



SOCIAL ENTERPRISE

POLICY LANDSCAPE IN BANGLADESH



The study was conducted by lead researcher
Emily Darko in collaboration with
Overseas Development Institute (ODI)

Foreword

Social enterprises are businesses that tackle social and environmental issues. They create jobs and generate income like any other business but, instead of channelling their profits to owners or shareholders, they reinvest these to support their social mission. Working in this way, they improve people's lives in our communities and societies.

Bangladesh has a burgeoning social enterprise sector and there is a long-standing tradition of commercial models delivering socially-minded services and goods. All of which demonstrates that certain types of social enterprise have long been a viable business model in the country. Social enterprise activities are more visible in sectors such as health, agriculture, technology and the creative industries. However, there is currently no formal national social enterprise policy.

The British Council commissioned this study to explore the policy and legislative background for social enterprise activity in Bangladesh. We did this by reviewing existing social enterprise and support organisation activity; by looking at government activity that influences social enterprise and by seeking to understand from stakeholders – both government and social enterprises – what potential future changes to policy would encourage social enterprise development. The study also draws on examples from the UK, which has a well-established social enterprise policy infrastructure.

The report has three main recommendation areas – on access to finance, skills and raising awareness. I hope it will be a useful reference for practitioners and sector leaders alike to better understand the existing context as well as paving the way for an enabling environment that facilitates the growth of this important sector in Bangladesh.



Barbara Wickham
Director, British Council
Bangladesh

Contents

02	Foreword
04	Executive summary
05	Acronyms and abbreviations
06	Acknowledgements
07	Introduction
08	Study purpose
09	Methodology
10	Defining social enterprise
12	Socio-economic and political context in Bangladesh
13	Socio-economic overview
14	Political overview
15	Social enterprise context in Bangladesh
16	Social enterprise emergence
18	Policy and social enterprise development
19	Social enterprise relevant policy areas
21	Registration laws
21	Finance and investment
24	Tax laws
24	SME policy and programming
25	CSR and corporate governance
26	Sector level policy
26	Social service provision
26	Social enterprise definition and context
27	Shaping not driving social enterprise: The role for government
28	Government support for social enterprise development
29	Government stakeholder perceptions of social enterprise
30	Existing policy engagement
30	Potential areas for engagement
33	Potential lessons from UK experiences
35	Conclusions
37	Bibliography
38	Annex

Executive summary

This study aims to explore the policy and legislative background for social enterprises in Bangladesh by reviewing current social enterprise activity and that of their support organisations alongside existing government activity which influences the sector. The study seeks to understand from stakeholders – both government and social enterprises – what potential future changes to policy can support the development of social enterprise in Bangladesh. The study draws on examples from the UK, which has a well-established social enterprise policy infrastructure.

The methodology of this study includes: the review of online information on government policy and activities impacting social enterprises; an analysis and evaluation of national and international good practice on social enterprise sector development; and interviews with stakeholders -government departments, social enterprises, support organisations and investors - to draw insight on policy and legislative related issues influencing the social enterprise sector in Bangladesh.

This study has identified three main policy areas that help to understand the current context for social enterprise development:

- NGO and civil society activity
- Microfinance development and regulation
- Private sector development and investment

The report shows that there is no government approved definition nor nationally recognised definition of social enterprise in Bangladesh. This study has explored that there is no specific social enterprise legislation in Bangladesh, however, legislation for business, finance, investment and non-profit organisations do have a direct impact on social enterprises.

The study has found that there is no specific legal status in Bangladesh for social enterprises which recognise their joint focus on impact and sustainability or profit. There are, however, a range of for-profit and non-profit options under which social enterprises can register. Some social entrepreneurs highlighted that it would be beneficial to raise the public profile of social enterprise and increase the understanding and engagement across government.

The study also found that access to finances is a constraint to social enterprise development. International investment regulations limit access to foreign capital for companies meaning that foreign investors struggle to find investees. Furthermore, the process for registering as a fund in Bangladesh is difficult because there is no clear legal way to structure and register as a fund (Dalberg and GIIN, 2015).

Only a few stakeholders raised concerns about taxes specific to the organisation type that they registered as and the implications of taxation were a factor in their decision to become a for- or non-profit entity. Several stakeholders explained that the majority of their involvement with government was at a sectoral level. Social enterprises engage with Ministries relevant to their area of work and are particularly interested in sector-level policies or policies that influence sector operations.

The government priorities for supporting social enterprise include: addressing a perceived shortage of organisations providing incubation and related business development services (BDS) and to support start-up and small social enterprises. Government stakeholders interviewed for the study recognised the role of government in promoting social enterprise in the UK and the lack of equivalent support in Bangladesh; some were interested in better understanding what the change has been in the UK and how the model might be applicable in Bangladesh. The study shares the UK policy and government support mechanisms for regulatory and economic tools for social enterprise and has highlighted some of the best practice and learnings from the UK.

In conclusion, the study has found that there are three main areas in which stakeholders indicated that initial policy engagement activities might focus, these include: addressing access to finance, building the capacity of social entrepreneurs to equip them with right skills, and raising awareness and clarity around the definition of social enterprise - stakeholders felt that this is a key priority to moving social enterprise development in Bangladesh to the next level.

Acronyms and Abbreviations

BDS	Business Development Services
BEI	Bangladesh Enterprise Institute
BSCIC	Bangladesh Small and Cottage Industries Corporation
CIC	Community Interest Company
CSR	Corporate Social Responsibility
DFID	UK Department for International Development
FDI	Foreign Direct Investment
MRA	Microcredit Regulatory Authority
MSME	Micro, small and medium enterprises
NGO	Non-governmental Organisation
NSAPR	National Strategy for Accelerated Poverty Reduction
ODI	Overseas Development Institute
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
R&D	Research and Design
RMG	Ready-made garments
SME	Small and Medium enterprises
SMEF	Small and Medium Enterprise Foundation

Acknowledgements

This study was conducted for the British Council by Emily Darko, formerly of the Overseas Development Institute (ODI) and now at UnLtd., and by Mirza Manbira Sultana.

Emily and Mirza would like to thank all the stakeholders who were interviewed for the study, listed in Annex 1, as well as the individuals and organisations that helped organise interviews and provided additional information by email. They also wish to thank the British Council team in Bangladesh for their support and input as well as Kofo Sanusi, Eva Cardoso and Richard Hughes for project support and William Smith for project oversight and input to the report draft. Finally, the authors wish to thank Minhaz Anwar of Better Stories and Mamunur Rahman of the SME Foundation, as well as Masud Hossain and Tristan Ace of the British Council, who reviewed and commented on the report prior to publication.

Introduction

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.



Study purpose

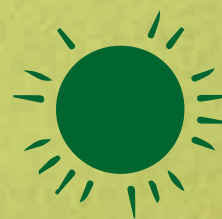
Social enterprises are businesses that tackle social and environmental challenges, creating jobs whilst prioritising impact over profit. In contexts of high unemployment and difficult social issues, social enterprises have the potential to contribute to job creation and economic development whilst simultaneously addressing social and environmental issues. Bangladesh is home to two pioneering organisations in the field of social enterprise – BRAC and Grameen, both of which began as micro-finance organisations and now run a number of sizable social enterprises. Building on foundations of microfinance, NGOs and cooperatives, as well as business start-ups, there are a growing number of self-identifying social enterprises.

The British Council South Asia previously commissioned an assessment of four countries, including Bangladesh, which found that the Government of Bangladesh has not been actively engaged with the social enterprise ecosystem so far and that there is confusion over the difference between ‘social business’ and ‘social enterprise’ – the former having an explicit requirement that there is no profit accruing to founders or owners/shareholders. Challenges for all types of enterprise exist in Bangladesh – lack of access to legal advice and judicial redress, intellectual property protection, bankruptcy laws as well as hard infrastructure constraints (reliable electricity, transport, water and sanitation) and education levels.

The purpose of this paper is to explore the policy and legislative background for social enterprise activity in Bangladesh by reviewing existing activity amongst social enterprises and support organisations, existing government activity which influences social enterprises and seeking to understand from stakeholders – both government and social enterprises – what potential future changes to policy have the potential to encourage social enterprise development. The study also draws on examples from the UK, which has a well-established social enterprise policy infrastructure.

There are currently no social enterprise specific policy frameworks or government programmes in Bangladesh, and no explicit mention of social enterprise in strategy, policy or programming. However, there are government initiatives which are contributing to social enterprise sector development. The purpose of this study is to understand existing and planned programmes and policy which influence social enterprise, to identify government activity deemed by stakeholders to offer greatest potential to development of social enterprise activity, and to assess how government support to social enterprise might be strengthened in the short to medium term.

The paper is set out as follows: after outlining the methodology and definitional issues, a brief economic, social and political review is provided, relevant to the context for social enterprise in Bangladesh. After this is an overview of social enterprise activity. The next section sets out findings on the existing policy areas impacting social enterprise development. A final section considers in more detail which parts of government offer most potential support and how this support might be realised and extended.



Methodology

There were two main components to this study:

- A review of online information about government policy and activities influencing social enterprise activity in Bangladesh and analysis of written information on national and international good practices on social enterprise development
- Stakeholder interviews with government departments, social enterprises, support organisations and investors

The review of online information was undertaken by using existing studies to provide sources and information on international good practices on social enterprise policy engagement (e.g. Smith & Darko, 2014; Cabinet Office, 2006; BEI, 2010) and review of available literature and information on social enterprise in Bangladesh (e.g. BEI, 2010; BEI, 2006; Dalberg and GIIN, 2015; Hackett, 2010) – identified using Google searches and recommendations from stakeholder consultations. Searches for specific government policies and programmes and more general literature on the policy, regulatory and overall government influence on social enterprise, NGOs and business, MSMEs in particular in Bangladesh were also conducted.

Stakeholder consultations comprised semi-structured interviews, typically lasting an hour, and conducted face-to-face in Dhaka during the week of 10 May 2015. Some interviews were conducted subsequently by phone. A roundtable was held on Thursday 14 May, for a 2 hour consultation with a group of eight stakeholders. In total, 25 people were interviewed – see Annex 1 for details.



Defining social enterprise

There is no government definition nor nationally recognised definition of social enterprise in Bangladesh. This study set out to explore existing understandings of social enterprise in Bangladesh through stakeholder interviews, and as such does not present a prescriptive definition itself. This section sets out the spectrum of social enterprise understanding in Bangladesh (and other concepts commonly confused with social enterprise), and existing definitions which were used as benchmarks during interviews to discuss understanding. The section goes on to briefly explore wider understandings of social enterprise in Bangladesh, as existing definitions are not universally acknowledged or understood, particularly not beyond self-identifying social enterprise communities.

Bangladesh is unique in that there is a definition emanating from the country which is globally known - that is the 'social business' definition of Muhammad Yunus and Grameen:

Created and designed to address a social problem, a non-loss, non-dividend company, i.e. it is financially self-sustainable and profits realised the business are reinvested in the business itself (or used to start other social businesses), with the aim of increasing social impact, for example expanding the company's reach, improving the products or services or in other ways subsidizing the social mission.¹

As per table 1 below, the main unique aspect of this definition is that it requires that no profit or surplus is shared outside social business models, so profit cannot be shared at all with shareholders or investors.

