

Bangladesh Startup Ecosystem Assessment Report



Bangladesh Startup Ecosystem Assessment Report

May 2022



Bangladesh Startup Ecosystem Assessment Report

United Nations publication
Copyright © United Nations 2022
All rights reserved
Printed in Thailand
ST/ESCAP/3017

For further information on this publication, please contact:
Trade, Investment and Innovation Division
ESCAP
Rajadamnern Nok Avenue
Bangkok 10200, Thailand
Fax: (+66-2) 288-1027, 288-3066
E-mail: escap-tiid@un.org

References to dollars (\$) are to United States dollars unless otherwise stated.

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Where the designation “country or area” appears, it covers countries, territories, cities or areas.

Bibliographical and other references have, wherever possible, been verified. The United Nations bears no responsibility for the availability or functioning of URLs.

The views expressed in this publication are those of the authors or case study contributors and do not necessarily reflect the views of the United Nations.

The opinions, figures and estimates set forth in this publication are the responsibility of the authors and contributors, and should not necessarily be considered as reflecting the views or carrying the endorsement of the United Nations. Any errors are the responsibility of the authors.

Mention of firm names and commercial products does not imply the endorsement of the United Nations, and any failure to mention a particular enterprise, commercial product or process is not a sign of disapproval.

The use of the publication for any commercial purposes is prohibited, unless permission is first obtained from the Secretary of the Publication Board, United Nations, New York. Request for permission should state the purpose and the extent of reproduction.

Executive Summary

This Startup Ecosystem Assessment Report (SEAR) walks through the current condition and the prospective scenario of the startup ecosystem of Bangladesh. The report generates actionable insights for stakeholders throughout this growing sector of the economy. The report presents an overview of the macroeconomic and development context of the country, and the technological advancement of the nation in the past few years, and uses this context to situate its assessment of the current startup ecosystem.

Using up-to-date data, the SEAR builds up a picture of Bangladesh's readiness to build a strong ecosystem for startups. The SEAR also accounts for the growing importance of using a gender lens to carefully treat the country's investment environment, with the intention to provide useful information to enhance the contribution of women to every sector of the economy. The report has been compiled with support from multiple organizations and individuals, including the Bangladesh High-Tech Park Authority (BHTPA), and these expert views contribute to realistic and grounded policy recommendations.

This report will give interested parties a close look at the current state of the startup ecosystem of Bangladesh, and will facilitate further development of policy by the Government of Bangladesh (GoB) related stakeholders, and also be of interest to private enterprise and investors.

The report presents the following key drivers of the startup ecosystem:

- 1. Strong Economy Vitals for Startups:** A tech-adaptable young population with 62 per cent+ of people under 35 years; 167 million people (8th largest in the world); with high density (1,265 people/Sq Km). Middle class growing at 10 per cent per annum to reach 34 million by 2025, 107 per cent mobile phone connection, 75 per cent internet penetration, 125 million+ people on internet with 123 million mobile internet penetration. The pandemic has also accelerated the use of information and communications technology (ICT), including digital commerce, education, healthcare, and agriculture.
- 2. Demographic Bulge with the Right Skillsets:** The country generates 5,000+ IT graduates each year and is creating a strong group entrepreneurs focused on solving critical problems, including those arising during the pandemic. The country's median age of 28 years means more young people are willing to take risks and explore innovations in the economy. With limited opportunities for STEM graduates (due to the absence of large-scale industrialization except for RMG/Textile), these young professionals are looking into forming ICT-enabled companies and startups. NRBs (Non-Resident Bangladeshis) are also returning, bringing in both investment capital and knowledge remittance.
- 3. Bangladesh Startup Ecosystem at an Inflection Point:** The Bangladesh startup ecosystem is at an inflection point with an excess of USD 459 million of investment⁵, including international investments from large corporate investors and venture capital funds, investing in industries like FinTech, Logistics, and Mobility over the last five years. The emergence of active Angel Investment Networks, Impact Investing, and local and international operating accelerators/incubators propelled 1,200+ active startups. This has generated 1.5 million+ employment, and caused people to embrace the products and services of Startups as part of the country's everyday life. Additionally, the Bangladesh Securities and Exchange Commission (BSEC) has also approved small-cap stock exchange guidelines, which is a big step towards providing investors with a road to exit startup investments.

- 4. Role of the Government:** The Government of Bangladesh deployed the National ICT Policy in 2009 to become Digital Bangladesh by 2021. Government policies and projects from the ICT Ministry, such as IDEA Project and Startup Bangladesh Limited, are driving improvements and interest in the local startup ecosystem. The deployment of a network of technology parks envisioned by the Bangladesh High Tech Park Authority, and supporting infrastructure including data centers, is further advancing the vision of Digital Bangladesh. Such technology parks can host both domestic and international technology companies, and contribute to the manufacturing as well as high value services. To support advancement in the available skillsets in young Bangladeshis, these networks of technology parks and associated programs also provide training and capacity-building programs.

