact investing through implementing the strategies identified in this study.



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# Appendix

# Appendix A: Glossary

| Term | Brief Description | Source |
|---|---|---|
| Agent Banking | An agent bank is a bank that performs services in some capacity on behalf of an entity. | Agent Bank. Khadija Khartit. Investopedia. 2021. https://www.investopedia.com/terms/a/agent-bank.asp |
| Blended Financing | Blended financing is the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries that attracts commercial capital towards projects contributing toward sustainable development, while providing financial returns to investors. | Blended Finance. OECD. https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/ |
| Catalytic Financing | Catalytic Financing is defined as debt, equity, guarantees, and other investments that accept disproportionate risk and/or concessionary returns relative to a conventional investment in order to generate positive impact and enable third-party investment that otherwise would not be possible. | Catalytic Capital at Work. What is Catalytic Capital? MacArthur Foundation. https://www.macfound.org/press/article/catalytic-capital-work |
| Financial Exchange | Financial Exchange refers to any financial or stock exchange(s) on which any of the Existing Debt Instruments are listed as at the Curatorship Date and, if the context so requires, shall include any financial or stock exchange(s) on which New Senior Debt Instruments and/or New Subordinated Debt Instruments may be listed. | Financial Exchange definition. Law Insider. https://www.lawinsider.com/dictionary/financial-exchange |
| Green Financing | Green Finance encompasses all the initiatives taken by private and public agents (e.g. businesses, banks, governments, international organizations, etc.) in developing, promoting, implementing and supporting projects with sustainable impacts through financial instruments. | What is green finance. International Trade Centre. https://www.intracen.org/What-is-green-finance/ |

| | | |
|---|---|---|
| Green Sukuk | Green Sukuk are Shariah-compliant securities backed by a specific pool of assets that have purpose in protecting the environment through financing the renewable energy and other environmental assets. | What Are Green Sukuk? By Sarah Brodsky. 2020. https://www.theimpactivate.com/what-are-green-sukuk/ |
| Islamic Financing | Islamic finance is a type of financing activities that must comply with Sharia (Islamic Law); hence, referring to the investments that are permissible under Sharia. | What is Islamic Finance? CFI. https://corporatefinanceinstitute.com/resources/knowledge/finance/islamic-finance/ |
| Results-based management | Results-based management (RBM) is defined as orienting all action and use of resources towards achieving clearly defined and demonstrable results. RBM increases transparency and accountability, allowing interventions to complement each other and avoid overlap and waste. | Investment Learning Platform (ILP). Results-based management. FAO. 2021. http://www.fao.org/investment-learning-platform/themes-and-tasks/results-based-management/en/ |
| Sukuk | Sukuk is an Islamic financial certificate or bond that complies with Islamic religious law commonly known as Sharia. | Sukuk By Akhilesh Ganti. Investopedia. 2020. https://www.investopedia.com/terms/s/sukuk.asp |
| Sustainable Development Goals | The Sustainable Development Goals (17 SDGs), were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity. | What are the Sustainable Development Goals? UNDP. https://www.undp.org/sustainable-development-goals |
| Theory of change | Theory of change explains how the activities (results chain, logic model, programme theory, outcome mapping, impact pathway and investment logic) undertaken by an intervention contribute to a chain of results that lead to the intended or observed impacts. | Describe the theory of change. https://www.betterevaluation.org/en/managers_guide/step_2/describe_theory_of_change |

# Appendix B: About NAB

## Global Context of NABs and Relevant Local Implications

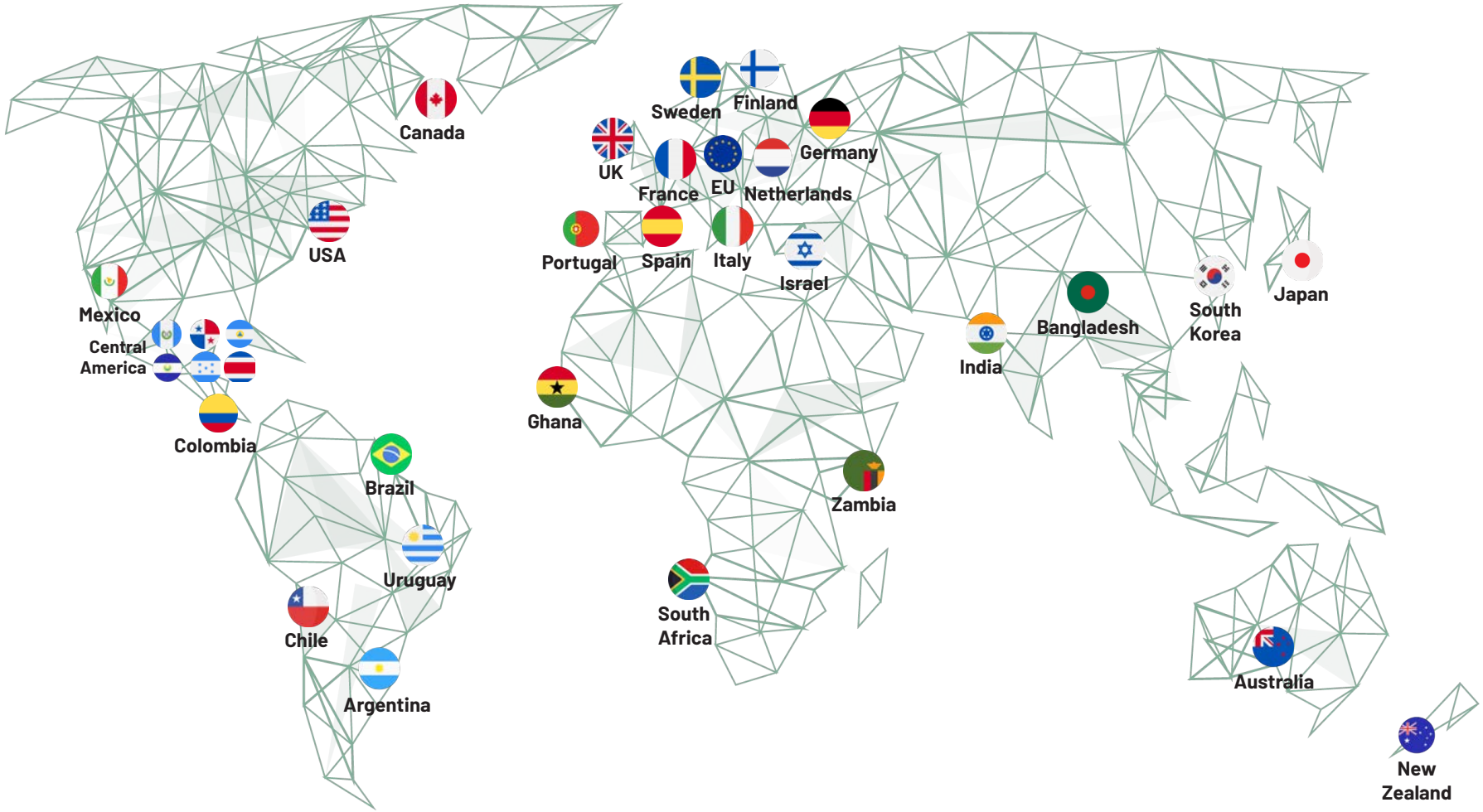
### Introduction to National Advisory Boards

Globally, National Advisory Boards (NAB) are supported by the Global Steering Group (GSG) to mobilise capital, drive real impact, advance solutions, and enhance the shift towards impact economies. As such, NABs play the critical role of both a catalyst and an advocate, to galvanise the global impact investment movement by encouraging stakeholders to join and shape the impact revolution at a national level. Currently, GSG's support spans across 33 countries and is working to enable country-level NABs to catalyse the growth of impact investment in local markets. Figure 4 displays the current breadth and disbursement of NABs globally.



In its role as a market facilitator, NABs globally leverage a number of policy tools to build the capacity for impact investment. National impact investment strategies aim to expand the impact investment ecosystem over the medium to long term and outline several supportive measures such as capacity-building, fiscal incentives, incubation facilities, market linkage services and certification for impact enterprises[44]. Table 5 spotlights the core elements adopted by global NABs in this policy paper and how it could be applicable for the Bangladeshi context. Note, not all the countries analysed have completed a national action plan, so the existing and equivalent strategy and action plan document was analysed, as depicted below.