There was not universal agreement about this definition amongst stakeholders during the study, equally there is no universally accepted alternative term for social enterprise as opposed to social business. As such, this study considered two further definitions as potentially helping Bangladesh to frame its own social enterprise concept, and used the first of these definitions as a starting point for discussions where stakeholders were uncertain of the term:

The UK government's Business, Innovation and Skills Department definition of social enterprise is:

A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.

The UK also has a legal provision for social enterprises to register as Community Interest Companies (CICs). CIC's are required by law to have provisions in their articles of association to enshrine their social purpose, specifically an 'asset lock', which restricts the transfer of assets out of the CIC to ensure that they continue to be used for the benefit of the community; and a cap on the maximum dividend and interest payments it can make (BIS, 2011). Social enterprises are not required to register as CICs, so many social enterprises in the UK are registered in other legal forms.

Secondly, a definition developed at ODI based on hybrid business models, defines social enterprise as:

A business operation which has social or environmental objectives which significantly modify its commercial orientation e.g.: sharing financial surpluses with customers by including them as co-owners to achieve a social objective; purposefully reducing financial surpluses by paying above-market premiums or guaranteed prices to suppliers, above market wages to employees, restraining business margins within fixed limits in order to achieve a social objective; purposefully cross-subsidising a specific category of customer as part of core business practice to achieve a social objective; seeking a long term partial subsidy from a government, donor or NGO source to sustain a business which would not otherwise be viable in order to achieve a social objective (as direct financial subsidy or privileged/protected access to markets)

-Smith & Darko, 2015

The purpose of this definition is to establish that a social enterprise is a way of designing a business model so that social impact is at the core and is delivered in a financially sustainable way, without placing restrictions on use of surplus or profit nor particular legal form. Whilst many of the social enterprises reviewed in this study could be classified using this definition, it is not necessarily the most straight-forward way for stakeholders and the wider public to understand the social enterprise concept and is potentially more appropriate to an academic and technical audience.

¹http://en.wikipedia.org/wiki/Social_business (link from <http://www.muhammadyunus.org/index.php/social-business/social-business>)

Table 1: Major distinctions between definitions recognised by Bangladesh stakeholders

Definition	Social/environmental focus	Use of profits/surplus	Ownership	Business model
Yunus social business	Core purpose and reason for creation	Reinvested in the business or used to start another social business	No dividends, no shares	Non-loss making
UK Business, Innovation and Skills Department	Primary purpose	Principally reinvested for the social purpose of the business or in the community rather than driven by shareholders need to maximise profits	Not specified	Not specified
Smith and Darko (2015)	Primary purpose	Use of surplus for social benefit	Not specified	Operations which significantly modify commercial orientation (e.g. sharing surplus with customers, cross-subsidising some customers)
Charity/NGO	Core purpose	No profits, surplus fully re-invested in charity/NGO		Non-profit model
Inclusive business	Social/environmental purpose is equal to or nearly as important as profit purpose	Not specified	Not specified	Business model seeking profit and purposefully trying to increase social impact through business operations
Corporate social responsibility	Secondary mission of for-profit business	CSR is a portion of profit allocated to social causes	Business typically controls CSR expenditure	Typically grants, can also be returnable investments

As in other countries, social enterprise in Bangladesh is seen, by some, to be part of a bigger 'alternative capitalism' movement (Hackett, 2010; Darko & Quijano, 2015). In terms of government activity and policy engagement, it is useful to understand social enterprise on a spectrum of market-based solutions to poverty reduction and economic and social development which includes NGO activity, mainstream MSMEs and larger businesses through their supply chains and corporate behaviour. Indeed, several stakeholders interviewed for the study used the terms NGO, SME and social enterprise somewhat interchangeably. Corporate social responsibility (CSR) and inclusive business (business models that engage the poor on positive terms as suppliers, producers and customers) are not explicitly reviewed in this study, but it is relevant to note that some stakeholders interviewed for the study were unclear about the distinctions between CSR, inclusive business and social enterprise. Conclusions are presented below about general understandings of social enterprise in Bangladesh, and potential ways to consolidate the way in which social enterprise is defined in future.

Socio-economic and political context in Bangladesh

This section sets out the economic, social and political context in Bangladesh to inform the operating environment for social enterprises and the circumstances within which policy engagement will need to take place. A socio-economic overview is first presented, followed by a political overview and then a summary of the policy landscape.



Socio-economic overview

Bangladesh is the eighth most populous country in the world, with a labour force of 80 million and a young population – 51% of people are under 25 years old. Bangladesh is a low income country with 32% of the population living below the World Bank poverty line of \$1.25/day (purchasing power parity) and literacy levels at only 62%. However, GDP growth was 6.2% in 2014 and Bangladesh is estimated to reach middle income status by 2021².

Whilst the services sector represents the largest share of GDP, much of the population is employed in agriculture. The textiles industry, in particular the ready-made garments (RMG) sector, is also a major employer – particularly of women (Ahamed, n.d.). Table 1 below provides some further information.

Bangladesh faces a number of social development challenges, including the low status of women and some minority groups, internal migration, natural disasters and climate change, food security and political and religious tensions. Although Bangladesh is formally secular, the population is predominantly Muslim. There has been widespread political and religious violence since the early 1990s including labour strikes and riots, and religious killings and regular public protests in 2015. Dalberg and GIIN (2015) indicate that local and foreign investors see Bangladesh as a stable investment climate due to growing GDP and the 'stability' of the political system in spite of unrest. However, the 2013 World Bank Enterprise Survey indicates that businesses are concerned by political instability (36.7% report this a challenge facing enterprises), the number one concern, followed by electricity (27.8%), access to finance (13.8%), corruption (7.9%), inadequately educated work force (4%), access to land (2.9%), tax rates (1.4%), customs and trade regulation (1.4%), practices of the informal sector (1.2%) and crime, theft and disorder (0.1%) (World Bank Enterprise Survey, 2013)³.

Table 2: Quick facts on Bangladesh's economic and social structure

Population	166.28 million (July 2014 est.)
Labour force	80.27 million
Main economic sectors (% GDP) (2014 est.)	Services: 58.3% Industry: 26.5% (jute, cotton, garments, paper, leather, fertiliser, iron and steel, cement, petroleum products, tobacco, pharmaceuticals, ceramics, tea, salt, sugar, edible oils, soap and detergent, fabricated metal products, electricity, natural gas) Agriculture: 15.1% (rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry)
Population aged under 25	50.8%
Population below poverty line	31.5% (2010 est.)
Major cities	Dhaka (16.98 million), Chittagong (4.48 million), Sylhet (2.68 million), Khulna (1.04 million)
GDP, annual real growth rates, %	6.2% (2014 est.)
Government budget (2014, est.)	Revenues: \$18.09 billion Expenditures: \$24.33 billion
Religions (2004 est.)	Muslim 89.5%, Hindu 9.6%, other 0.9% (includes Buddhist 0.5%, Christian 0.3%)
Literacy rate	61.5% (female literacy – 58.5%)

Sources: CIA World Factbook, 2015; http://www.bbs.gov.bd/zila_series/syl_div/sylhet.pdf

²<http://www.worldbank.org/en/country/bangladesh/overview>

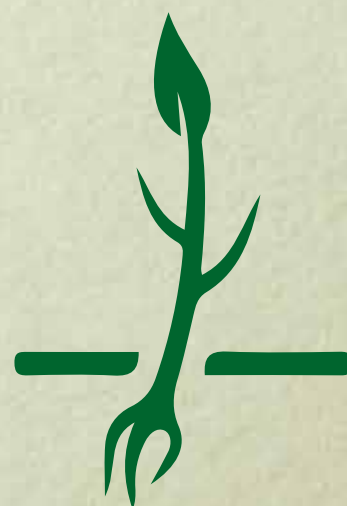
³<http://www.enterprisesurveys.org/data/exploreeconomies/2013/bangladesh>

Political overview

Bangladesh (formerly East Pakistan) gained independence from Pakistan in 1971 and its Constitution was ratified in 1972. Bangladesh has been a parliamentary democracy since a constitutional amendment in 1991. It has a President – elected by Parliament, and a Prime Minister, the head of government, who is elected every five years, and appoints a Cabinet, and a unicameral legislature with 350 members, 50 of which are reserved for women elected by the members of parliament. Sheikh Hasina has led the Awami League since 1981, the party which heads the country's current ruling coalition.

Table 3: Quick facts on Bangladesh's political structure

National Executive	Chief of state: President Abdul Hamid (since April 2013), elected by National Parliament for a five-year term (eligible for a second term); last election held on 29 April 2013 (next must be held by 2018) Head of government: Prime Minister Sheikh Hasina (since 6 January 2009; reelected 5 January 2014) Cabinet: Cabinet selected by the Prime Minister and appointed by the president
National Legislative	Unicameral National Parliament (Jatiya Sangsad) with 350 seats including 50 reserved for women; members directly elected in single territorial constituencies by simple majority vote; members serve 5-year terms
National Judicial	Highest court(s): Supreme Court of Bangladesh (organised into the Appellate Division with 7 justices and the High Court Division with 99 justices).
Local government	In Bangladesh the rural/regional local government have three tiers: <ul style="list-style-type: none"> • Zila Parishads (district council) • Upazila Parishads (sub-district council) • Union Parishads (made up of nine Villages) Due to rapid growth of towns and cities, in sub-urban area the Union Parishad is frequently replaced by the Municipal Corporations (Pourashava) and City Corporations. There are 64 districts in Bangladesh, each further subdivided into upazila (subdistricts) or thana. The cities with a city corporation, having mayoral elections, include Dhaka South, Dhaka North, Chittagong, Khulna, Sylhet, Rajshahi, Barisal, Rangpur, Comilla and Gazipur.



Social enterprise context in Bangladesh

Social enterprise context in Bangladesh

This section sets out briefly how social enterprise has evolved in Bangladesh, providing some examples of actors - both social enterprises and support organisations.



Social enterprise emergence

BRAC and the Grameen Bank are household names not only in Bangladesh but across the world... Bangladesh has a really big social enterprise base on which it can build.

-Mark Clayton, Deputy British High Commissioner (Ward, 2015).

Social enterprise has emerged in Bangladesh from both the NGO context (international, rural and community based organisations, as well as large national NGOs) and from a more recent start-up enterprise movement. In terms of its NGO origins, in the 1970s, a number of NGOs were involved in fair-trade activities. However, there were often perceived to be problems with quality of products and financial viability of NGO-based enterprise activity, with consequences in terms of their impact and their sustainability and cost-effectiveness. Throughout the 1980s and 1990s, increasing amounts of aid money was channelled through non-state organisations such as NGOs, which saw large-scale expansion in their numbers and activities. But from the mid-2000s, there was a revised focus on allocating resources through the state and increased interest in the private sector as a vehicle for development alongside an overall decline in aid from North American, Australasian and European sources.