Based on the understanding on the startup ecosystem of Bangladesh, the report has identified several policy imperatives, which are presented below:

- a. To meet the rising interest in entrepreneurship among the youth population, it is imperative to improve the foundational skills and knowledge support required for entrepreneurial ventures. The education system needs to launch programs for building entrepreneurs through modification of the curriculum.
- b. Channels of entrepreneurial financial access need to be increased and diversified to meet the varied needs of startups and entrepreneurs. This is especially important for women entrepreneurs, who often face significant hurdles to accessing both traditional and new forms of finance. New financing models can provide creative solutions for entrepreneurs, but inclusion of a Gender Lens to assess these models is also vital. Creation of a new Gender Lens Investing fund could contribute to further inclusivity in the startup ecosystem.
- c. Improved access and availability of consolidated platforms are necessary to provide mentorship, guidance, and training for entrepreneurs to create business links and networks.
- d. There is a role for government to simplify administrative processes and remove inconsistencies in policy design for entrepreneurs. Fragmented policies creates a complex system of compliance, which is often difficult for budding entrepreneurs.
- e. Access to local, regional, national, and international markets is vital for the growth and sustainability of startups, and methods to increase the availability of data on foreign markets must be found.
- f. Provision of research & development facilities, power supply, accessible & affordable internet services, and easy payment systems needs to be improved for the development of startup innovation.
- g. Bangladesh must improve its startup ranking compared to the neighboring and major countries with a concerted effort of all stakeholders.
- h. Government-backed investment has been welcomed in the sector, and further boosts could be a way to increase the interest of private and global investors. Startup Bangladesh could look to using fund-of-funds initiatives comparable to practice of the Small Industries Development Bank of India (SIDBI).
- i. Investment in and nurturing of women's entrepreneurship is essential in tapping the full development potential of Bangladesh's population and economy.
- j. Tax rebates for investors in startups, especially in impact startups, can increase the investment flow both from foreign and local sources.
- k. To promote the development of this sector and encourage private investor participation, the National Board of Revenue (NBR) could provide a tax exemption to the Alternative Investment

Funds dividends for a period of ten years. Similarly, management fees received by fund managers can also be tax exempted for the same period. The NBR could gradually increase the tax rate over time, as is done with Mutual Funds.

- l. The “Alternative Investment Rule” of 2015 still proves to be an obstacle for international investment into Bangladesh. Reconsidering regulations in this area by the Bangladesh Securities and Exchange Commission (BSEC) can further encourage direct international investments in Bangladesh.
- m. Bangladesh Bank should consider reform of the FERA (Foreign Exchange Regulation Act), to ensure smooth repatriation of investments. Foreign investors need to have the ability to comfortably claim remittance on their investment through a safe and easy exit from the country using formal banking channels. Similarly, the “Foreign Exchange Regulation Act 1947” should be updated to ease the repatriation of profit from investments by international investors.

Acknowledgements

The Bangladesh Startup Landscape Assessment Report has been possible due to gracious support from Honorable State Minister Zunaid Ahmed Palak, MP, ICT Division, Government of the People's Republic of Bangladesh.

Valuable guidance and leadership were provided by Mr. Ziaul Alam, PAA, Senior Secretary of ICT Division and Dr. Bikarna Kumar Ghosh, Additional Secretary (Grade 1) and Managing Director, BHTPA. The team is grateful to Mr. Abdul Bari, Innovation Specialist, DEIED, PRIDE Project, who successfully facilitated the dialogue and the Dissemination Session on behalf of BHTPA.

The study was conducted, and the report has been prepared under the leadership Rupa Chanda, Director, Trade, Investment and Innovation Division of ESCAP and Jonathan Wong, Chief of Technology and Innovation section, Trade, Investment and Innovation Division. The project team consisted of Benjamin McCarthy, Investment and Enterprise Development Section, Trade, Investment and Innovation Division; Elizabeth Larson, Technology and Innovation Section, Trade, Investment and Innovation Division; and Tina Jabeen, Global Policy Consultant, UN ESCAP and Strategic Advisor, Urban Lab, Bangladesh University, Bangladesh. Series of workshops were hosted by Bangladesh Startup Consortium; and conducted by Lightcastle Partners under the supervision of Bijon Islam, CEO. The GLI sessions were conducted by DataSense under the guidance of Dr. Ananya Raihan, Chief Imaginator. Dr. Rehnuma Karim, Founder, Heroes for All conducted one-to-one interviews with key senior stakeholders from industry leaders to angel investors.

Moonshot Bangladesh (f.k.a BD AIR) hosted sessions to glean insights from the Silicon Valley expat tech mentors and investors. Valuable guidance on the early draft of the report and action items were received by Mr. Arif Khan, Vice Chairman, Shanta Asset Management and Mr. Hasan Arif, Head of Portfolio Investment, Startup Bangladesh Ltd. as well as Mr. Shawkat Hossain and Mr. Shamim Ahsan, Directors, VCPEAB. Active participations from BAN, BASIS, VCPEAB, BACCO, eCAB and other relevant trade bodies enriched the findings.

The team producing the report comprised specialists from LightCastle Partners: Mehad UI Haque, Senior Business Consultant, Lidia Gomes, Business Analyst, Fariha Kabir, Business Consultant, Mustafa Hamid, Business Consultant, Zahedul Amin, Director, Finance, Strategy and Consulting Services; and DataSense: Ainan Tajrian, Research Associate, Raiyaan Mahbub, Research Associate, Samiha Akhter, Research Officer, Nafisa Ahmed, Research Intern.

The editing of the final draft was performed by Ainan Tajrian, and the design and layout of the final

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_31169