## Figure 4:
# Worldwide Presence of NABs, Source: GSG Website



## Table 5:
# Comparative Analysis Among Global NAB Policy Papers

| | What are the key elements that were included in each NAP or equivalent document analysed? | How is impact being ascertained? | What are some noteworthy elements? | What recommendations may be applicable in the Bangladeshi context? |
|---|---|---|---|---|
| Ghana | The document reviewed is primarily a landscape analysis, with some helpful recommendations to draw from. | Not depicted in this document | The highlighting of overarching support needed from regulatory bodies. | 1. Leveraging funds from diaspora for investments into social enterprises<br>2. Pre-investment technical assistance to build pipeline of potential investment companies<br>3. Facilitating grant capital to impact enterprises as first loss capital or guarantees, to deploy capital in high-risk early-stage businesses |
| Zambia | The document reviewed was a landscape analysis focused on mapping the impact investment sector in Zambia. | Early ideas include active and written CSR/ESG policies, exclusion lists, reporting guidelines | The document comprises a matrix to identify the priority sectors, by highlighting how each sector contributes to the SDGs. | 1. Aligning national priority sectors with globally defined impact sectors to facilitate better matching between demand and supply sides<br>2. Exploring regulations to introduce new intermediaries such as social banks and crowdfunding platforms |

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| India | Not an action plan, but other reports on the GSG website outlining dynamics, ongoing initiatives and opportunities. | IMM has become increasingly critical with the five Dimensions of Impact of the Impact Management Project (IMP) being supportive. | Supporting the growth of the local ecosystem with enhanced awareness and capacity building of impact rigour, alongside other policy support. | 1. Diversifying awareness of the spread of the opportunity set (i.e., not limited to specific sectors)<br>2. Important role of catalytic and patient capital<br>3. Leveraging cross sector/ stakeholder collaborations<br>4. Enhance local capacity and talent further |
| South Korea | Not an action plan, but other reports on the GSG website outlining dynamics, ongoing initiatives and opportunities. | Well established global impact frameworks were used, including the five Dimensions of Impact as part the Impact Management Project (IMP) | The usage of more policy support, green bonds, tax incentives, legal forms of social enterprise being created and other government funds/ support to intermediaries. | 1. Explore the formalisation of social enterprises<br>2. Ensure a wider spread of government subsidies, tax incentives and support<br>3. Wider scope of financial tools and mechanisms (concessional capital, more flexible forms of equity etc.) |
| Brazil | 1. Background info on impact investing in Brazil<br>2. List of recommendations including detailed and next steps | Each recommendation consisted of an underlying goal. For e.g., individuals and respective family offices to direct between 1 and 3% of the total value of their investments to funds / financial products with social impact by 2020. | A comprehensive list of recommendations organized by key players. | 1. Increase outreach and dialogue with traditional investors, in financial markets<br>2. Experimenting with new fund models utilizing diverse financial instruments<br>3. New government legislative platforms for crowd-equity and crowd-lending |
| Mexico | While not an explicit NAP, this document refers to the regulatory changes that need to happen in order to strengthen the ecosystem. | There are some steps named which should lead to reaching the government and grasping their attention to these key issues. | A clear graph with government's role and relevant actions. | 1. Exploring specific legal forms for impact enterprises<br>2. Providing fiscal incentives for impact<br>3. Create a dedicated impact unit |

| | | | | |
|---|---|---|---|---|
| Africa[45] | 1. Background info on impact investing in Africa (goals, challenges, SWOT, risk assessment, ToC).<br>2. The roadmap to the action plan and set up of the NAB)<br>3. Detailed log frame | A detailed and rigorous approach was provided, and while indicators tended to be quantitative, others were qualitative, and targets were not always given. | The Log Frame is detailed and provides a good overview of actions that are planned to be taken. This could be a benchmark for Bangladesh. | 1. Providing appropriate infrastructure and mechanisms to facilitate deals<br>2. Supporting consensus on and broad-based adoption of impact measurement standards and metrics |
| Australia | While three reports on Australia were reviewed, "Scaling Impact" report has been studied as the core action plan. This study outlined the overall vision, actions to be taken by different actors with case studies | Well established global impact frameworks were used, including the five Dimensions of Impact as part the Impact Management Project (IMP) | Grouping the recommendations by different actors gives a clear understanding of what each party should do to contribute to the development of the impact investing ecosystem in Australia. | 1. Creating working groups<br>2. Mapping out actions by a wide range of stakeholders<br>3. Increasing the intersectional and social equity lens |

# Introduction to NAB Bangladesh

## Strategy: Vision, Mission and Theory of Change of NAB Bangladesh

The vision for growing impact investing in Bangladesh is to develop a thriving and resilient ecosystem and enabling impact at scale. To propel this agenda forward and turn ambition into breakthrough change, there is a need for specific actors to steer the way. The NAB Bangladesh is this central actor and comes under the wider umbrella of similar global organisations that are steering the impact investing ecosystems at the country level.

While a strong pipeline of impact investees and impact investment projects persist, supportive infrastructure and mechanisms must be developed to encourage impact investment. NAB Bangladesh plays a vital role as a market facilitator to pave the pathway for conductive frameworks, provide adequate legal structures and propel the right incentives to enable such an impact environment.



a. *Transitioning from uncoordinated innovation to marketplace building:* The foundation of the Bangladesh Impact Investment Strategy and Action Plan (BIISAP), being developed under the guidance leadership of NAB and other ecosystem players, will serve as a concrete and living guide to unlock the full potential of the impact ecosystem in Bangladesh, while identifying and detailing the critical roles of key players and stakeholders within the market.

b. *Paving the ground to drive greater value creation and impact:* To strengthen the potential of the impact ecosystem, a strong pipeline of viable investees and impact investment projects need to be influenced and steered towards the market.

c. *Enhancing awareness of impact investment:* Widespread interactive advocacy and awareness programmes need to be conducted to propagate the impact investment ecosystem and engage key stakeholders.

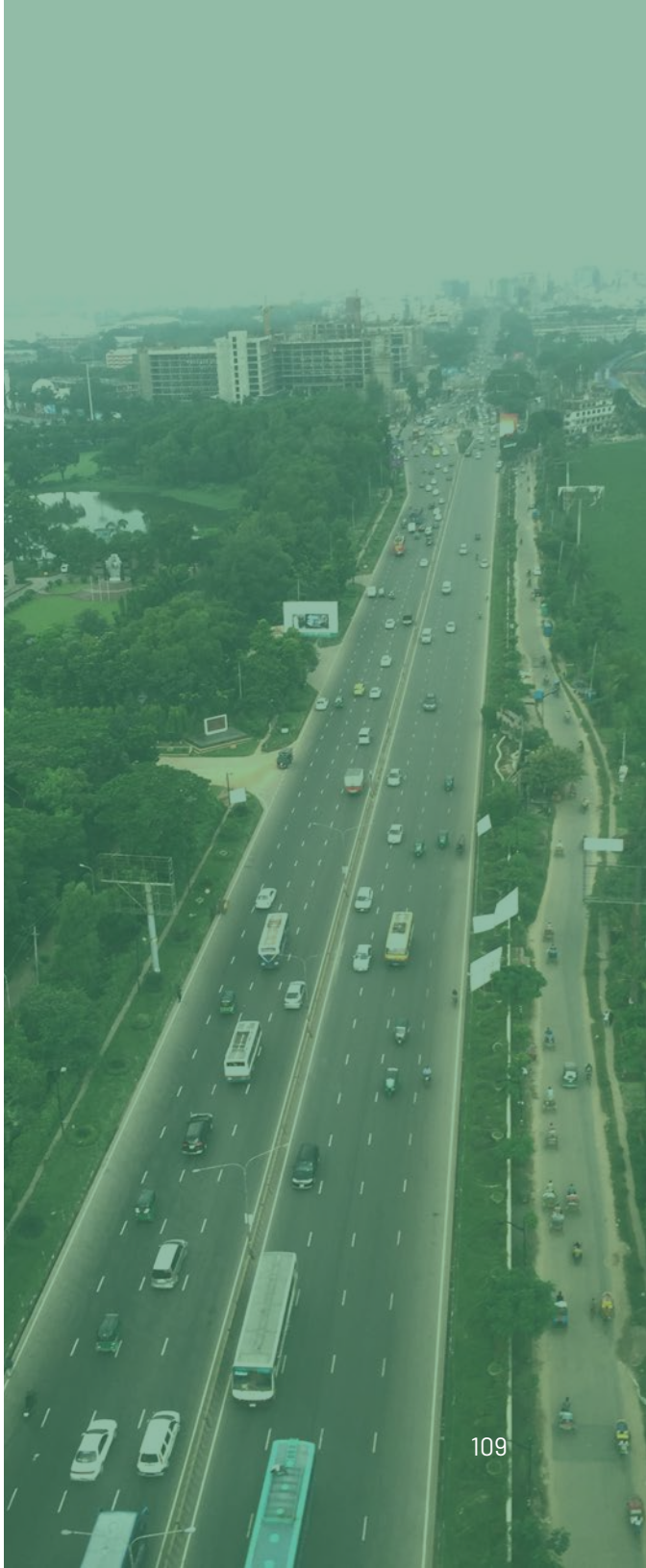
d. *Enhancing capacity and reducing barriers to participation:* Participation in impact investment will become easier as awareness grows, and more stakeholders possess transparent information and skills. A policy and regulatory environment need to be enabled to allow impact investment to thrive and stir the enthusiasm of market stakeholders.

e. *Driving social and financial innovation, and overall capacity:* Social innovation can be stifled if frictions such as inadequate mechanisms and funding persist within the environment. There needs to be concerted and collective action to prioritise innovation with clear impact goals and ensure good practice in impact investment, to facilitate such innovation. The impact ecosystem must be equipped with high capacity and skilled impact managers to catalyse the development of the sector.

f. *Bringing in more flexible and patient capital:* Flexible capital is a pivotal tool for incentivising innovation and motivating stakeholders to take up the impact agenda. Lack of access to finance is a key barrier for enterprises attempting to pilot their impact agenda. Flexible capital comprises financial solutions such as catalytic finance, blended capital and such instruments can match investor risk to impact enterprise return capacity, leading to the engagement of more investors and investees in the ecosystem.

g. *Growing the pool of skilled impact intermediaries:* Intermediation serves as the lynchpin to develop the impact ecosystem and widen the impact that can be achieved. Absence of skilled intermediaries can stunt the growth of the impact ecosystem. Existing actors from incubators to community organisations, foundations, governments, banks, funds and consultants can play an intermediary role.

h. *Boosting capability on impact measurement and management:* Further supporting the harmonisation of metrics and measuring principles of impact investment, with more efficient resource allocation and identification of core bodies to help set in motion the impact agenda for the market.



## Theory of Change

Theory of Change (ToC) is a strategy for NAB Bangladesh to establish the impact investment ecosystem in Bangladesh. NAB ToC reflects its current operations, articulates its future accountability and works backward to identify necessary activities, strategies, resources, capabilities, culture, and so on.