Donors have also shown interest in shifting from grants towards forms of returnable capital, particularly in response to economic growth in recipient countries and increased desire to provide

direct – and appropriate – support to private sector development (Watkins and te Velde, 2014). This has further increased incentives to create social enterprise ventures as they are models with the potential to absorb returnable capital. This in turn has created pressures to improve the sustainability of development activities. This has been part of a wider process of privatisation across most economic sectors, including some private sector social services and goods provision in health, education and water and sanitation, by NGOs, businesses and social enterprises. The entrepreneurial and start-up movement has grown out of donor and government emphasis on private sector development and job creation; with a focus on social enterprise being in recognition of Bangladesh's deep-rooted social challenges.

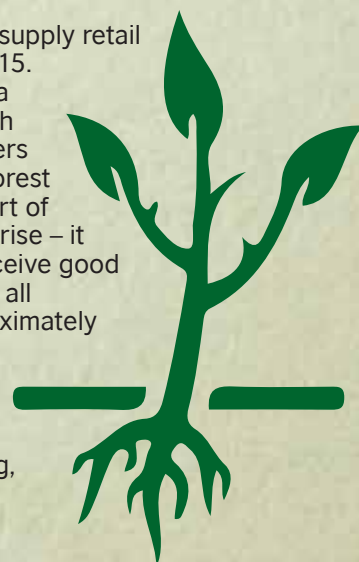
There are two major organisations which are known globally for having influenced social enterprise activity in Bangladesh, and far beyond – BRAC and Grameen. There are also a wide and growing range of smaller social enterprises and support organisations operating now in Bangladesh. The next section explores some of these in more detail.

Social enterprise activity

BRAC is the largest NGO in the world and was founded in Bangladesh in 1972. **BRAC Enterprises** are an extension of the work of BRAC, are part of BRAC's non-profit legal structure and finance a significant proportion of BRAC's operations. BRAC has 16 social enterprises, the first of which started in the mid-1970s. BRAC launched its microfinance programmes in the 1970s and, after assessing their impact, saw there was a need to for complementary livelihood services – providing access for small-scale entrepreneurs to markets and inputs. BRAC's social enterprises have evolved out of programme needs – such as ability to source quality inputs and to develop marketing channels for producers in rural areas or to increase the value of assets as part of improving the value chain.

Aarong is the biggest BRAC social enterprise, with about 65,000 artisans producing to supply retail outlets across Bangladesh. Two new outlets are due to open in 2015, taking the total to 15. Aarong's annual turnover is about 50 crore taka (approximately £4.18 million), large for a craft entity. Aarong works through 13 districts and over 600 sub-centres nationwide, with village-based production centres attached to them and about 800 independent producers working with Aarong. The reason for this is to access suppliers and producers in the poorest and most remote areas of the country, which is costly and time-consuming, but a key part of the enterprise's intended social impact. Aarong does not market itself as a social enterprise – it focuses on producing high quality, popular products and ensuring suppliers not only receive good prices, but are paid upfront and stock ordered is bought, regardless of demand. Profit is all re-invested in the BRAC charity. Including part-time staff, Aarong directly employs approximately 2,200 people.

Since Aarong began operating in the 1970s, a range of social ventures have sprung up in the garments and handicrafts industry. For example, **Basha Enterprises** is a social enterprise set up in 2011 which employs women at risk and survivors of trafficking,



exporting textiles and accessories they have produced and **Prabatana** is a handicraft and services sector social enterprise which has been operating since 1989.

Another major BRAC social enterprise is, **BRAC Dairy** which collects milk from remote rural farmers and producers a range of dairy products. BRAC Dairy has 101 chilling centres across the country. Some are not viable on their own so the model cross-subsidises these with centres in more viable areas. But it is key to the social enterprise nature of the model that it operates in areas that are not viable for the mainstream private sector. When it began, BRAC Dairy was the first non-state milk processor. Now there are a number of private sector actors. As with other BRAC social enterprises, BRAC Dairy led the way for the private sector to follow – pioneering in new markets and developing industries and sector-level and supply chain infrastructure.

The **Grameen Bank** began as a research project in 1976 and is a global pioneering microfinance institution, providing small group loans in rural communities. Grameen Bank received support from the central bank, Grameen Bank, established itself as an independent bank in the early 1980s and has not only continued to grow across Bangladesh, but has inspired similar microfinance initiatives around the world. Professor Yunus also established a separate entity – **Grameen Foundation** – in the 1990s, which addresses poverty through models wider than microfinance, including access to finance but also health, agriculture and education. The Grameen franchise has also set up a number of social enterprises, typically working in partnership with established private sector entities, such as the social enterprise with Danone which uses their R&D and marketing expertise to sell a nutritionally-enhanced yoghurt product to malnourished, poor rural communities. The **Grameen Telecom Trust**, another part of the franchise, is mainly involved in making investments. It owns a substantial percentage of **Grameen Danone** and **Grameen Fashion Fabrics Limited**, as well as owning majority shares in **Grameen Healthcare Services** and **Grameen Distribution Limited**. Grameen Telecom Trust also makes equity investments as well as focusing on helping to develop entrepreneurs.

Whilst BRAC and Grameen are large and globally-known, there is a wide range of social enterprise activity in Bangladesh, particularly small start-ups and more established social enterprises that recognise the term and explicitly set up their entities as social enterprises. For example, **Criticalink** is a non-profit social enterprise which has created an app through which people can call on volunteer first aid in the aftermath of road traffic accidents. Volunteers are mostly students and young professionals, some are medical students, who help train others. Volunteers are taught to use equipment they can find around them at the time, and provide initial aid and help to get victims to professional medical care. The enterprise is currently not breaking even, but plans to sell training programmes to subsidise the volunteer training. They are receiving pro bono office space and technical support from a company, which also houses their call centre.

Support organisations

Social enterprises are being supported by organisations which in turn consider themselves to be social enterprises. For example, **Toru** provides incubation and mentoring to support social innovation, as well as providing some finance and linking entrepreneurs to investment opportunities. Similarly, **Team Engine** describes itself as a for-profit social good company and supports SME and enterprise development for joint profit and social value.

Other organisations provide market outlets for Bangladeshi social enterprises internationally. UK-based **Traidcraft** buys and sells fair-trade products, some of which from social enterprises and began operating in Bangladesh in 1995.

Another mode of international support comes in the form of fellowships. For example, **Ashoka**, a global organisation funding social entrepreneur fellows, has been operating in Bangladesh since 1987, during which time several of the 60 fellows supported have established social enterprises, in sectors such as waste management, which has developed solutions that are now exported globally.

In terms of financial support, according to GIIN and Dalberg (2015), there are at least 15 active impact investors in Bangladesh, including nine funds, four development finance institutions and two foundations. However, from interviews for the study there was little evidence that smaller start-up social enterprises are successfully accessing impact investment – indeed, much of the impact investment captured by GIIN and Dalberg (2015) is directed to SMEs and wider impact-focused organisations, rather than specifically to social enterprises.



Policy and social enterprise development

Policy and social enterprise development

We have had very little policy support from the government, but if we had this I think the social enterprise sector could move a lot faster.

-Rokia Afzal Rahmam, speaking at the British Council Bangladesh Social Enterprise Policy Forum 2015 (Ward, 2015).

This section sets out how existing policy areas influence social enterprise development, according to stakeholders interviewed and background research for the study. It begins by outlining three areas of policy then discusses specific types of policy intervention and obstacles to social enterprise policy development. At present, there is no social enterprise specific legislation identified in Bangladesh. However, legislation for business, finance and investment and for non-profit organisations do have direct impacts on social enterprises. Sector-level legislation also effects social enterprises. Social enterprises are influenced by the regulatory context in many ways. This section focuses on policies that have a specific impact on social enterprises and/or that influence the establishment or growth of social enterprises.



Social enterprise relevant policy areas

There are three main areas of policy that help to understand the current context for social enterprise development:

- NGO and civil society activity
- Microfinance development and regulation
- Private sector development and investment, in particular support to MSMEs

NGO and civil society

Bangladesh has a strong culture and tradition of philanthropy and a long-standing, extensive NGO and civil society sector, with approximately 50,000 active civil society organisations (ICNL, 2015). The sector is covered by legislation with tight requirements around members, and regulated limits and permissions required for foreigners in establishing and funding certain types of organisation and registration fees. Government is perceived to have an uneasy relationship with civil society organisations and NGOs, sometimes competing with them for aid money. NGOs are sometimes seen to stand at odds with state perceptions about its dominant role in development, resulting in concerns about the 'privatisation' of development activities (ICNL, 2015). These concerns are also significant to social enterprise development as stakeholders for the study indicated that some areas of government may be uneasy about another category of organisation being involved in social development.

According to Hackett (2009), over 90% of NGOs in Bangladesh are estimated to include microfinance in their activities and a significant proportion of donor funding has included support to microfinance (BEI, 2006). Zohir (2004, in Hackett, 2010) thinks that many NGOs have taken on commercial activities primarily to be financially self-reliant, not necessarily because they are a proven solution to address market failure or to promote female empowerment (Hackett, 2010). The authors could find no evidence that seeking to be self-reliant is a result of declining donor funds, although accessing foreign finance may be more difficult than in the past due to shifting patterns of aid flows, increasing competition for funds as well as government desire to monitor financial flows to non-profit organisations.

Microfinance

Although microfinance is a distinct concept from social enterprise, the principal that was introduced by microfinance – that the poor can be included in market processes and can be supported in ways that are financially sustainable – has been an important contributor to the foundations of social enterprise development in Bangladesh. As the birthplace of the microfinance concept, through Yunus and Grameen, Bangladesh has a large number of MFIs. Yet in spite of the presence of MFIs in Bangladesh for over 30 years, detailed regulation was only brought in in 2011 when the MFI regulatory body – the Microcredit Regulatory Authority (MRA) was established by an act of parliament in 2006. A key issue for the MRA has been to address high interest rates and service charges (Panda, 2014) which threaten to undermine the original social purpose of microfinance. In Yunus's original conceptualisation of microfinance, MFIs were not intended to be profit-making organisations, however there has been a proliferation of MFIs, some of which operate as fully commercial ventures that maximise profits. The MRA monitors and supervises microfinance and a license from the Authority is mandatory for NGO microfinance operations in Bangladesh⁴. Whilst the success of microfinance in terms of increasing access to capital for marginalised groups, particularly women, has been recognised, there is also considerable concern about indebting the poorest people, particularly if doing so is lucrative for financial providers. For example there are reports of indebted rural microfinance recipients selling organs because of unbearable social and economic pressures from microfinance NGOs. This is perceived to be partly due to borrowers having multiple loans. There is demand for regulation to protect vulnerable people, but also from the microfinance community to not stifle innovation and growth.

When microfinance started, it was an innovation, it was demand driven. But after some time, the micro-credit authority came – of course regulations are needed, but the regulations should be enabling.

-Stakeholder interview

The precedent of state supervision of MFIs is potentially significant for social enterprise, given that one of the concerns raised by stakeholders during this study was that any benefit provided explicitly to social enterprises would require strict monitoring of the behaviour and impacts of social enterprises. In general, the success of microfinance in Bangladesh has mainstreamed the inclusion of the poorest people in market-led processes, and has increased NGO intention to be more sustainable in their support to the poor, both of which are valuable foundations to social enterprise development in Bangladesh.