Through the ToC, the NAB is committed to measuring its impact so that its members and other stakeholders have the information needed to support evidence-based decision making in order to achieve people-centric policy outcomes along with positive social, environmental, and economic return on impact investments. It will also support NAB Bangladesh to transform challenges to opportunities through behavioural changes by changing the way investor's design and deliver policies, programmes and services while doing good and doing well at the same time.

The guiding principles for the NAB Bangladesh ToC are partnership, co-creation, people-centric, evidence based, methodological driven, openness and transparency. The Theory of Change actions and approaches will deliver answers to the questions:

- Who are we working with and working for?
- What are the goals we trying to achieve?
- When are we expecting to achieve this goal?
- How are we going to achieve these goals?
- Why are we doing this – short term, medium term, and long-term impacts?

NAB's Theory of Change will ensure that the impact investment ecosystem planning framework is fit for purpose and therefore more likely to lead to the desired changes. Critically, the Theory of Change is the result of an extracted findings from the Policy Landscape Analysis for Impact Investment in Bangladesh (2020) consultations and also the preliminary findings from the draft Bangladesh Impact Investment Strategy and Action Plan (BIISAP). Both of these studies were conducted through an effective and inclusive participatory process where stakeholders worked together to define and refine the goals to complement the development of the NAB Theory of Change.

In addition, the NAB Theory of Change model has also considered a set of secondary resources from across the impact investment industry to apply logic and continuous feedback loops for effective impact measurement and management. It essentially consists seven plus one components model to describe and illustrate exactly how and why a desired change or impact is expected to realise.
Figure 5 explains the NAB Bangladesh Theory of Change targeting the actual impact, focusing people, planet, and prosperity. The seven plus one component shapes the NAB Bangladesh Theory of Change are:

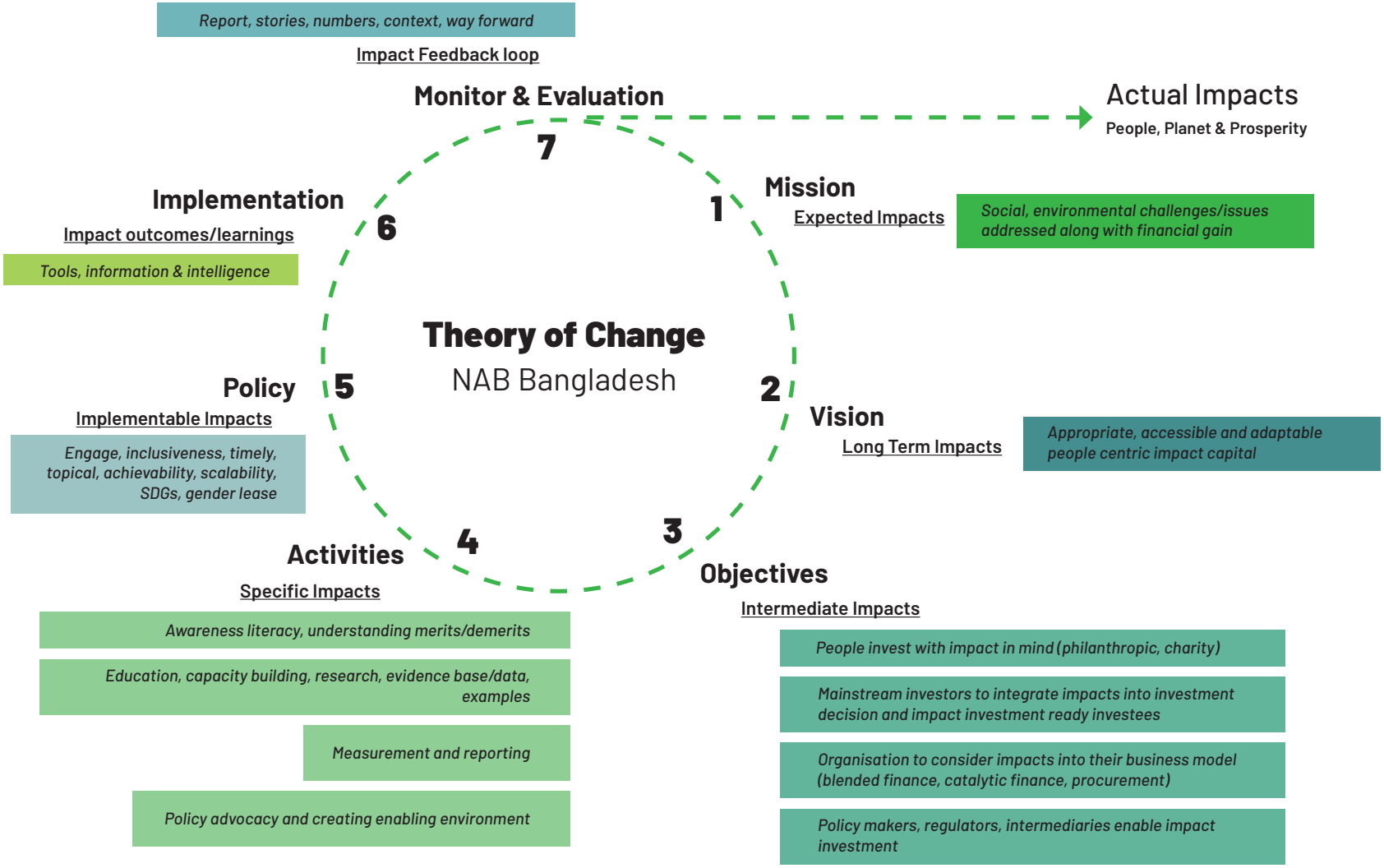
1. Mission: expected impacts
2. Vision: long-term impacts
3. Objectives: intermediate impacts
4. Activities: specific impacts
5. Policy: implementable impacts
6. Implementation: impact outcomes/learnings
7. Monitor and Evaluation: impact feedback loop



In addition to these seven components above, a critical eighth component is the NAB members and their diversification. The success of the NAB Bangladesh Theory of Change will be significantly dependent on the vision, mission, capacity, and industry diversification of the NAB members.

Finally, the NAB Bangladesh Theory of Change explains how activities are understood to contribute a series of results that produce the actual impacts.

## Figure 5:
# Theory of Change for NAB




**Reference:** *Triodos Investment Management, Impact Investment Institute, Build Bangladesh*

**Note:** *In addition to these 7 components a critical 8th component is the NAB Members and it's diversification*

## The Importance of Impact Investing in Bangladesh and the Role of NAB in Spearheading the Growth

The National Advisory Board (NAB) Bangladesh acts as a market facilitator and has the responsibility to cultivate an enabling policy environment and promote higher capital flows into impact enterprises. The NAB has been established to steer the development of impact investing in Bangladesh and to ensure the ecosystem is aligned with the prevailing Government Policy while complementing the United Nations Sustainable Development Goals (SDGs). The NAB is headed by the Secretary of the External Resources Division of the Ministry of Finance and includes officials from relevant regulatory bodies and Bangladesh Bank. Build Bangladesh, Member Secretary to the NAB, plays a pioneering role in substantiating the Board's influence over the investment climate and facilitating its operations and key deliverables, while ensuring a global presence. Figure 6 highlights the different members/observer of the NAB and the stakeholder bodies that are coordinated to advance the emerging impact environment in Bangladesh. As a market facilitator, the NAB works to ensure a conducive policy environment for impact investing.



## Figure 6:
# Members/Observers of NAB Bangladesh

**Government Agencies**

Bangladesh Investment Development Authority

Bangladesh Bank

**Development Sector Partners & Organisations**

Creating Markets, Creating Opportunities

Supported by Switzerland

**Chamber of Commerce**

**Private Sector Organisations**

THE LEGAL CIRCLE

OUR FUTURE TOGETHER

**Academia**

University of Dhaka

Appendix C:

# Comparative Policy Landscape and Socio-economic Factors Analyses

## Comparative Policy Landscape and Socio-economic Factors Analyses

Wider Socio-economic analysis underpinning the impact investing market dynamics in Bangladesh

In this section, the wider economic dynamics and other socio-economic conditions in Bangladesh are illustrated. An underlying macro-economic and impact investment-related comparison among regional players has been conducted in Table 6. The strong economic growth potential in Bangladesh is quite notable, albeit there is room for improvement in terms of ease of doing business. Data from GIIN and Global Steering Group (GSG) for Impact Investment have been used to draw comparisons among countries and identify global best practices for the Bangladesh market.

## Table 6:
# Macro-economic Comparison among Emerging Impact Investing Market

| Country | Macroeconomic Overview (2019 Stats) | | | |
|---|---|---|---|---|
| | GDP/Capita | GDP Growth Rate[46] | Ease of Doing Business Index Rank[47] | Sovereign Credit Rating[48] |
| Bangladesh | USD 1.86K | 8.15% | 168 | BB- |
| Brazil | USD 8.17K | 1.14% | 124 | BB- |
| China | USD 10.22K | 5.95% | 31 | A+ |
| India | USD 2.09K | 4.18% | 63 | BBB- |
| Indonesia | USD 4.14K | 5.03% | 73 | BBB |
| Republic of Korea (South Korea) | USD 31.85K | 2.04% | 5 | AA |
| Thailand | USD 7.81K | 2.35% | 21 | BBB+ |

## Exploring other socio-economic dimensions at play

In 2019, Bangladesh was the eighth most populous country in the world with a total population of 163 million[49]. The population is relatively young—89% of the people are under the age of 54 years, and 45% are under the age of 24 years.[50] This large young population signals a large potential labour market which might benefit from impact investments. According to the World Economic Forum, Bangladesh now ranks 65th globally in terms of gender gap.[51] Although there have been marginal improvements in gender performances over the last decade, significant strides are yet to made to reduce the gender gap even further.

While there has been progress in Bangladeshi women's development in terms of health, education, and increased mobility, there remain a number of barriers. These structural barriers are at the household, community and market levels, and are driven by discriminatory social norms around gender roles. These barriers lead to lower women's labour force participation and earnings, and equal access to resources, opportunities and rights. Violence against women and early marriage remain key concerns. Gender labour force participation gaps also remain large: only 38.5% of women participate in the labour force, compared to 84.2% of men, corresponding to a score on the Global Gender Gap index of only 45.7%, with gender pay gaps prevailing too.[52] As such, it could be interesting to further explore how these underlying gender dynamics, roles and norms are influencing the ecosystem, and how diverse participation is impacting investment decision making capital flow and impact outcomes.

## Rural-urban divide and the impact of COVID 19

In 2019, 62.59% of the total Bangladeshi population lived in rural areas.[53] There exists a significant rural-urban divide which can be understood from the glaring difference in Multidimensional Poverty Index (MPI). The MPI is an international measure of acute multidimensional poverty which complements traditional monetary poverty measures by capturing the acute deprivations in health, education, and living standards that a person faces simultaneously.[54] In 2019, the MPI in rural Bangladesh was almost twice than that in urban Bangladesh.[55] Regardless of the significant improvements in health and education outcomes, there are still major deprivations in these sectors. More than half of those who have jobs in rural areas were in vulnerable employment.[56] The COVID-19 pandemic further exposed these vulnerable communities to new threats. Agricultural supply chains have been disrupted, along with a marked decline in domestic and international inward remittances into the rural economy.

As the uncertain trajectory of the pandemic continues, it is likely to create long-lasting impacts across other areas of the economy, such as remittances and domestic demand. Impact investment offers an investable solution for the economy to address its emerging challenges and minimize the immediate damages. Impact funds can help businesses blanket the financial shocks, posed by the crisis. The pandemic has however opened new avenues of growth for impact enterprises, driving demand for innovative solutions. Donors are looking into channelling funds into emerging markets, through innovations such as blended finance and catalytic funding. As Bangladesh's global investment outlook improves, propelled by increased connectivity, improving physical infrastructure and innovation, greater opportunities for growth are being created.

## Commitment to Fostering the Impact Investing Ecosystem in Bangladesh

The Government of Bangladesh is committed to furthering the 17 SDGs by 2030 but achieving these goals at the current rate of public and development expenditure is challenging. Moreover, as Bangladesh becomes a middle-income country, Overseas Development Assistance (ODAs) will continue to decline, debt may not be available at preferential rates and the government will likely need to build up forex reserves to guard against currency devaluation. In addition, the COVID-19 global pandemic has created additional pressures on development funding, as a portion of funds are being directed towards assisting the worst affected economies.

Although DFIs will continue to allocate funds for impact investments in emerging and frontier markets in the coming decade, the private sector is not fully onboard with the impact investment agenda yet. To increase private sector participation in the impact supply side, significant strides are needed. Integrating private sector players into the impact agenda also calls for further awareness, economic incentives and policy advocacy in the ecosystem.

Bangladesh, being one of the fastest growing economies in Asia, has been witnessing growing appetite and economic ability for better services. Sectors such as education, healthcare, affordable housing, infrastructure, digital commerce, logistics, retail, among others must be upgraded to adequately serve the growing population. The government's rising interest in impact investing and the economy's readiness to foster an impact revolution have opened a unique policy window for Bangladesh. Now is the time to design and implement an impact roadmap for Bangladesh.

## Comparative Policy Landscape Analysis

In order to provide a deeper understanding of policies in Bangladesh and their implications for impact investing, a more in-depth analysis covering relevant laws, guidelines and circulars has been conducted and presented in Table 7.



## Table 7:
# Comparative Analysis of Existing Policies

| Law/Guideline/ Circular | Regulatory Body & Publication Date | Brief Description of Provisions | Areas of Improvement/ Clarification Required/ Issues Identified | Implications for Impact Investing in Bangladesh to be considered |
|---|---|---|---|---|
| Alternative Investment Rules 2015 | Bangladesh Securities and Exchange Commission (BSEC)<br><br>June 22, 2015 | Definition: An impact fund is an alternative investment fund which invests in equity and equity linked instruments of such companies, organisations, and funds which are engaged in activities with the intention to generate a measurable and beneficial social and/or environmental impact in addition to financial returns, as justified with internationally recognized criteria. | • The balance between impact and financial return;<br>• Guidelines explaining internationally recognized criteria or any measurement and reporting criteria; | • Clearer guidelines on the registration process and management of impact funds. |
| | | If a foreign entity or foreign fund management company intends to act as fund manager, it has to form a fund management company incorporated in Bangladesh. | • Foreign investors view this provision as a restrictive and it holds back investment interest; | • Encourages foreign fund management companies to explore the Bangladesh market. |
| | | At least one key personnel managing the fund should have at least 5 years of experience in advising or managing pools of capital, fund, asset, wealth, or portfolio, or in the business of buying, selling and dealing of financial assets. | • The process for formally reporting key personnel qualification; | • Increases accountability and trust. |
| | | The funds can be raised from a maximum of 200 eligible investors via private placement with a minimum subscription of BDT 5 M (USD 58.8K) each. | • Exploration of whether the minimum subscription can be lowered to accommodate more diverse investors; | • Encourages more and more diverse private sector investors to invest in impact funds |

| | | | | |
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| Circular on Investment in Special Purpose Vehicle, Alternative Investment Fund or similar fund/funds by the scheduled banks | Department of Off-Site Supervision (DOS), Bangladesh Bank November 25, 2015 | Scheduled banks willing to invest in non-listed special purpose funds (Special Purpose Vehicle, AIF registered with BSEC) are allowed to invest up to BDT 2 billion (USD 23.53 million) in such funds. | • Absence of incentive for investing in impact funds has been partly mitigated later through GBCSR Circular on considering impact fund investment as green financing | • Opportunity for further growth of impact funds and impact enterprises |
| Circular Regarding Investment in Non-listed Special Purpose Funds by NBFIs | Department of Financial Institutions and Markets (DIFM), Bangladesh Bank March 30, 2016 | NBFIs willing to invest in non-listed special purpose fund/funds (Special Purpose Vehicle, AIF registered with BSEC) are allowed to do so following specific guidelines –<br>a. The aggregate investment in such funds made by any FI shall not exceed 50% of its paid-up capital;<br>b. The investment in such a single fund made by any FI shall not exceed 10 percent of its paid-up capital or 20% of that particular fund, whichever is lower. | • Absence of incentive for investing in impact funds has been partly mitigated through GBCSR Circular on considering impact fund investment as green financing. | • Opportunity for further growth of impact funds and impact enterprises |
| Circular on investment by non-resident investors in Alternative Investment Funds | Foreign Exchange Investment Department, Bangladesh Bank July 30, 2018 | • The AIFs must be registered under BSEC to attain foreign investments. Under the existing rules, non-residents are also allowed to make direct investments or portfolio investments in Bangladesh.<br>• Foreign investors holding units of AIFs would be allowed to sell or transfer or redeem the units as per rules or directions issued by the BSEC. | • As no separate tax rebate or incentive for foreign investors investing in impact fund is currently being provided, investors are disincentivised from these vehicles. | • Opportunity for further growth of impact funds and impact enterprises |

| | | | | |
|---|---|---|---|---|
| Circular on Considering Investment by Scheduled banks and Financial Institutions in Impact Fund as Green Financing | Sustainable Financing Department (SFD), Bangladesh Bank April 04, 2019 | • Investment by scheduled banks and FIs in Impact Funds will be considered as Green Financing<br>• Impact funds must ensure one of these outcomes –<br>1. Resource efficiency; 2. Air emission and quality efficiency; 3. Resource recycling; 4. Waste (liquid and solid) management; 5. Renewable Energy<br>6. Land contamination prevention/mitigation;<br>7. Energy efficiency; 8. Land acquisition and resettlement management; 9. Water management and conservation;<br>10. Labour and working condition management; 11. Water use efficiency;<br>12. Community health and safety management; 13. Waste water and effluent treatment management;<br>14. Indigenous people and cultural heritage; 15. Heat and temperature management; 16. Women and children right protection; 17. Air ventilation and circulation efficiency;<br>18. Environment/climate friendly industry/ Building/ Brick Kiln;<br>19. Environment/climate friendly transportation/ vehicle; 20. Nature conservation; 21. Environment-friendly Agriculture; 22. Any others deemed eligible by BB<br>• After primary selection, banks are to apply through Dept. of Off-site Supervision (DOS) and FIs are to apply through Dept. of Financial institutions and Markets (DIFM).<br>• Then DOS and DIFM are to ask SFD for a No Objection Certificate (NOC) to begin assessing environmental and social prospect. | • Apart from the 21 thematic areas, any other areas deemed eligible by Bangladesh Bank will be considered eligible. BB's selection criteria should be clarified for better understanding.<br>• Although the circular was published in April 2019, SFD has not received a single application from DOS and DIFM.<br>• No standardized environmental and social impact measurement framework has been provided in the provisions. | • Banks and FIs will be encouraged to invest in impact funds if they receive preferential treatments by BB such as<br>- higher CAMELS rating;<br>- special mentions on the website;<br>- permissions for opening new branches |

| | | | | |
|---|---|---|---|---|
| Circular on Direct Budgetary CSR Expenditure | Green Banking and CSR Department, Bangladesh Bank December 22, 2014 | • Banks and FIs are mandated to spend on CSR from their net profits and there is no limit on expenditure*<br>• Banks and FIs are to allocate 30% of their CSR outlay on the education sector, 20% on healthcare sector;<br>• The rest is to be allocated in<br><br>- emergency disaster relief;<br>- promoting environmentally sustainable output practices and lifestyles;<br>- promoting artistic, cultural, literary;<br>- building sports and recreational facilities for the underprivileged;<br>- upgrading facilities and lifesavings equipment in emergency rescue services (i.e., fire brigades)<br>- improving infrastructure for disadvantaged communities in remote areas<br><br>**Upcoming modification: Banks and FIs will spend 2.5% of their net profits on CSR activities.* | • A provision that incentivizes these groups to allocate a portion of their CSR budget into either long-term impact investment vehicles or matching/ co-investments with impact investors, or direct investments into certified impact enterprises, which could be tax-deductible. | • Impact enterprises operating in these mentioned areas can be considered for CSR funding by banks and FIs |