⁴<http://www.mra.gov.bd/>



Private sector development

Given that many social enterprises are registered and operate as businesses (typically as micro, small or medium sized enterprises (MSMEs), state and donor focus on private sector development in general – and MSME development in particular – is important to understanding social enterprise development. In terms of private sector development, the weak enabling environment for business - poor infrastructure, weak and complicated bureaucratic processes etc - is a recognised constraint. However, Bangladesh has a strong and diverse private sector with large domestic firms as well as micro and small enterprise operations which, according to stakeholders, government has encouraged. The government is ‘taking steps to develop the private sector, with SME development as one component of this, alongside work on the enabling environment for business – securing gas supply, facilitating low-interest loans for certain sub-sets of businesses and encouraging the development of particular sectors such as the Ready Made Garments (RMG) sector’. The government has identified SMEs as a focus area for financial and technical support and as such is expected to launch new financing schemes for SMEs soon, although few details are currently known (Dalberg and GIIN, 2015).

Unemployment is very high in Bangladesh, so government is giving emphasis on sectors where more people can work. So through SMEs, you can give them employment and marginalised people can get training and develop their own businesses.

-Government stakeholder interview

There seems to be growing interest on the part of government to facilitate private sector activity to generate economic and social development, based on evidence of programmes and discussions with stakeholders. This is in part influenced by bi- and multi-lateral donor support. Social enterprise is a potentially important component of this agenda, given its potential to simultaneously create jobs and stimulate economic growth, whilst addressing social challenges. As elsewhere, donors are funding a significant amount of support to private sector development, including support to develop the business enabling environment, provide finance, support access to finance and wider business skills for MSMEs and entrepreneurs and intermediaries, as well as related activities at sector levels (e.g. corporate governance activity in the ready-made garment industry, value chain support in agriculture). One stakeholder suggested that there has been a lack of donor interest in funding social enterprise explicitly, but that this may be changing as donors adapt their models to be able to fund organisations that are profit-making. Interviews for this study and previous research corroborate this sentiment (e.g. Rogerson et al, 2014), although whilst there is little non-bespoke mention of social enterprise, there is considerable implicit support. For example; DFID programmes in Bangladesh include work on the enabling environment for business, financial inclusion, skills development, corporate governance and inclusive business, and includes programmes on agri-business development and microfinance for MSMEs as well as work in the access to finance programme bridging the missing middle for SME finance. As such, a significant proportion of DFID’s work potentially covers social enterprise activity, just not explicitly.



Registration laws

There is no bespoke legal form in Bangladesh for social enterprises which recognises their joint focus on impact and sustainability or profit. However, there are a range of for-profit and non-profit options under which social enterprises can register. There are pros and cons to each form. For example, non-profit forms are perceived by some of the stakeholders who were interviewed for this study to be less rigid but not as easy to scale up, and not possible to use for certain types of financial investment. There are also limitations to registering as a for-profit, according to stakeholders. One social enterprise interviewed for the study said that they chose to register under the Private Company Act of 1985 because they wanted to be known as a business – but a business that does good, and they were concerned that being registered as a business might mean that their social mission was not explicit, or not trusted.

There was no clear consensus from stakeholders about the need for, or value of, having a specific legal form for social enterprise. However, some social entrepreneurs felt it would be of use in raising the public profile of social enterprise and increasing understanding and engagement across government. A few stakeholders suggested that a limited profit certification system like the US Ic3 status (b-corp⁵) could work in Bangladesh, as it is perceived to require a less rigid definition. It is not synonymous with social enterprise, however, although such a certification scheme could potentially complement social enterprise awareness raising and wider drives towards inclusive and sustainable economic and social development.

In general, several stakeholders mentioned the lack of information about registration options for social enterprise. They also made a generic point about the lack of clarity in general about registration processes as constraints. A one-stop registration shop that would simplify the process of setting up a social enterprise has also been proposed (SE Policy Dialogue, 2015): similar initiatives to promote SME registration (for example, in the Philippines (Darko and Quijano, 2015) it can be part of government programmes to support SMEs to be formally recognised in order to access state support and private investment. There is potential for a social enterprise specific component of wider SME support for registration to work, simultaneously facilitating what is perceived to be a complex registration process for organisations in general and at the same time raising awareness of and providing advice about the specific registration requirements for social enterprises.

Finance and investment

Access to (appropriate) finance is a well-recognised constraint to social enterprise development (indeed, all enterprise development). Start-up enterprises often rely on informal, personal sources of funding and apply for grants to begin piloting operations. Once operations have reached a certain scale and sustainability, commercial debt finance can be sought. There is a missing middle (a gap between initial start-up funding and larger-scale returnable investment capital), where working capital can be tight, grants insufficient and commercial finance as yet unviable. Equity investments can be legally problematic for some social enterprise forms, and contentious for others – particularly in terms of sustaining their solution mission. Regulation of investment is a key factor influencing flows, influencing the provision private finance and steered by state (and donor) finance directly provided or provided via intermediaries to address market failures in available private sector finance.

In terms of international investment, regulations limiting access to foreign

⁵<https://www.bcorporation.net/>

capital for companies not appropriately registered to receive it means that willing foreign investors can struggle to find investees. Furthermore, the process of registering as a fund in Bangladesh is difficult because there is no explicit legal form to structure and register as a fund (for domestic funds as well) (Dalberg and GIIN, 2015). According to Dalberg and GIIN (2015), equity and venture capital investors feel unprotected due to the lack of clarity on regulations around equity investment and recourse for contract default. A further perceived constraint is that the Board of Investment must approve FDI deals, rather than just receiving a notification. There are also restrictions on repatriating dividends and foreign investment to Bangladeshi companies which are seen as limiting investment potential (Dalberg and GIIN, 2015).

According to stakeholders, there is no government support for social impact investing at the moment. The focus is on large-scale FDI for infrastructure and for large companies. However, government has expressed interest in supporting angel investment and venture capital fund development, according to stakeholders interviewed for the study.

In terms of access to finance for social enterprises, requirements for loans can be prohibitive – e.g. having two years of formal financial accounts. There are examples of innovation in this area, for example one stakeholder mentioned the use of mobile phone spending history in the absence of credit history as a usable data point for investors, assessing individual creditworthiness to borrow or potential use to social enterprise funders.

Overall, stakeholders expressed concern about foreign investment and impact investment as being unsuitable for early stage, small, social enterprises:

My (social enterprise) needs \$300,000 but (impact investors) say they can't give less than \$10 million. Then they go to the big boys and make them bigger.

-Stakeholder interview

Existing policy is seen to restrict rather than facilitate potential capital flows to social enterprise. However, the Bank of Bangladesh, which is the central bank and financial system regulator, has expressed interest in social aspects of investment. For example, the bank has a green financing department which has produced guidelines on environmental risk assessment. As a key player in Bangladesh's financial infrastructure, the Bank's interest in socially responsible investment is important to the future development of policy to support investment in social enterprises.

Islamic finance and Islamic philanthropy

There is a strong perception that Islamic finance and social enterprise align well, for example given the requirement to not seek interest payments from loans. Islam also offers wider notions about sharing wealth, for example in the form of zakat and waqf donations, which some consider might be used to benefit social enterprise (Ahmad, 2013) as it is viewed as a potential source of funding in the context of Islamic microfinance (International Trade Centre, 2009).

Islamic finance

Generally speaking, government plays a limited role in Islamic finance, especially in contexts such as Bangladesh where the state is officially secular. The Islamic finance industry has grown in recent years but is nascent, lacking economies of scale, and operating in contexts where legal and tax rules, financial infrastructure, and access to financial safety nets and central bank liquidity are either absent or, if available, do not appropriately take into account the characteristics of Islamic finance (Askari, Iqbal, and Mirakhor 2010; Ernst and Young 2014; IFSB, IsDB, and IRTI 2010 in Kammer et al, 2015).

In spite of this apparent alignment between social enterprise and Islamic finance, none of the stakeholders explicitly mentioned accessing capital via Islamic finance or bank sources nor the value of Islamic finance in terms of seeking capital that is appropriate to the social mission of their business, for example equity-like investments that do not contradict business practices.

According to an International Trade Centre report (2009), Bangladesh has large Islamic microcredit outreach⁶, with over 100,000 clients and a loan portfolio of almost \$35 million. However, it is also the country where

⁶Islamic Bank Bangladesh is referenced in this report, no other MFI is mentioned (International Trade Centre, 2009)

conventional microfinance products have the largest outreach – nearly eight million borrowers – and Islamic microfinance represents only 1% of the microfinance market. There is no data on finance to social enterprise, but as it was mentioned little, this is perhaps an indication that Islamic finance is not currently a significant provider of finance to the sector.

Kammer et al (2015) classify Islamic finance in three broad categories: debt-like financing structured as sales (pure lending is only allowed when ‘benevolent’); profit-and-loss-sharing like financing (cost/input sharing, Mudarabah, and equity like finance, Musharakah); and services (e.g. safe-keeping contracts for currency deposits or agency contracts for money market transactions). Kammer et al (2015) believe that the principles of risk-sharing and the strong link of credit to collateral means that Islamic banking is well-suited to the financing of SME and startups, and as such could be well-suited to social enterprise activity. Given the existing presence of Islamic finance in Bangladesh, there is potential for its inclusion in wider policy focus on social impact investment for the benefit of social enterprises.

Islamic philanthropy

In 2012, Islamic financial analysts estimated annual zakat spending exceeded \$200 billion per year globally, which they estimated at 15 times global humanitarian aid contributions, however Islamic scholars and development workers state that much of zakat practice is mismanaged, wasted or ineffective (Irin News, 2012). As a predominantly Muslim country, many Bangladeshis give away 2.5% of their personal assets every year as zakat⁷. Zakat payments are not mandated by law in Bangladesh, but there is a government Zakat Fund and an Ordinance covering Zakat (1982), however there is evidence that the fund is not functioning effectively (Kallol, 2013) and stakeholders discussing zakat during interviews were unaware of the Ordinance and Fund. Two stakeholders suggested that government could help steer zakat resources to supporting social enterprise activity, as a means of achieving sustainable benefit to the poor.

If we could channel zakat in a professional and systematic manner around the country, that could bring in a phenomenal change and could be popular. People would rather give zakat than pay taxes to the government.

-Stakeholder interview

There was concern, however, that state-mandated or even state-organised collection and allocation of religious philanthropic donations would not be well-received by the public, nor viable in terms of volume of collection and impact of donation. There are informal examples, such as in the UK, of non-state organisations seeking to deliver coordination of zakat, although no evidence of their efficacy was identified for this study.

Another charitable aspect of Islam is waqf – a permanent allocation of resource to a charitable cause, sometimes with a formal structure akin to a trust or foundation.

This was not mentioned by stakeholders or in literature on Bangladesh, but could be a valid area for future research in the context of philanthropic financing social enterprise.

⁷Zakat is a form of religious tax and is the third Pillar of Islam. It does not refer to charitable gifts given out of kindness or generosity, but to the systematic giving of a portion of one's wealth each year to benefit the poor. It is customarily 2.5% of a Muslim's total income, savings and wealth above a minimum amount known as nisab.