In addition to the impact investing policies above, in keeping with a wider intersectional analysis, other policies in place were also examined, including:

## National Women Development Policy (NWDP) 2011[57]

This is a comprehensive policy, which cuts across different sectors, elaborates on the Government's commitments to overall development of women and girls, and commits specifically to gender responsive budgeting (GRB). Reforms to laws, rules and policies to increase women's employment, arrangement of training and credit facilities for women entrepreneurs and encouraging women in farming, fisheries, cattle rearing and forestry have been identified. It could be beneficial to explore what are the possible linkages to this policy, the related partnerships that could be formed and as such be able to align these policy efforts with all underway on the impact investing front.

## Bangladesh Bank's (BB) SME Policy[58]

The Policy focused on the development of the SME Sector consistent with the Industrial Policy and has a section on Special Arrangement for Women Entrepreneurs. It aims to increase participation of women entrepreneurs in the industrial development of the country and in conducting business activities. It gives priority to potential women entrepreneurs in respect to SME credit disbursement. As with the above policy, there is an opportunity to explore further linkages with the departments leading the charge on these women-focused policies and tap into impact investing collaborations.

## Implications for the Bangladeshi Context

Although these policy changes in Bangladesh have brought timely and welcome changes, there needs to be greater awareness and spotlighting of how such initiatives work. As highlighted above, underlying contextual factors[59] such as social norms, cultural behaviours, openness to entrepreneurship, urban-rural differences etc. need to be better understood and unpacked to arrive at tailored and context-specific pathways. Overall, a deeper intersectional lens would enable for the zoning in on the experiences of under-represented and underserved groups such as women, people with disabilities and other social considerations. This in turn affects access to capital, type and modality of capacity building support needed, underlying financial structures/mechanisms and the wider regulatory and policy shifts.

In addition to this deeper policy analysis at the country level, a comparative policy analysis with relevant emerging markets was conducted to elicit applicable strategies and recommendations for the Bangladesh ecosystem. These findings are presented below in Table 8.



## Table 8:
# Comparative Analysis Among Emerging Impact Investing Markets

| Country | Impact Investment Market Size | Priority Sectors | Policy as an Enabler/Disabler | Takeaways for Bangladesh |
|---|---|---|---|---|
| Brazil | In 2019, USD 785 million was deployed as impact investment in Brazil.[60] | Manufacturing, agriculture and food, healthcare, ICT, energy[61] | • The ministry of Industry, Foreign Trade and Services took **policy ownership** based on the recommendation proposed by GSG and NAB in 2015.<br>• The ministry launched a **social impact accelerator** to streamline knowledge dissemination.<br>• The ministry formed a coalition **with other relevant ministries** (finance, foreign affairs, social development) and **private sector partners** to create a collaborative impact-investing agenda across government.[62] | • Government-run/supported accelerators can be leveraged to disseminate impact knowledge as these programmes have the reputation and reach.<br>• A ministry within GoB can take policy ownership and facilitate collaboration. |

| | | | | |
|---|---|---|---|---|
| China | The AUM totalled USD 2.2 billion.[63] | Digital technologies for rural community support, education, healthcare, entrepreneurship guidance[64] | • The Chinese government has a **green procurement policy** that mandates every agency relying on the government budget to give preference to products that are labelled as environmentally safe and energy saving.<br>• The Ministry of Civil Affairs of China issued the **"Temporary Regulation on Charity Organisations Investment Activities to Preserve and Increase Assets"** in 2018. The regulation allowed charity organisations to delegate its assets to fund management companies to invest in social and impact enterprises. Being in effect since January 2019, the regulation is temporary and is expected to become permanent upon meeting expected results.[65] | • Could explore launching a similar or modified green procurement policy for its agencies to facilitate sourcing from impact enterprises.<br>• The **charity funds** (Zakat funds and others) can be mobilized for financing social and environmental impact-generating enterprises.[66] |

| | | | | |
|---|---|---|---|---|
| India | In 2019, impact AUM stood at USD 36 million[67] | Health, education, agriculture | • The government of India has launched **"Atal Innovation Mission"** to provide technical and infrastructure assistance to innovative start-ups with special focus on businesses with impact agendas. Impact enterprises can establish **incubation centres in government-run premier educational institutes** (e.g., Indian Institutes of Technology IIT, Indian Institutes of Management IIM etc.)[68]<br>• Under the Make in India policy, the government has launched **environmentally sustainable certification for SMEs.** These certifications are issued by a licensed third-party agency and are based on manufacturing excellence and social and environmental sustainability. **SMEs with these certifications can access fiscal and non-fiscal benefits** from state governments and banks.[69]<br>• **25% of all procurement by central government agencies** are to be made from SMEs. At least 4% and 3% of the total reserved amount should come from enterprises owned by members of **marginalized communities and women**.[70] | • Can undertake similar **incubator programmes** in many of the public and private universities across the country, with special focus on outside Dhaka. The universities could further leverage the research funds they receive from GoB annually. University of Dhaka, Bangladesh University of Engineering and Technology (BUET), Daffodil University, North South University among others are already running innovation centres. **With GoB support and branding both the existing and potential programmes can flourish.**<br>• Similar procurement rules can help the growth of impact enterprises as well as increase **inclusion of marginalized groups and women in government procurement.** |
| Indonesia | During 2007-17, USD 149 million and USD 3.6 billion were deployed in impact capital by private sectors and DFIs respectively.[71] | Sustainable infrastructure, waste management, renewable energy R&D, water management | • Bank of Indonesia's 2012 regulation **mandates banks to direct at least 20% of their credit portfolio** to SMEs and offer credit at subsidized rates to rural and non-bankable enterprises.<br>• Indonesia's Environment and Climate Change Law provides **tax incentives for investing in projects that ensures GHG reduction.**<br>• The Ministry of Finance issued sovereign green sukuk for USD 1.25 billion in 2018 and USD 750 million in 2019.[72] To encourage younger generations to invest in sukuk, the minimum purchase value was set at USD 70 with a two-year maturity period.[73] | • The central bank of Bangladesh could also mandate banks and FIs to direct a certain percentage of their portfolios and/or corporate social responsibility (CSR) budget to impact enterprises.<br>• Bangladesh issued its first sovereign investment Sukuk in December 2020. Similar efforts to boost Islamic finance and ensure the participation of the younger generation can be explored by GoB,.[74] |

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| Republic of Korea (South Korea) | In 2019, impact AUM totalled USD 250 million.[75] | Infrastructure, energy[76] | • Korea NAB has been inviting speakers and **showcasing global cases to raise awareness of impact investing** among policymakers, foundations, asset owners and asset managers.<br>• The Seoul metropolitan government secured **preferential** access to social enterprises in **public procurement** through an ordinance.<br>• Korea Credit Guarantee Fund partnered with the government in providing social enterprises a **credit guarantee** for a 1–1.5 percentage point reduction in interest rate.[77] | • NAB Bangladesh has been already arranging speaker series and workshops to increase **impact awareness.** More collaboration among ecosystem players will ensure high impact reach.<br>• GoB can undertake a similar procurement policy to ensure impact enterprises get **preferential access** to public projects.<br>• In Bangladesh, the central bank issued a Manual of **Credit Guarantee Scheme** (CGS) for Cottage, Micro and Small Enterprises (CMSE) on November 3, 2020. This scheme can be extended further to include impact enterprises.[78] |
| Thailand | During 2007-17, USD 73 million and USD 1.6 billion were deployed in impact capital by private sectors and DFIs respectively.[79] | Agriculture, energy, financial services, manufacturing[80] | • In order to engage private sector to work with the government to help communities and society, Thai government has launched tax exemption policies in 2016. Any social business that aims to promote employment, serve the community, reduce environmental harm and is committed to reinvest 70% of its profit in the business of for the betterment of underprivileged communities, is allowed **100% tax exemption.**[81]<br>• **Companies and juristic partnerships** investing in social enterprises can enjoy a **corporate income tax exemption of 100%** of the amount invested. The social enterprise must meet all of the requirements specified in the previous point.[82] | • GoB can engage National Board of Revenue in designing **tax policies** that will not only encourage more entrepreneurs to explore avenues of impact enterprises but also attract corporate investors to explore impact investing streams. To mitigate revenue loss, the initiative can only run for five to ten years or as long as it underpins the mainstreaming of **impact investing.** |

Appendix D:

# SWOT Analysis of Bangladesh Impact Investing Ecosystem



As baseline context, this SWOT analysis builds off the already completed Policy Landscape Analysis: Impact Investment in Bangladesh, which is a comprehensive study that outlines the impact investment landscape in Bangladesh. The Policy Landscape Analysis: Impact Investment in Bangladesh was research commissioned by the NAB, to provide a baseline for the BIISAP and gain a deeper understanding of the existing impact investment ecosystem. The report analysed the policy landscape with regards to impact investment in Bangladesh, complemented by a series of primary interviews with three key stakeholder groups (impact entrepreneurs, impact investors and ecosystem builders). In this second phase, deeper consultation processes were carried out with various ecosystem stakeholders. A thorough review of secondary information, aggregation of primary data from stakeholder interviews and workshops, and systematic review of government policies were conducted. Table 9 displays the in-depth synthesis of the findings through the SWOT framework, by redefining the original SWOT analysis in the Landscape Study.

## Table 9:
# Revisiting the SWOT Analysis

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| **Strengths** | • Stakeholders are embracing impact investment and showing increased enthusiasm towards tackling societal and environmental challenges via supportive capital models. |
| | • Widespread acknowledgement and intent across the ecosystem for collaborative efforts to propel the impact ecosystem forward. |
| | • Policymakers and regulators are demonstrating higher commitment to enable an impact environment and provide supportive frameworks and incentives, to propel the impact agenda forward. |
| **Weaknesses** | • Lack of synergised understanding of impact and related principles across the spectrum of stakeholder groups. |
| | • Challenges in developing impact measurement and management, reporting and due diligence practices that are relevant to the Bangladesh impact investment context. |
| | • Limited collaboration amongst ecosystem players leads to limited knowledge and resource sharing, limiting the growth of the impact investment ecosystem. |
| | • There has not been as much targeted support with an intersectional and gender lens, leaving room to boost the capacity and investment in women-led/owned enterprises and enhance the reach of enterprises who are focused on the needs of women and girls, other underserved groups and ethnically under-represented groups. |

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| **Opportunities** | • Bangladesh's graduation to middle income status by 2025 will cause tectonic shifts within the funding landscape which will transform development aid to blended finance and development investments. |
| | • The COVID-19 pandemic is opening avenues of growth for impact enterprises and paving the way for innovative solutions, thereby requiring innovative, locally contextualised, and relevant financial solutions. |
| | • Increased interest towards alternative financial instruments and the impact arena from commercial investors. |
| | • While agriculture, consumer food, healthcare, education, housing and fintech remain priority sectors, climate-related activities and other sectors have garnered significant interest across stakeholder groups. |
| | • Policy and regulatory frameworks have been forthcoming, with regulators proactively supporting the agenda for impact investment. |
| | • A wider adoption of an intersectional lens could enable a more layered and inclusive approach to impact and value creation. |
| | • Banks and NBFIs are enthusiastic about the impact investment ecosystem and the green financing funds and opportunities, as facilitated by Bangladesh Bank's mandates. |
| **Threats** | • Barriers such as limited supply of impact capital, lack of transparency, limited access to training and more are preventing impact enterprises from scaling and sustaining their businesses. |
| | • Enterprises are not always investment ready, as the current support systems in the market landscape are failing to sufficiently provide the relevant and targeted capacity building (specifically with regards to impact and impact investment and other intersectional and human-centred design elements). |
| | • Grassroots level and regional impact enterprises are not fully included in trainings that help them scale up. |
| | • Lack of fiscal and monetary incentives for impact enterprises and investors impedes participation of various stakeholders. |

Appendix E:

# Impact Investing Examples in Bangladesh

## Spotlight: Islamic Financing in Bangladesh & the Opportunities at Hand

Zakat

Zakat is an Islamic finance term referring to the obligation of an individual to donate a certain proportion of wealth each year to charitable causes. Zakat is a mandatory process for Muslims and is regarded as one of the five pillars of Islam. Giving away money to the poor is said to purify yearly earnings that are over and above what is required to provide the essential needs of a person or family. This form of charitable giving is the natural philanthropic giving built into Islamic religion and those who are culturally Muslim.

A study conducted by UNCDF in 2020 estimated that in Bangladesh, USD 3.2 Bn of Zakat was accumulated in 2020, of which 83% was disbursed personally and the rest through institutions (UNCDF 2020). Zakat can be mobilized to finance impact enterprises that create social and environmental impact. One point to be noted here is that people donating to Zakat funds do not expect a return.

Sukuk

A sukuk is a bond-like instrument which complies with Islamic religious law commonly known as Shariah. The issuer of a sukuk sells a certificate to an investor group and then uses the proceeds to

purchase an asset that the investor group has direct partial ownership interest in. The issuer must also make a contractual promise to buy back the bond at a future date at par value.

The first Sukuk bond in Bangladesh was launched in December 2020 to raise funds for a project titled 'Safe Water Supply for the Whole Country' (BSEC 2020). The Sukuk was over-subscribed by nearly four times indicating people's growing interest in Islamic financing. On June 23, 2021, a Sukuk issued by Bangladesh Export Import Company Limited (BEXIMCO) received BSEC's initial approval. The Sukuk is worth BDT 3 crore and will be issued to finance the construction of solar projects of Teesta Solar Limited and Korotoa Solar Limited, two subsidiaries of Beximco Power Company Limited.

Shariah-compliant Impact Investing

Presently, iFarmer, a Bangladeshi startup focused on digitizing agriculture, is offering Shariah compliant financing/investment options in farming. The investors can get into contracts ranging from 6 to 12 months with 5% to 25% profit sharing, to finance projects in sectors such as maize farming, cow farming, and cold store maintaining.

These examples depict the underlying opportunities to explore Islamic financing arena in Bangladesh, given the natural linkages of Islamic finance principles with impact-oriented investing.

*Sources:*
*UNCDF. 2020. Citizen Financing Study.*
*The Daily Star. 2020. "Sukuk era begins." https://www.thedailystar.net/business/news/sukuk-era-begins-2018825*
*iFarmer Website. 2021. https://ifarmer.asia/*

## Spotlight: Biniyog Briddhi (B-Briddhi)

### Empowering Impact Entrepreneurs to Access Finance

Biniyog Briddhi ("B-Briddhi") is a multi-year programme dedicated to the mission of enabling a thriving ecosystem, in which impact enterprises can scale their innovative solutions and reach as many beneficiaries as possible. The programme is supported by Switzerland, through the Swiss Agency for Development and Cooperation (SDC), and implemented by Roots of Impact, and LightCastle Partners. B-Briddhi strives to improve the financial, social and environmental performance of impact enterprises by helping them to master investment readiness and impact management and get ready to access innovative finance to scale. The programme is inclusive of many important stakeholders such as investors, private sector organisations, incubators, accelerators, support organisations, policymakers, and advocates for impact enterprises. It focuses on three main pillars:

a. Capacity Building: Incubators, accelerators and impact entrepreneurs receive access to tools and training opportunities to promote investment readiness (IR) and strengthen impact management (IM). Train-the-trainer programmes for service providers and vouchers for impact entrepreneurs aim to bring these capacities to the next level.

b. Catalytic Funding: Impact entrepreneurs and investors can benefit from more suitable and attractive forms of capital by using catalytic finance that

attracts additional investment. In addition, entrepreneurs are incentivized to manage their impact, which will create more transparency and engagement from business angels to invest.

c. Advocacy: The programme targets policymakers and advocates and attempts to create a more favourable framework for social and ecological innovation and mobilize more capital to create a funding landscape for impact enterprises.

The B-Briddhi programme has made funding commitments to six impact enterprises through SIINC and IRMF instruments. Bangladeshi startups Romoni, Hellotask, Shuttle, Safewheel, and Solshare received Impact Ready Matching Fund (IRMF) investment commitments up to approximately $100K each. Apon Wellbeing received a Social Impact Incentive (SIINC) commitment of up to $250K.

*Source:*
*Information shared by Roots of Impact*
*The Business Standard. 2021. "4 impact enterprises to receive funding form Biniyog Briddhi." https://www.tbsnews.net/companies/4-impact-enterprises-receive-funding-form-biniyog-briddhi-214351*

## Spotlight: Truvalu
Building Fair and Inclusive Value Chains

Truvalu's initiation in impact investment was propelled by the intent to serve the missing middle. Big companies are served by banks and financial institutions, and bottom of the pyramid enterprises are able to access finance through micro-credit facilities. However, there is a missing middle which has the potential to create large impact through proper access to finance. Truvalu's mission is to create local jobs, global networks and sustainable impact combined with economic returns. They focus on four strategic streams:

a. Unique co-entrepreneurship approach: Truvalu accelerates the scalability of inclusive agri-food entrepreneurs and small and growing businesses (SGB's) and augments their value by providing growth capital, business development support and access to networks.

b. Access to growth capital: Investments are made up of up to € 250,000 per company, with an average investment of around € 170,000.

c. Business development support: Support is focused on the company's primary and secondary activities, such as operational processes, marketing and sales, logistics, financial administration, human resource management, procurement, ICT and communications.

d. Access to networks and markets: Truvalu actively supports companies in promoting their products and services in local and export markets, linking them to local and international networks of clients, business partners (distributors, retail companies), and export partners.

Truvalu has sustained and created 312 jobs, of which 43.7% are females and 77.1% are youth. It has created impact for 9,891 smallholder farmers with a 36.1% female participation and 50.3% youth involvement.

*Source:*
*Primary interview with a representative from Truvalu*

## Spotlight: Bangladesh Angels Network (BAN)

### Engaging Bangladeshi Diaspora in Startup Investment

With a view to fuel innovation and entrepreneurship in Bangladesh, BAN created a platform to connect early-stage Bangladeshi entrepreneurs with local and global angel investors in 2018. The network comprises individual investors, family offices, corporate and global investors.