Tax laws

Taxation rarely, if ever, exists to provide comprehensive tax breaks to specific organisational models, yet fiscal policy has direct impacts which are very important to the development of economies as a whole, and to social enterprise activity within the economy. There are three areas of impact which are relevant for social enterprises:

- Taxes by organisation type (i.e. dependent on how they are legally registered, such as non-profits not paying VAT)
- Taxes related to operations (e.g. imports and exports) which are typically generic to all types of organisation
- Investment and finance taxation, which can be specific to investee and investor organisations

Few stakeholders raised concerns about taxes specific to the organisation type that they registered as, although the implications of taxation were a factor in decisions to become a for- or non-profit entity, also in terms of which type of non-profit entity to choose at the point of registering the organisation.

Sector level taxation and taxation affecting imports, domestic sales and exports often have more direct impact on social enterprises day-to-day operations. Some stakeholders gave examples of where they have joined other businesses and actors in their sector to lobby on specific fiscal issues, such as BRAC Dairy's concern about the lack of tariffs on processed milk imports affecting their business.

In terms of investment, tax rates are perceived as reasonable by foreign investors according to Dalberg and GIIN (2015) and the World Bank Enterprise Survey data (2013) indicates taxation is not a primary concern for business. However, stakeholders indicated that processes can be particularly slow and complicated for start-up and smaller social enterprises because government officials often do not understand the hybrid nature of their business models and the implications of dual registration for taxation, where founders register as both a for-profit business and a non-profit (such as a trust or foundation) in order to operate as a social enterprise.

In terms of social enterprise organisation specific tax, BEI (2010) recommend that the government avoid 'instituting any specific tax breaks or developing a separate regime for social enterprises, as this is perceived to be a threat to conventional business which the report says must not be 'crowded out' by social enterprise. However, there is no precedent for social enterprise specific tax breaks, and the potential for it is often a misconception generating concern. Given the lack of agreed social enterprise definition, the BEI report believes that 'much time could be wasted, by entrepreneurs and

Government alike, in trying to enshrine a definition in law, lobbying and skewing business structures to qualify for particular benefits'. Whilst this is an opinion held by some stakeholders as well, in terms of taxation the impact is felt by most social enterprises at the sector or core activities of the enterprise and if there is a desire to develop social enterprises in recognition of their economic and social contribution, fiscal policy can be an important part of steering investment and promoting social enterprises domestically and as exporters.

Tax concessions for social impact investment may be more viable if criteria can be agreed and regulated, although social investment typically refers to investment in inclusive business (a concept wider than social enterprise, including all businesses having some beneficial social and/or environmental impact). As such, concessions to social impact investment would provide support to a wider range of organisations than just social enterprise. It could also be useful to explore the impact of sector-level taxation on social enterprise and how fiscal incentives affect where social enterprises start up and succeed, and the niches in which they are operating.

SME policy and programming

Many social enterprises can be categorised as a component of the SME sector, although some may align more with the non-profit sector, depending on their revenue sources and legal registration, for example. Social enterprise, in covering both areas, potentially could fall between a policy crack – or could capitalise on being covered under non-profit policy support, where it exists, and SME policy support – which is growing. The SME policy context, even if it makes no explicit reference to social enterprise, is important to understanding the regulatory and policy framework within which social enterprise operates. There is little recognition of the impact of generic SME policy and programming on social enterprise amongst stakeholders however, which could be a reflection of the lack of specific reference to social enterprise; it could also be that where policy and programming has no direct impact (positive or negative) on a venture, entrepreneurs are generally unaware of its existence. There are some SME-specific policies and government programmes in Bangladesh which have the potential to explicitly incorporate social enterprise, and to be extended in modified forms to support social enterprises directly, for example a2i – an innovation programme run by the Prime Minister's Office. The a2i programme uses IT to improve governance and service delivery through digital centres at 5,000 local government offices and has a service innovation fund (research grant and investment readiness support) supporting public, private and

academic organisations promoting technological innovations to improve lives of the under-served. Through staff at the management and local government level having deeper knowledge and understanding of social enterprise, this programme has the potential to support social enterprise activity more explicitly.

The Government of Bangladesh is also thinking about creating an SME stock exchange to provide SMEs with the opportunity to raise capital from markets, replicating the Indian model. Less formally, government provides a number of enterprises and intermediary organisations with support, for example the Women's Chamber of Commerce (an association) receives government funding for delivering training, organising trade fairs and developing showrooms, according to a government source.

There are also a number of government-affiliated organisations supporting SMEs, including the SME Foundation. The SME Foundation does not have any explicit focus on social enterprise at present, but is increasing emphasis on social components of the SME sector (e.g. gender). The SME Foundation was established by government as the apex body for promoting SMEs, but has an autonomous board which is made up of 40% government representatives and 60% private sector representatives, its staff are not civil servants. The SME Foundation represents SMEs, discusses issues with SME associations and trade bodies, women entrepreneur groups etc. and then with policy makers. For example, the SME Foundation is talking to the Planning Commission about how SMEs are included in the upcoming seventh Five-Year Plan (7FYP). It is also supporting the Ministry of Industries in writing an SME-friendly industrial policy. In the same way, the Foundation organises discussions around taxes, tariffs and customs duties as input to discussions on the annual national budget. The SME Foundation has a technology wing supporting SMEs to adopt new technology, particularly technology to promote environmentally sustainable development. Also, the Foundation supports capacity development at individual, sectoral and institutional level, the latter involving support to trade bodies, for example. A big part of the foundation's work is collecting data, for example on women entrepreneurs. SME Foundation maintains a database of 7,000 women entrepreneurs and runs a women's entrepreneurship award scheme. SME Foundation also provides wholesale finance for product design and to support financial institutions to lend to SMEs, e.g. special financial instruments/products for women entrepreneurs.

The Foundation has introduced an innovative SME loan programme with single digit interest and without requirement for collateral. To help develop SME supply chains the Foundation is providing a complete package of services from business-to-business linkages, financing, technological solution, certification and relevant policy support. The Foundation is supporting the institutional capacity

building of SME-related trade bodies and associations and has also developed 177 SME clusters across the country. The SME Foundation with the support of the Ministry of Education, is also working with other organisations to introduce entrepreneurship into the national curricula.

The Bangladesh Small and Cottage Industries Corporation (BSCIC) is a government-linked industry body looking after small, medium and cottage industry and was established in 1957 to develop entrepreneurs and help them attract investment. BSCIC provides direct support to businesses to help them access finance and conducts training, mentorship and engages at a sectoral level for SMEs and cottage industry. BSCIC have had funding from a range of state and private sources (e.g. the Saudi and Norwegian governments on SMEs, national banks and national credit unions). BSCIC now has a project with the European Union helping to train entrepreneurs on enterprise forms that will help social development, providing financial support, technical advice and access to technology. None of the social enterprises interviewed mentioned BSCIC support. Similarly to the SME Foundation, BSCIC does not make explicit reference to social enterprise but its umbrella of support likely includes social enterprises, and could be encouraged to do so more explicitly.

CSR and corporate governance

Corporate Social Responsibility (CSR) has two potential impacts on social enterprise development both as a direct source of finance and skills support and as part of a wider paradigm shift towards more inclusive and sustainable business practices and focus on the sustainability of social development solutions. Social enterprise can offer best-practice examples and opportunities may arise to participate in corporate supply chains.

Good practice in corporate governance, which is also a growing focus for government, is particularly relevant to the second impact. Public tragedies, for example the 2013 Rana Plaza disaster which killed 1,100 people, have highlighted the regulatory and implementation shortfalls of labour legislation in Bangladesh and there is considerable donor and private sector focus on changing this, although political progress is perceived to have been very slow.

Large domestic and international businesses in Bangladesh are perceived by stakeholders interviewed for the study to be influential on government, and to be becoming more socially responsible, partly due to consumer and public pressure (e.g. Unilever recently removed their skin lightening products from the rural Bangladesh market). There are also growing examples of

inclusive business practices, realising the market potential of poor and rural communities, and this is important for social enterprise as producers and

suppliers within national and international supply chains and as part of a wider movement, according to one stakeholder.

There is an added element of compulsion in CSR, which may drive further change. Banks now have a compulsory 2% CSR spend, which was recently extended to tele-communications companies – and the government is considering extending it to all businesses. The policy is criticised, as is CSR more widely, for being tokenistic and ineffective in contrast with more systematic changes to business practice. However, according to one stakeholder, this compulsory donation means that the private sector could be interested in ‘compromises’, where they invest in inclusive core business, rather than CSR – and this could influence government to implement CSR legislation in a more nuanced way, which is important if CSR legislation is to have a meaningful impact on social enterprise.

Sector level policy

Several stakeholders explained that the majority of their involvement with government was at a sectoral level. Social enterprises engage with Ministries relevant to their area of work and are particularly interested in sector-level policies or policies that influence sector operations. For example, BRAC enterprises have been involved in lobbying government about subsidies to milk powder importation, as they see this as damaging the domestic dairy industry in general, and BRAC Dairies – their milk products social enterprise – directly. It was beyond the scope of this study to explore policies at a sector level and their impact on social enterprise in any detail, however recognition of social enterprise across government could facilitate better understanding of this, as could support at the level of sector-specific trade bodies. This is potentially an area for further research. To an extent, social enterprise policy needs at the sector level will be generic to all other similar-sized organisations in a given sector. However, in order to reach specific sectoral niches through their work and unique business models, for example to address particular intractable challenges, it could be beneficial to facilitate sector-level peer engagement between social enterprises. This could either be as subsets within sector-specific trade bodies, or sector specific groups within social enterprise bodies, as the latter come to exist.

Social service provision

There is a gap in terms of supply and demand for public goods and services in Bangladesh, set to increase as aid flows decline. This is a potential opportunity for social enterprise market growth. However, interviews and evidence (e.g. ICLN, 2015) indicate a reluctance on the part of government to embrace social enterprise and other non-state providers as part of a solution that benefits the state as well as social development of the people.

People are not ready to pay for services. The government needs to give (private providers) more space, and subsidies – to make it more competitive
-Stakeholder interview.

Interviews with government and non-government stakeholders indicate that there is both awareness on the part of government of their limitations to provide universal, quality social services such as education, healthcare, water and sanitation and an interest in partnerships and support from social enterprise to achieve this. Examples were provided of government programmes seeking to support non-state innovation in public service provision, and of service (rather than infrastructure) type Build-Operate-Transfer offers – where a social enterprise would develop and establish a model, that government would subsequently take over once it was proven to work and be scalable, providing support to the social enterprise to set it up⁸.

Social enterprise definition and context

There is ignorance about what social enterprise is and what it can do. In general, it is vague, all kinds of people call themselves social enterprise but often it's just a regular business. Then there is the concept of social business: the whole space needs to be clarified.

-Social enterprise interview



⁸This example came from a social enterprise who had decided not to pursue this offer out of concern that government lacked resources to sustain the service – they asked that the details were not made public.

It's been four years we are running and we still have to explain everywhere how we are different from an NGO or a social business, as we can't register as a social enterprise – it's an identity crisis.

-Social enterprise stakeholder interview

Important to policy and support for social enterprise more generally is the need to understand what social enterprise is, how tightly it can and should be defined and what its role can and should be. The social enterprise discussion is seen by some stakeholders as part of a wider paradigm shift for business in terms of their social/environmental impact, for consumers, and for government in terms of the way they categorise economic and social development actors and engage with them.

Although Professor Yunus' social business definition is widely known amongst stakeholders interviewed for this study, few stakeholders, other than within Grameen, identified it as being the same as social enterprise. At the British Council Policy Forum, stakeholders were interested in a definition of 51% profit re-investment and core social/environmental mission.

During stakeholder interviews, this slightly wider understanding of social enterprise seemed to appeal, particularly to those sceptical of the sustainability of models that do not seek to make profit – regardless of how that profit is spent.

Stakeholders at the February 2015 policy forum suggested that government can help make social enterprise information more transparent and available to stakeholders. It was also suggested that a social enterprise association could be established to create a voice for the sector and bring stakeholders together, as well as provide training and raise awareness, and lobby government on policy issues. The need for case studies to showcase social enterprise and raise awareness was suggested by several stakeholders (as it has been in similar studies in other countries – Kenya, Ghana, the Philippines (Griffin-El & Darko, 2014; Darko & Koranteng, 2015; Darko & Quijano, 2015).

Government could help make clear how social enterprise is different from NGOs, helping people to understand that it is in between NGOs and the private sector.

-Stakeholder interview

Shaping not driving social enterprise: The role for government

In recognition of the role of private sector (non-state) entities, regulation can facilitate growth of a sector more when it shapes and guides rather than seeks to lead. In Bangladesh, microfinance grew organically and has since been regulated to address problems that arose from the scale and nature of its development. Stakeholders suggested it might not have grown as effectively if government had sought to direct it. One stakeholder said that with Grameen and BRAC (and microfinance in general), the government didn't interfere – it let them grow, adding that Bangladesh is a 'good place for innovating to solve its own problems'. According to another stakeholder, social enterprise growth needs to be organic, and there are existing government programmes supporting social enterprise, even if they are not explicit about it or defining their interventions as covering or targeting social enterprise e.g. the a2i programme.

Social enterprises are developing despite lack of recognition from government. Lack of regulation may be a good thing – 'as soon as you regulate and popularise, people will jump in and see it as an opportunity to operate under a social enterprise tag. There is a risk that Bangladesh isn't mature enough on ethical practice in business to sustain this.

-Stakeholder interview

Policies are not in place, but that is not necessarily a bad thing! Bad policy is worse than no policy.

-Stakeholder interview

Some stakeholders feel that because not a lot is configured at the moment, there is an opportunity to influence things positively, to tell government what regulation is needed, for social enterprise to be market- and social-need led.

Priorities for government support to social enterprise (as seen by stakeholders) include addressing a perceived shortage of organisations providing incubation and related business development services (BDS) support start-up and small social enterprises. In addition, innovation and risk-taking are not adequately encouraged within the business enabling environment and private sector development approaches at present. Stakeholders recommend that changes to the whole ecosystem of business are needed to address this, from education and training of young potential entrepreneurs through to access to finance for innovation, R&D and working capital to take ideas to market. There is indication from government programme and donor funding activity that this 'innovation gap' (where innovation is not adequately encouraged) has been recognised and is starting to be addressed (e.g. a2i, entrepreneur2k).

Government support for social enterprise development

Government cannot directly fund business, but could fund a social enterprise incubation centre.

-Government agency stakeholder.

This section sets out findings from government stakeholder interviews in terms of the appetite and potential to address policy considerations raised in the previous section. It then considers the existing degree of policy engagement before presenting summaries of key areas of regulation and key government agencies for future policy engagement activity. The final component of the section gives a brief overview of social enterprise policy activity in the UK and potential lessons for Bangladesh to take from this.



Government stakeholder perceptions of social enterprise

Government stakeholders interviewed for the study recognised the role of government in promoting social enterprise in the UK and the lack of equivalent support in Bangladesh; some were interested to better understand what has happened in the UK and how it might be applicable in Bangladesh.

Government stakeholders were also aware of the issues around defining social enterprise. One suggested: 'I would be very inclusive about (defining social enterprise) as any organisation having an explicit social agenda. It could be a social or environmental initiative, or within the private sector and I don't see any reason to exclude it. Yunus's idea is limiting.' Another said: 'I see (social enterprise) as a private sector business which will serve a social cause. It will be economically viable. It may start with support, but it has to run as a business'. The need for clarity and awareness about both social purpose and financial sustainability of social enterprise was important to most government stakeholders. One government agency stakeholder expressed the risk where this is not the case: 'Even people who understand the concept (of social enterprise) don't look at it in a positive way, because Grameen and BRAC run on subsidies from government or donors. Some are transforming to enterprises. Government doesn't understand the transformation process.'

There is recognition that the word 'social enterprise' is not being used officially, it is not visible, but according to one government agency interviewee 'we are working on it' – indicating growing awareness in government of the concept and the need to formally acknowledge it.

In terms of government activity, there was concern about separate registration for social enterprise, about bespoke support in the form of taxation and procurement privileges and subsidies. However, there were suggestions about the roles government could play:

Government cannot directly fund business, but could fund a social enterprise incubation centre.

-Government agency stakeholder

'There are talk shows on TV about politics in Bangladesh – these can be a space to promote social enterprise.'

-Government agency stakeholder

The table below gives an indication, based on interviews and literature, of the degree of interest in a number of potential forms of government engagement to support social enterprise. It uses a red, amber, green traffic light system (where green indicates something stakeholders were positive to progress further, amber indicates they are interested but not consistently on board and red indicates that there is currently limited interest or impetus) to give a basic overview of whether this is deemed a viable and useful option by both government and non-government stakeholders consulted for the study.

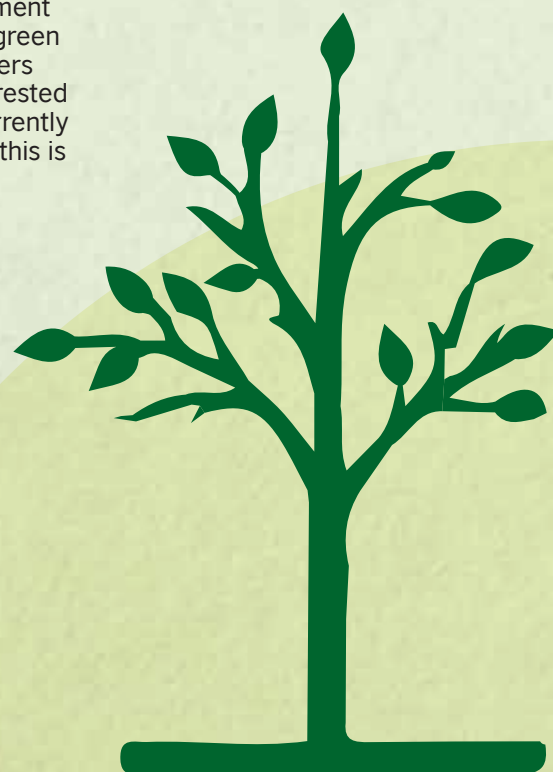


Table 4: Forms of government support and relevance to social enterprise in Bangladesh

Activity/regulation area	Existing provisions/alternatives	Non-government stakeholder interest	Government stakeholder interest
A specific legal status for social enterprise	No social enterprise legal status.	AMBER	AMBER
Social value or social enterprise privilege in government goods and services procurement (local and national government)	No explicit privilege	AMBER	AMBER
Financial support – direct financing or support to access investment	Through (M)SME programmes and support	GREEN	GREEN
Social enterprise education support – curriculum requirements at secondary and tertiary level, finance for schools, colleges and universities and/or for students	Not explicit in curriculum development	AMBER	AMBER
Social enterprise awareness raising and promotion	Growing interest amongst individuals and recognition of where programmes affect social enterprise: no explicit focus	GREEN	GREEN
Tax concessions	None explicitly, some through concessions to organisation types or sector-level activity	AMBER	RED
Social enterprise specific business development skills and technical skills support	Through (M)SME programmes and support	GREEN	AMBER

Existing policy engagement

Based on evidence available for this study, there is considerable interest amongst stakeholders for further social enterprise policy engagement. However, beyond the British Council's work in this area, there were limited examples of social enterprises and support organisations collaborating on policy engagement, particularly beyond the level of individual social enterprises' direct dealings with government. The British Council Bangladesh has held three policy engagement events – a closed roundtable session in 2014 which led to a 2-day public event in February 2015 – the Social Enterprise Policy Forum, attended by almost 200 entrepreneurs, support organisations, politicians, government officials, journalists and business representatives. This event has now become annual, with a second national social enterprise event (Social Enterprise: Impact and Opportunities) taking place in February 2016. Support organisations expressed interest to engage with future activities, whilst stressing the need for both direct government engagement and or activities to be based on actions rather than discussions.

Potential areas for engagement

This section sets out brief findings on existing policies and ministries, providing indications of where existing activity could be built upon and relationships established and developed. Table 5 reviews examples of regulation relevant for social enterprise development, Table 6 looks at government ministries and agencies which may be most useful to engage with.

From table 5, there is potential to push for explicit reference to social enterprise in the next five year plan. More explicit reference to social investment in tax and investment legislation could facilitate capital flows to social enterprise. Government can play a vital role through informational tools to raise understanding of social enterprise, for example through building on existing activities of the SME Foundation.

Table 5: Regulation influencing social enterprise activity

Policy area	Examples of regulation	Potential engagement for social enterprise development
Economic, trade and industrial policy	7th 5 year plan (2015/16 – 2019/20) (currently being prepared by the Ministry of Planning)	The plan is being based in line with a series of background studies ⁹ , which include access to finance, SME development and education. Social enterprise is not mentioned explicitly.
	Industrial Policy (2010, revision being completed in 2015)	The 2015 policy will have more focus on SMEs, particularly in manufacturing. No direct reference to social enterprise, but relevant to consider opportunities to influence future revisions
Registration and organisational form regulation	Societies Registration Act, 1860 Trust Act, 1882 Voluntary Social Welfare Agencies Ordinance, 1961 Youth Organisation Act, 2015 (pending approval) NGO Law	The existing legislation for non-profit organisation registration is comprehensive, but because of this it is also perceived to be very complicated. It is particularly complicated for start-up social enterprises to understand the pros and cons of different organisational forms for their specific sector and business model.
	Companies Act, 1913 (amended 1994)	The Companies Act sets out detailed criteria for unlimited and limited companies – it does not address informal businesses, nor does it make explicit provisions for SMEs.
Taxation and investment, including procurement	Foreign Donations Regulation Act, 2014 (pending approval)	This Act sets out criteria for receipt of foreign funding for NGOs, including permission from the NGO Affairs Bureau ¹⁰ .
	Microfinance Regulatory Law, 2006	Licensing and regulating microfinance to set standards of practice and identify malpractice – were social enterprise to be more tightly defined to be supported, such a process may be relevant.
	Public procurement legislation – SME Foundation is trying to get a requirement that 20% should go to SMEs incorporated – this is Ministry of Finance	Social Procurement law – didn't happen, was supposed to be implemented by the Ministry of Industry
	Zakat Ordinance (1982)	Established a state Zakat Fund for voluntary payments to be disbursed according to Shariah law.
Information	SME Foundation produces research reports, surveys and has a Directory of women entrepreneurs	SME Foundation could make explicit where existing work is known to cover social enterprise, and also to explore social enterprises as a sub-set of SMEs, as has been done for women-led SMEs, for example

Table 6 provides a list of relevant government agencies for social enterprise activity. Of these, the PMO, Ministry of Finance, Ministry of Industry and Bank of Bangladesh, alongside the SME Foundation – mentioned above, seem to have most potential to extend existing activities to provide explicit support to social enterprise without significant changes to their existing infrastructure and approaches.