BAN aims at bridging the early-stage financing gap and providing advisory supports to startups in three ways:

1. Facilitating connection between enterprises and potential investors in the region.
2. Providing funding opportunities for seed and growth-stage startups through equity, leverage and quasi-equity instruments, by sourcing funding through individual investors through ticket sizes ranging from as low as $10K to up to $250K.
3. Providing pre-investment advisory services to potential enterprises, starting from developing their pitch deck, financial model, and company valuation to all the way to term sheet negotiation and agreement drafting. BAN also provides post-investment advisory services to companies that receive funding from the network as a part of their portfolio management.

One of the most remarkable initiatives undertaken by BAN is engaging the Bangladeshi diaspora in the startup investing landscape. The organisation

conducts virtual showcases for promising startups every week so that potential national and international investors can become a part of the startup growth engine. BAN is also connected with multiple angel networks in Asia and Europe and actively organises cross-match showcases where local startups get the opportunity to present to other international angel networks.

Although BAN's investment and advisory strategies are sector agnostic, the network focuses on enterprises with strong social and environmental impact potential. To date, BAN has invested around $2.5 Million in more than 22 enterprises across sectors such as healthcare, education, fintech and more. Reverse Resources, DoktorKoi and Eduhive are some of the notable impact enterprises that have received financing and advisory services from BAN.

*Source:*
*Primary interview with a representative from Bangladesh Angels Network*

## Spotlight: YGAP Bangladesh
### Micro Impact Investment (MI2) to Support Social Enterprises

YGAP Bangladesh has been scouting, accelerating and mentoring social enterprises since 2016. In partnership with YGAP Australia, it has provided accelerator services to 85 social enterprises (48% are women-run ventures) to date.

With a view to assist Bangladeshi social enterprises to navigate through the financial setbacks caused by COVID-19, YGAP Bangladesh launched Micro Impact Investment (MI2) in March 2020.

MI2 is designed in a way that it does not create any extra pressure on the struggling social enterprises. The receiving enterprise is required to return the invested amount without any interest, or it meets a mutually agreed upon KPI within a certain timeframe. In both cases, the enterprise ensures specific and measurable deliverables to meet impact investment criteria.

MI2 does not only provide financial assistance, but also ensures that the recipient entrepreneurs are equipped with adequate knowledge and capacity to run day-to-day business operations as well as manage stakeholders.

*Source:*
*Information shared by YGAP Bangladesh*


ygap


ygap
HARVARD


1 What am I passionate about?
2 We believe...
8 Prototype the best two
9 Test the best

Appendix F:

# Innovative Financing Toolkit

The majority of the early-stage impact enterprises in Bangladesh typically raise capital using equity or equity-like instruments that are designed to support fast-growing startups. As impact enterprises face a unique set of challenges and offer unique impact opportunities, their financing needs often differ from these traditional tech startups.

In order to incorporate more suitable terms for impact financing, the B-Briddhi programme has developed an innovative financing toolkit highlighting alternative financing structures to better support impact enterprises. The toolkit aims to inform investors and entrepreneurs in the Bangladesh's impact ecosystem about financing options which deliver returns to investors while supporting the specific needs of impact enterprises.



The toolkit suggests equity-type instruments and convertibles, such as simple agreements for future equity (SAFEs), convertible notes, and revenue sharing agreements (both debt- and equity-based) for impact investment. Catalytic Impact-Linked Finance instruments have been highlighted as one of the blended approaches for attracting capital from the private sector. These include Social Impact Incentives (SIINCs), in which premiums are paid to enterprises for creating social impact in combination with impact investment; Impact-ready Matching Funds (IRMFs), in which matching funds are provided to enterprises for building up an impact management system, in combination with seed capital. The toolkit also explains instruments such as Impact-Linked loans and convertible notes, partial guarantees, subordinated loans as catalytic first-loss capital, social development impact bonds, and performance-based contracts.

Further details can be found here: https://www.sie-b.org/wp-content/uploads/2020/11/Innovative-Finance-Toolkit-2020-Final.pdf

Appendix G:

# Bangladesh Impact Investing Ecosystem Stakeholder Mapping



| Broad Type | Stakeholder Category | Stakeholder | Description of Activities/Web Links |
|---|---|---|---|
| Ecosystem Builders | Regulators | Bangladesh Securities and Exchange Commission (BSEC) | Published the Alternative Investment Rules, 2015 on June 22, 2015: https://www.sec.gov.bd/slaws/BSEC(Alternative_Investment)_Rules,_2015_22.06.2015.pdf |
| | | Department of Off-Site Supervision, Bangladesh Bank | Circular on Investment in Special Purpose Vehicle, Alternative Investment Fund or similar fund/funds by the scheduled banks https://www.bb.org.bd/mediaroom/circulars/dos/nov242015dos02e.pdf |
| | | Department of Financial Institutions and Markets, Bangladesh Bank | Circular regarding Investment in Non-listed Special Purpose Funds by NBFIs https://www.bb.org.bd/mediaroom/circulars/fid/mar302016dfim04e.pdf |
| | | Foreign Exchange Investment Department, Bangladesh Bank | Circular on Investment by non-resident investors in Alternative Investment Funds https://www.bb.org.bd/mediaroom/circulars/feid/jul302018feid02e.pdf |
| | | Sustainable Financing Department, Bangladesh Bank | Refinancing Scheme for Green Products/Initiatives/Projects https://www.bb.org.bd/mediaroom/circulars/gbcrd/apr302020sfd02.pdf Circular on Considering Investment by Scheduled banks and Financial Institutions in Impact Fund as Green Financing https://www.bb.org.bd/mediaroom/circulars/gbcrd/apr042019sfd01.pdf |
| | | Green Banking and CSR Department, Bangladesh Bank | Policy Guidelines for Green Banking https://www.bb.org.bd/mediaroom/circulars/gbcrd/dec242013gbcrd08e.pdf Annual Target for Direct Green Financing https://www.bb.org.bd/mediaroom/circulars/gbcrd/sep042014gbcrd04.pdf Financial sector Corporate Social Responsibility (CSR) Guidelines https://www.bb.org.bd/mediaroom/circulars/gbcrd/dec222014gbcrd07e.pdf |
| | | Bangladesh Bank | Financial Inclusion Guidelines https://www.bb.org.bd/mediaroom/circulars/gbcrd/apr162013gbcrdl02.pdf |
| | | Ministry of Foreign Affairs | The Ministry of Foreign Affairs formulates and executes the foreign policy of the Government of Bangladesh. The Ministry pursues Bangladesh's external economic and trade interests, promotes its culture abroad, and disseminates information to foreign countries. https://mofa.gov.bd/ |

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| | | Ministry of Finance | The Ministry of Finance is responsible for state finance, including the state budget, taxation, and economic policy in Bangladesh.<br><br>https://mof.gov.bd/ |
| | | Ministry of Environment and Forest | The Ministry of Environment and Forest strives to ensure a sustainable environment suitable for the present and future population of the country through conservation of environment and biodiversity, control of environmental pollution, tackling the impacts of climate change, development of forest resources and sustainable management of marine resources<br><br>https://moef.gov.bd/ |
| | | Ministry of Social and Welfare Department | The Ministry of Social and Welfare Department works towards crucial themes such as human resource development, poverty alleviation, welfare, development, and empowerment of the backward people of Bangladesh.<br>https://msw.gov.bd/ |
| | | ICT Division (a2i Wing), Ministry of Posts, Telecommunications and Information Technology | a2i is the flagship programme of the Digital Bangladesh agenda and strives to unfold the true potential within the government to create remarkable innovations that can improve the lives of the people of Bangladesh.<br>https://a2i.gov.bd/about/ |
| | | Ministry of Commerce | The Ministry of Commerce tackles the regulation and implementation of policies applicable to domestic and foreign trade.<br>https://mincom.gov.bd/ |
| | | Ministry of Religious Affairs | The Ministry of Religious Affairs strives to establish a universal society of liberal and communal harmony through the development of religious values and ethics.<br>https://mora.gov.bd/ |
| | | National Board of Revenue (NBR) | It is the central authority for tax administration in Bangladesh.<br>https://nbr.gov.bd/ |
| | | Bangladesh Investment Development Authority (BIDA) | BIDA encourages investment in private sector, identifies barriers to investment and provides necessary facilities and assistance in the establishment of industries.<br>http://bida.gov.bd/ |

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| | | Bangladesh Economic Zones Authority (BEZA) | Being founded in June 10, 2020, BEZA targets to establish economic zones in all potential areas in Bangladesh including backward and underdeveloped regions. The organisation encourages rapid economic development through increase and diversification of industry, employment, production and export. https://www.beza.gov.bd/ |
| | | Public Private Partnership Authority (PPPA) | The PPPA serves as a gateway for all Public-Private Partnerships in Bangladesh. The organisation devises the policies and strategies for Public Private Partnership (PPP) to catalyse the growth of public infrastructure and services in the country. http://www.pppo.gov.bd/ |
| | Development Partners and Organisations | International Finance Corporation (IFC) | IFC is the largest global development institution focused on private sector in developing countries. As a member of the World Bank, it advances economic development by encouraging the growth of the private sector. https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home |
| | | United Nations Development Programme (UNDP) | Implementer of Inclusive and Equitable Local Development Programme (IELD): Addresses structural impediments that prevent women from entering the labour market through local public and private investments, and unlocking domestic capital for women's economic empowerment and entrepreneurship. https://www.uncdf.org/ield/homepage |
| | | Japan International Cooperation Agency (JICA) | JICA is committed to support Bangladesh's journey towards sustainable growth with equity by providing strategic and financial assistance in these economic areas – power and energy, transport, urban development, education, health, governance, agriculture and disaster. https://www.jica.go.jp/english/index.html |
| | | Embassy of Switzerland in Bangladesh | Switzerland aligns its priorities in economic and international cooperation in Bangladesh with the Agenda 2030 for Sustainable Development and the 8th Five-Year Plan of the Government of Bangladesh. Inspired by the vision of leaving-no-one-behind, the Swiss cooperation programme has a strong focus on promoting inclusive and sustainable growth and contributes to the international humanitarian response to the Rohingya refugee crisis. Since sustainability and improved social wellbeing is the aim, Swiss support addresses and includes governance and human rights in the way Switzerland works and engages with partners in Bangladesh. https://www.eda.admin.ch/dhaka |
| | | Asian Development Bank (ADB) | ADB catalyses private investments, by offering financial assistance to non-sovereign projects and financial intermediaries. ADB committed to channel USD 583.5 Mn to Bangladesh through its non-sovereign portfolio. Between 2021 and 2023, ADB aims at investing USD 5.9 Bn in 30 projects in Bangladesh. Also, it aims to provide technical assistance and co-financing (USD 52 Mn) to 39 projects in the next three years. https://www.adb.org/ |