As discussed above, further understanding of social enterprise at the sector level could be an important driver of change. This can include engagement with sector level ministries to drive growth, as happened in the UK.

⁹<http://www.plancomm.gov.bd/7th-five-year-plan/>

¹⁰<http://www.omct.org/human-rights-defenders/statements/bangladesh/2014/12/d22942/>

Table 6: Government ministries, agencies and government-linked organisations – and their influence on social enterprise development

Name	Relevance of activities to social enterprise development	Existing programmes and activities influencing social enterprise
Prime Minister's Office*	Fund and investment support covers organisations that include social enterprise.	e.g. a2i – see above
Ministry of Industry*	Develops Industrial Policy. Has an SME section. Focus on CSR and corporate governance.	General support to SMEs, focus on women entrepreneurs and to intermediaries
Ministry of Commerce	Responsible for overall trade and commerce related activities: tariff setting, trade promotion, statistics	Policies shape overall context for social enterprise
Ministry of Finance*	Oversees national budget and spending; analysis of spending on women, youth, environment	Policies shape overall context for social enterprise
Ministry of Local Government and Rural Development & Cooperatives	Rural and urban infrastructure development	None identified for this study.
Ministry of Expatriates' Welfare and Overseas Employment	Influence on remittance flows and use of remittances (i.e. potential for investment in social enterprise)	None identified for this study.
Ministry of Religious Affairs	Oversight of Waqf and Zakat regulation	None identified for this study.
Ministry of Education	Apex ministry for education policy and post-primary education, influencing curricula and regulation of secondary and tertiary providers	None identified for this study.
Ministry of Labour and Welfare*	Business compliance, health and safety, voluntary standards	None identified for this study.
NGO Affairs Bureau (NGOAB) under the Prime Minister's Office	NGO regulatory body	None identified for this study.
Ministry of Planning	National central planning	Policies shape overall context for social enterprise
SME Foundation*	Apex body for SME development	A wide range of programmes and activities supporting SMEs, some of which relevant for social enterprises – although none explicitly mentioning social enterprise
Central Bank – Bangladesh Bank*	Chief monetary and financial system regulator, est. under the Bangladesh Bank Order 1972. Key functions: formulation and implementation of monetary and credit policy, supervision and regulation of banks and NBFIs, currency issuance, maintenance of deposit insurance scheme, banker to government	None identified for this study.
Board of Investment	Established by the 1989 Investment Board Act. Mission – encourage private sector investment, identify constraints to investment, provide necessary facilities and support.	No current engagement on social enterprise, perception of 'low effectiveness amongst bureaucrats'*.
Securities and Exchange Commission	Capital market regulator, mandated under the Securities and Exchange Commission Act, 1993. Functions include: registration/regulation of capital market investors and intermediaries, prevention of fraud/unfair trading, training, conducting research and publishing information	Shapes overall investment, no direct influence on social enterprise

*Denotes entities interviewed for the study.

Sources: *Dalberg & GIIN, 2015; study interviews; Ministry websites.

Potential lessons from UK experiences

The UK has an established social enterprise policy infrastructure – the development of which offers potential ideas and lessons for Bangladesh. In 2001, the UK government created a dedicated Social Enterprise Unit within the (then) Department of Trade & Industry (DTI) and appointed a junior minister responsible for social enterprise and in 2002 published a dedicated strategy (named Social Enterprise: A strategy for Success). The strategy aimed at creating an enabling environment for social enterprise. In order to co-ordinate its implementation the DTI Social Enterprise Unit was formed. The Social Enterprise Unit was born, at least in part, from the continued lobbying of government by the emerging social enterprise sector, and in particular the newly formed Social Enterprise Coalition (now Social Enterprise UK). The Unit was established within DTI, but moved in 2006 to become part of the newly created Office of the Third Sector, within the Cabinet Office at the centre of government (Metz, n.d.). This move meant that social enterprise was at the centre of government, but removed its direct links to the successor to DTI – the Business, Innovation and Skills (BIS) department, meaning that social enterprise is not always systematically included in SME development activities and policies, and perhaps not being effectively mainstreamed into business development policy. This is an important consideration for Bangladesh, in terms of where best in government social enterprise support should be situated.

A specific legal form was created in the UK in 2004 – a Community Interest Company (CIC) – which allowed a status for social enterprises that recognised their joint impact and profit purpose. Not all UK social enterprises register as CICs, and there are limitations to the CIC model – for example in terms of accessing certain types of investment – which mean it is not suited to all social enterprises. However, the legal form has been important to building understanding of how the social enterprise business model operates and recognizing specificities in terms of taxation and profit-sharing, for example. As of January 2016, there were more than 11,000 registered CICs in the UK.

From 2006 a number of government funds were set up to finance social enterprise, incubation and skills development at national and sector levels. Since 2010, there has been increased focus on social investment, with the launch of a vision and strategy report in 2011 and the establishment of 'Big Society Capital', an independent financial organisation that aims to support and develop social investment in 2012. The enactment of the Public Services (Social Value) Act 2012 requires public bodies in England and Wales "to have regard to economic, social and environmental well-being in connection with public services contracts; and for connected purposes" and in 2014 a social investment tax relief was introduced to encourage individuals to support social enterprises and help social enterprises access new sources of finance (European Commission, 2014).

Table 7 below sets out some of the policies implemented in the UK and potential for them to be applicable and useful for social enterprises in Bangladesh.

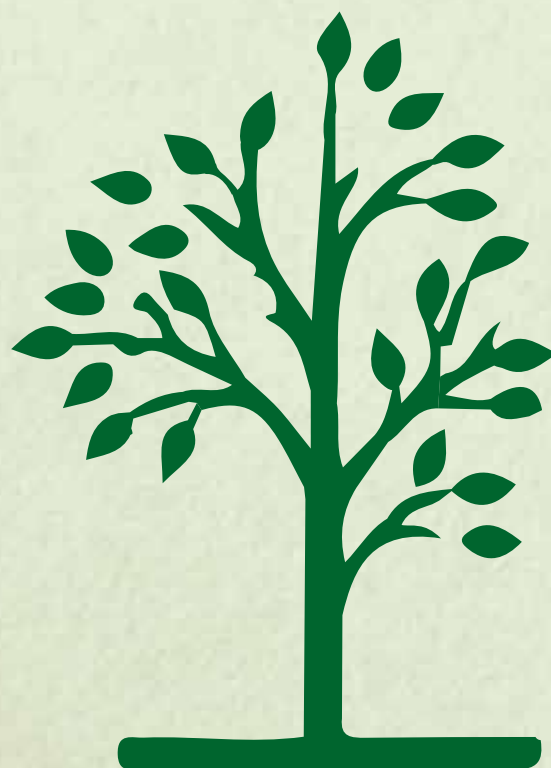


Table 7: UK policy and government support – lessons for Bangladesh?

UK policy/activity	What is it?	Pros and Cons	Lessons for Bangladesh
Regulatory instruments			
CIC legal status, 2004	Specific social enterprise status promotes understanding of SE and enables organisations to be non profit-maximising businesses, and to receive grant, commercial debt and equity capital	Clear social enterprise identity, profits are protected, helps protect the social mission of the business because social objectives are written in the core mission of the business and the model is protected against equity investors diluting the social mission, although this means equity finance is not typically an option	No strong demand for a legal status to operate, more for understanding and recognition
Economic instruments (tax, spending, investment)			
Social Investment Tax Relief	30% tax relief for social investors, aimed to encourage investors to support social enterprise	Increased capital available to social enterprise.	Could be explored as part of FDI and impact investing focus
Big society capital	Using dormant bank account funds	Provides money on appropriate terms for social enterprises	Explore possibility of using dormant bank accounts, also capitalising on philanthropic finance
Social enterprise sector support funds and programmes	Social Incubator Fund: £10 million Fund set up in 2012 which specifically targets social incubators to help them provide investment and support to early stage social ventures Investment and Contract Readiness Fund: £10 million fund established in 2012 to help more established social ventures access social investment of at least £500,000 Office for Civil Society (OCS) Social Enterprise Business Support Improvement Programme: Funding developed to Regional Development Agencies (RDAs) to address market failures.		Currently initiated for SMEs, could expand to include or provide explicitly to social enterprises
Department of Health Social Enterprise Investment Fund (SEIF)	Set up in 2007 by the Department of Health, the Social Enterprise Investment Fund (SEIF) invested over £110 million in health and social care social enterprises, and a further £19 million in 2012	Increased social enterprise participation in health; not disseminated in other sectors	Less relevant in Bangladesh due to resource constraints
Information instruments			
Social Enterprise Ambassadors programme, 2007	High profile individuals who promote the concept and raise awareness, influencing politicians and the public	Publicity tool	All three are viable stages for government engagement on social enterprise in Bangladesh
Social enterprise Strategy and Social Enterprise Day (2002) and Social Enterprise Action Plan (2006)	Initial strategy and promotion and 2006 outline of government plans to support social enterprise including awareness raising, schools materials and promotion of social enterprise as a tertiary study and career option, fund research, support social enterprise incubation and funding	Public outline of proposed support	
Social enterprise and SME/business surveys	BIS Department incorporated social enterprise into its SME survey.	Information source and publicity tool for social enterprise	

Sources: Metz (n.d.); Cabinet Office (2006); Cabinet Office (n.d.); European Commission (2014)

Conclusions

There is a long-standing tradition of commercial models delivering social goods and services in Bangladesh, demonstrating that initiating certain types of social enterprise has long been viable in Bangladesh. This perception that valuable entities and activities can develop in Bangladesh without government support helps to explain why there is not universal agreement amongst stakeholders about the role that government could play in social enterprise development.



That said there is recognition that social enterprise needs to be better understood across government and by the public if it is to flourish and deliver its potential. As such, government support – even if just in the form of formally acknowledging social enterprise and helping to raise awareness of social enterprise activity – could be important to achieving this. From the stakeholder interviews, there seems to be significant interest to develop a definition that is at least reasonably universally accepted in Bangladesh, and also interest in raising government and public awareness of both the concept and the reality of social enterprise, through ambassadors and case study examples.

There are three main areas in which stakeholders – both government and from the social enterprise and support organisation side – indicated that initial policy engagement activities might focus.

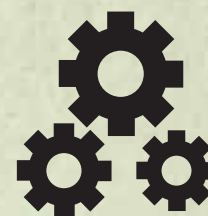


Access to finance

The first is in addressing access to finance. With access to finance, investment and growth – fiscal incentives are important to shaping economic activity in general, as well as shaping components of the economy – such as social enterprise activity. Some of the generic constraints on investment and international financial flows impact social enterprises. There is also interest to increase the focus on social investment, building on the existing presence of impact investors to increase the amount of available capital to small and early stage social enterprise ventures.

Skills

The second area of interest is skills – building the capacity of social entrepreneurs and the staff of social enterprises to take their ventures from idea and early stage to grow into large and viable businesses. There are a number of government and donor programmes, as well as support organisation (including social enterprise-run) initiatives to assist. However, most state-led initiatives do not recognise social enterprises and as such are not providing bespoke support, which is necessary to ensuring that social enterprises have the complex set of skills required to juggle impact and sustainability.



Awareness raising

Awareness raising is the third area, linked also to clarity around definition, which stakeholders felt is a key priority to moving social enterprise development in Bangladesh to the next level. Bangladesh could take examples from the UK, where social enterprise ambassadors were used to raise the profile of social enterprises. Basic overarching policy documents setting out government plans could also be important.

For example, social enterprise stakeholders interviewed for the study indicated that sector-level policy has the most direct day-to-day impact on their operations, as it would on the operations of any business. As such, further sector-level analysis could help to inform the potential for social enterprises to establish themselves in given sectors, if there are particular niches within these sectors that the social enterprise model is well-suited to, and if different incentives would promote or hamper their activities. Similarly

In terms of how these policy activities are realised, it will require effective engagement of a wide range of activities and stakeholders, as well as coinciding priorities. In the UK, social enterprise policy was preceded by overview strategy papers, outlining the government's understanding of social enterprise and proposing ways it would engage. A first output from policy engagement might be a similar strategy paper, which could be compiled through a combination of social enterprise networks and representatives (e.g. intermediaries, accelerators, incubators), donors, government and private sector actors.

The UK has taken almost fifteen years to establish its current range of support activities and legislation for social enterprise – and it has been able to do this consistently across consecutive governments thanks to cross-party support. Based on this experience, as well as the increase in government support to social enterprises in other parts of Asia (Vietnam, South Korea for example), social enterprise policy engagement in Bangladesh may realistically expect that support will steadily grow, but that change and deeper engagement will take time to secure.

Bibliography

- Ahamed, F. (n.d.) Improving Social compliance in Bangladesh's ready-made garment industry, <http://www.nla.gov.au/openpublish/index.php/lmd/article/viewFile/2269/3148>
- Ahmad, S. (2013) How Islamic finance and a more ethical capitalism go hand-in-hand, *The Guardian*, 24.01.13. Available at: <http://www.theguardian.com/social-enterprise-network/2013/jan/24/islamic-finance-ethical-capitalism-social-enterprise>
- Asian Development Bank (2011) *Impact Investors in Asia: Characteristics and Preferences for Investing in Social Enterprises in Asia and the Pacific*, Manila, the Philippines: Asian Development Bank.
- Bangladesh Enterprise Institute (BEI) (2010) *Bangladesh Social Enterprise Project (BSEP) Policy Brief*
- Bangladesh Enterprise Institute (BEI) (2006) *Private Sector Development (PSD) Donor Mapping 2006 Part One: Project Database and Matrices*, Co-published by the Embassy of Japan in Bangladesh and GTZ Office Dhaka.
- Business Innovation and Skills (BIS) (2011) *A Guide to Legal Forms for Social Entrepreneurs*, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31677/11-1400-guide-legal-forms-for-social-enterprise.pdf
- British Council (2014) *Approved! Social enterprise receives legal status in Vietnam*, *The Guardian*, December 2014, available at: <http://www.theguardian.com/british-council-partner-zone/2014/dec/16/approved-social-enterprise-receives-legal-status-in-vietnam>
- British Council Bangladesh (2014- unpublished) *Policy Dialogue on Social Enterprise – Report*, Ruposhi Bangla Hotel, 19th January 2014, Dhaka, Bangladesh.
- British Council (2013) *Social Enterprise: Landscape in Myanmar*
- British Council (2012) *Thai social enterprises are booming thanks to strong government support*, *The Guardian*, September 2012, available at: <http://www.theguardian.com/social-enterprise-network/2012/sep/07/social-enterprise-thailand-strong-government>
- Cabinet Office (2006) *Social enterprise action plan: Scaling new heights*, Available at: http://webarchive.nationalarchives.gov.uk/20070108124358/http://cabinetoffice.gov.uk/third_sector/documents/social_enterprise/se_action_plan_%202006.pdf
- Cabinet Office (n.d.) *Business Support for Social Enterprises: National Evaluation of the Office for Civil Society Social Enterprise Business Support Improvement Programme: Final Report*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/60637/business-support-social-enterprise.pdf
- ChangeFusion (2013) *Asian Social Investment Community 2012/2013*, with the support of the Rockefeller Foundation and the Social Enterprise Network Asia (senetwork.asia).
- Dalberg and GILN (2015) *The landscape for impact investing in South Asia: understanding the current status, trends, opportunities and challenges in Bangladesh, India, Myanmar, Nepal, Pakistan and Sri Lanka*
- Darko, E. And K. Koranteng (2015) *Social Enterprise Landscape in Ghana*, British Council: Accra, Ghana.
- European Commission (2014) *A map of social enterprises and their eco-systems in Europe Country Report: United Kingdom*. Available at: <http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=20&langId=en&mode=advancedSubmit&year=0&country=0&type=0&advSearchKey=socentcntryrepts&orderBy=docOrder>
- FIDH (2015) *Bangladesh: Parliament should withdraw Foreign Donations Regulation Bill 2015* <https://www.fidh.org/en/issues/human-rights-defenders/bangladesh-parliament-should-withdraw-foreign-donations-regulation>
- Hackett, M. (2010) *Challenging social enterprise debates in Bangladesh*, *Social Enterprise Journal*, Vol. 6, Issue 3, pp 210-224.
- International Trade Centre (2009) *Islamic Banking: A Guide For Small And Medium-Sized Enterprises*, Geneva.
- Kallol, A. S. (2013) *Zakat Fund Runs Dry*, *Dhaka Tribune*, 31.07.13. Available at: <http://www.dhakatribune.com/bangladesh/2013/jul/31/zakat-fund-runs-dry>
- Kammer, A., M. Norat, M. Pinon, A. Prasad, C. Towe, Z. Zeidane and IMF Staff Team (2015) *Islamic Finance: Opportunities, Challenges, and Policy Options*, International Monetary Fund.
- International Centre for Not-For-Profit Law (ICNL) (2015) *NGO Law Monitor: Bangladesh*, Available at: <http://www.icnl.org/research/monitor/bangladesh.html>
- Irin (2012) *Analysis: A faith-based aid revolution in the Muslim world?*. <http://www.irinnews.org/report/95564/analysis-a-faith-based-aid-revolution-in-the-muslim-world>. 2012-06-01. Available at: <http://www.irinnews.org/report/95564/analysis-a-faith-based-aid-revolution-in-the-muslim-world>
- ISEA & Oxfam (2014) *Poverty Reduction and Women Economic Leadership: Rules, Potentials and Challenges of Social Enterprises in Asia*, A joint study of ISEA and Oxfam on Social Enterprises with the Poor as Primary Stakeholders in the Philippines, Indonesia and Bangladesh
- Metz, B. (n.d.) *The infrastructure of the social economy in the UK*. Available at: http://wikipreneurship.eu/images/a/a6/Infrastructure_of_SE_in_UK.pdf?PHPSESSID=2cdcd5d5cf62bda3a98d7479e0616747
- Panda, A. (2014) *Microfinance Faces Uncertain Future in Bangladesh*, *The Diplomat*, <http://thediplomat.com/2014/04/microfinance-faces-uncertain-future-in-bangladesh/>
- Rogerson, A., S. Whitley, E. Darko and G. Rabinowitz (2014) *Why and how are donors supporting social enterprises?* ODI report, April 2014.
- Shahnaz, D. & Ming, P. (2009) *Social Enterprise in Asia: Context and Opportunities*, Research Paper Series: LKYSPP09-018-CAG006, National University of Singapore.
- Smith, W. and E. Darko (2014) *Social enterprise: constraints and opportunities – evidence from Vietnam and Kenya*, ODI report, April 2014.
- Sonne, L. and A. Bhatt (2014-unpublished) *Social Entrepreneurship Across South Asia*, British Council – internal report.
- Ward, E. (2015) *Bangladesh Exclusive: social enterprises call for support amid political unrest*, *Pioneers Post*, 2nd March 2015.
- Watkins, K. and D. van te Velde (2014) *Grants or loans: how should the UK provide aid in the future?* Overseas Development Institute, <http://www.odi.org/comment/8221-international-development-committee-aid-grants-loans-debate>.
- Whitley, S., E. Darko and G. Howells (2013) *Impact investing and beyond: mapping support to social enterprises in emerging markets*, ODI and Shell Foundation report.
- Yunus, M. (2011) *Building Social Business – the new kind of capitalism that serves humanity's most pressing needs*, New York: Public Affairs

Annex 1: List of interviewees

Interviewee Name	Organisations
Anir Chowdhury	a2i (Access to Information) Prime Minister's Office
Shahid Hussain Shamim	Ajiyer
Abdullah Chowdhury	Ashoka
Md. Allah Malik Kazemi	Bangladesh Bank
Robin Seyfert	Basha Enterprise
Minhaz Anwar	Better stories and Start Up Cup Bangladesh
Rushidan Islam Rahman	BIDS
Asif Saleh	BRAC and BRAC International
Tamara Hasan Abed	BRAC Enterprises
Md. Sakayetul Bari	BSCIC
Rajib Matin	B'Yeah
Rahat Hossain	Critical Link
Shahnila Azher	DFID
Hossain Khaled	Dhaka Chamber of Commerce/Anwar Industry
Syed Ferhat Anwar	Dhaka University
Parveen Mahmud	Grameen Telecom Trust
K.M.Saleheen	Grameen Telecom Trust
Nasir Uddin Ahmed	Katalyst
Md. Azizul Alam	Ministry of Finance
Yasmin Sultana	Ministry of Industry
Khondaker Mostan Hossain	Ministry of Labour and Welfare
Shamma Amin	MPower
Shamim	Probortona
Md. Mamunur Rahman	SME Foundation
Samira Zuberi Himika	Team Engine
Saif Kamal	Toru
Abdur Rahaman Khan	British Council/ex mPower

Annex 2: List of tables

Table 1: Major distinctions between definitions recognised by Bangladesh stakeholders	Page 11
Table 2: Quick Facts on Bangladesh's Economic and Social Structure	Page 13
Table 3: Quick Facts on Bangladesh's Political Structure	Page 14
Table 4: Forms of government support and relevance to social enterprise in Bangladesh	Page 30
Table 5: Regulation influencing social enterprise activity	Page 31
Table 6: Government ministries, agencies and government-linked organisations – and their influence on social enterprise development	Page 32
Table 7: UK policy and government support – lessons for Bangladesh?	Page 34







British Council

Dhaka University Campus
5 Fuller Road, Dhaka 1000

 www.britishcouncil.org.bd
 + 880 9666 773377