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| | | United Nations Capital Development Fund (UNCDF) | Implementer of Inclusive and Equitable Local Development Programme (IELD): Addresses structural impediments that prevent women from entering the labour market through local public and private investments, and unlocking domestic capital for women's economic empowerment and entrepreneurship. https://www.uncdf.org/ield/homepage |
| | | The Government of the United Kingdom's Foreign, Commonwealth and Development Office (FCDO) | FCDO, former Development for International Development (DFID) played a vital role in uplifting Bangladesh's economic and social infrastructure by contributing in sectors such as agriculture (e.g., Suchana project), banking and financial services (e.g., Business Finance for Poor programme), business (e.g., BD Investment Climate Fund), energy and power (e.g., Summit Meghnaghat), disaster relief (Strengthening humanitarian preparedness and response in Bangladesh), education, environment, government and civil society (Strengthening Public Expenditure Management in Bangladesh), health, industry and water sector. https://www.gov.uk/world/organisations/FCDO-bangladesh |
| | | BRAC | Urban Innovation Challenge: Invites to submit innovative and sustainable solutions to urban problems to provide seed funding and mentorship to test the ideas, followed by an opportunity to pitch it to investors to scale it up. http://www.brac.net/udp-urban-innovation-challenge |
| | | OXFAM | Empower Youth for Work (EYW): Introduces business, entrepreneurship, accounting, and green business to youth entrepreneurs. Extensively discusses on how to increase productivity, tactics to raise income, provision of loans and investment readiness. https://wee.oxfam.org/EYW |
| | | Truvalu | Grow Your Business with Truvalu: Provides strategic business development services to improve operations, management, finance, and marketing alongside equity investments to and building trade relationships with agro-SMEs. http://www.truvalu-group.com/ |
| | Accelerators and Incubators (Private Sector) | YGAP Bangladesh | Social Entrepreneurship Accelerator Programme: Works to improve the lives of people living in poverty by accelerating start-up social enterprises and supporting them grow their businesses and make positive changes in their communities. https://www.thedailystar.net/star-youth/spark-bangladesh-accelerator-2018-1546642 YGAP Bangladesh Accelerator: Accelerator programme for impact entrepreneurs that strengthen their business models and also provide mentorship, marketing support, legal and accounting help, and access to finance. https://ygap.org/bangladesh/ |

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| | Private Sector | Roots of Impact (ROI) | B-Briddhi: Strives to improve the financial, social and environmental performance of impact enterprises by supporting them to master investment readiness and impact management. Brings together investors, incubators, accelerators, and support organisations.<br>https://www.sie-b.org/ |
| | | Build Bangladesh | Bringing Impact Investors Together: An international workshop on Impact Investment to provide information, intelligence and decision-making tools for investors. It explores opportunities to attract local and global impact investments, identify sectoral priorities, and discuss potential to establish an Impact Investment Exchange.<br>http://www.buildbangladesh.org.bd/event-biit.php |
| | | Legal Circle | Through a network of experienced legal professionals, the Legal Circle provides specialized and tailored legal solutions to ventures and represents Bangladeshi companies in domestic and international legal matters etc. The organisation has provided legal support to Startup Bangladesh Limited and B-Briddhi Programme. The Legal Circle's rich and relevant experience in investment due-diligence could be leveraged in drafting impact investing due-diligence guideline for Bangladesh.<br>https://legalcirclebd.com/ |
| | | LightCastle Partners (LCP) | SmartCap: Accelerator for SMEs that lack financial accessibility and business know-how despite having growth opportunities. It weaves business pedagogy, market connections, financing, & technology together.<br>https://www.lightcastlebd.com/accelerator/smartcap#method-grow-business<br>Unnoty: In partnership with ACDI/VOCA, Unnoty provides business development support via accelerator programmes and investment readiness training to women agri-entrepreneurs, including product matrix, business model canvas, financial governance and management, branding & sales, and modern Ag-Tech.<br>https://www.lightcastlebd.com/acceleration/projects/third-cohort-of-acdi-voca-unnoty-accelerator-program-completed |
| | Academia | University of Dhaka | University of Dhaka is the oldest and largest public university in Bangladesh with more than 30,000 active students and a large alumni network spread all across the globe. The university has multiple entrepreneurship and innovation labs. For instance, the Innovation, Creativity, and Entrepreneurship (ICE) Centre is a platform that facilitates the development of business solutions by the students. The organisation is working towards establishing an effective national innovation system (NIS) in Bangladesh.<br>https://www.du.ac.bd/ |

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| | | Daffodil University | Daffodil University, a private university in Bangladesh, has been fostering entrepreneurship, innovation and social business through a range of programmes. The expertise of its trainers and strategic partnerships with organisations such as Dhaka Chamber of Commerce could be tapped to devise the training curriculum for university-level students.<br>https://daffodilvarsity.edu.bd/ |
| | Chambers of Commerce | Federation of Bangladesh Chambers of Commerce and Industry (FBCCI) | FBCCI serves as the apex trade organisation in the country and provides consultative and advisory support to the private sector. The chamber lobbies to safeguard the rights and interests of private sector players.<br>http://fbcci.org/ |
| | | Metro Chamber of Commerce and Industries (MCCI) | MCCI engages public sector corporations and local and multinational companies and provides services in the areas of taxation, import-export, tariff and non-tariff measures, investment, WTO matters and other national and international economic and commercial concerns. The chamber not only maintains working relations with development partners such as serves as World Bank Group, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), ADB, Japan External Trade Organisation (JETRO), JICA, the Asia Foundation, etc. but also forms advisory panels and committees under various ministries of the government of Bangladesh.<br>http://www.mccibd.org/ |
| | | Bangladesh Women Chamber of Commerce and Industries (BWCCI) | BWCCI is a non-profit, non-political organisation that works towards achieving women's economic and social empowerment. Through a stream of activities, BWCCI aims to increase women's participation in the private sector and to create a business environment that is conducive for women entrepreneurs. The organisation actively lobbies for protecting the existing opportunities and expand the range of support offered to women entrepreneurs across the country.<br>https://bwcci-bd.org/ |
| Ecosystem Intermediaries | Private Sector | Build Bangladesh | Bringing Impact Investors Together: An international workshop on Impact Investment to provide information, intelligence and decision-making tools for investors. It explores opportunities to attract local and global impact investments, identify sectoral priorities, and discuss potential to establish an Impact Investment Exchange.<br>http://www.buildbangladesh.org.bd/event-biit.php |

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| Supply-Side Players | - | Bangladesh Angels Network (BAN) | To bridge the early-stage financing gap and provide advisory support to startups, Bangladesh Angels created a platform for angel investing. The network also provides high quality mentoring and networking opportunities to portfolio companies. In addition to connecting individual and institutional investors with startups, BAN is also working to engage the Bangladeshi diaspora in the mainstream startup financing arena. https://www.bdangels.co/ |
| | - | Build Bangladesh | Bringing Impact Investors Together: An international workshop on Impact Investment to provide information, intelligence and decision-making tools for investors. It explores opportunities to attract local and global impact investments, identify sectoral priorities, and discuss potential to establish an Impact Investment Exchange. http://www.buildbangladesh.org.bd/event-biit.php |
| | - | IDLC Venture Capital | In 2020, IDLC launched a venture capital fund worth BDT 450 Mn to invest in youth-led technology startups. The tenure of the fund is 7 years. https://idlc.com/aml/Venture-Capital/public/ |
| | - | Impress Capital Limited (ICL) | Being established in June 2011, Impress Capital Limited (ICL) has been blending innovation and partnerships in the wealth management sector in Bangladesh. Among its range of diversified asset management solutions, it also has one impact capital fund registered with BSEC. https://impresscapital.com/ |
| | - | B-Briddhi - Scaling Impact Enterprises of Bangladesh (SIE-B) | Launched by the Embassy of Switzerland in Bangladesh, B-Briddhi is a multi-year programme committed to provide capacity building trainings, financial support and policy advocacy services in the impact investing ecosystem in Bangladesh. https://www.sie-b.org/ |

Appendix H:

# Questionnaires

A data capture instrument was designed to gauge the views of market stakeholders surrounding the impact investing landscape in Bangladesh, through expert interviews. Interviews were conducted with a spectrum of stakeholders comprising supply side investors, demand side impact enterprises and ecosystem builders. The following link navigates to the questionnaire utilized during the expert interviews: https://forms.gle/vwnyFbPdBjmoT5LE6

Appendix I:

# Response Analysis

Details of the response analysis can be found here: https://docs.google.com/spreadsheets/d/13ntGsAOQ84RS69_fIbnONA3zYqWqwxGmChSiMrogms4/edit?usp=sharing

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