

Bangladesh

Annual Plan 2012

Netherlands Trust Fund Phase II

Bangladesh Annual Plan 2012

I. Introduction

The objective of NTF II is the creation of sustainable exporter competitiveness in selected export sectors within selected partner countries. In Bangladesh, the IT & ITES sector and the related trade support institutions BASIS and DCCI were selected for technical assistance under NTF II. The related project document has been developed jointly with both TSIs. The project aims to achieve the following three outputs:

Output 1: Viable commercial relationships between Bangladeshi suppliers and EU buyers are established.

Output 2: Capacities of TSIs enhanced to provide a demand-driven and sustainable Business to Business (B2B) linking service to SMEs in the IT and ITES sectors

Output 3: Bangladesh is better branded and marketed within specific segments in selected target markets.

II. Overview of Project Implementation and Design

The NTFII Bangladesh project document foresees the organization of a yearly specialized event in each of the three selected target markets. The objective of these events is to present the Bangladeshi outsourcing capabilities and leading Bangladeshi companies. These events are also meant to generate interest for the matchmaking to take place in Dhaka. B2B meetings in target markets were not initially planned.

In this context, a first business-linkage event in London on 17 June 2011: UK companies were invited to attend the event, and could be approached on an ad-hoc basis by Bangladeshi participants during breaks. No meetings were pre-arranged and very few business leads could be generated during the mission.

In the Netherlands, taking into consideration the feedback about the UK event, the approach was adjusted and Bangladeshi companies benefitted from a series of pre-arranged meetings in Amsterdam on 20 and 21 June, as well as a promotional seminar. 57 B2B meetings were organized and Bangladeshi companies were very satisfied with the service provided.

The success of this event was such that during a general project stakeholder meeting, which took place in Dhaka on 21 July last year, beneficiary companies requested NTFII to systematically include B2B meetings in events. Many of them indicated that not offering this option will make them less likely to participate in such events, as they are paying half the cost. The 2012 planning reflects the emphasis on pre-arranged B2B meetings. At the same time, there will be a stronger emphasis on a thematic approach, to make these meetings more specific, as Bangladesh at a generic level remains a destination, which is difficult to "sell" to European companies.

Potential TSI partners in Europe, which had been invited to actively take part in the project, will be mobilized again in 2012. However, getting real commitment will require a more active involvement of the DCCI and BASIS.

In the Netherlands, the Dutch-Bangladeshi Chamber of Commerce and Industry emerged as the most serious candidate in 2011. Their contribution was nevertheless insignificant. The Amsterdam Chamber of Commerce provided useful logistical support. Platform Outsourcing Netherlands (PON) was approached, but did not want to commit to the project.

In Denmark, the Danish Federation of SMEs (DFSME), already very active in Bangladesh through the Danida-funded B2B programme, has confirmed their interest in becoming the local partner TSI. They are actively engaged in the business-linkaging activity. However, due to ITC rules, their involvement in the project cannot be ensured through a simple Memorandum of Understanding. Instead, they were selected further to an open, global tendering process.

In the UK, it is unclear which TSI will commit to the project: Intellect UK, the National Outsourcing Association, even the British-Bangladeshi Chamber of Commerce and Industry are all willing to support the project – on a commercial basis only. The selected business-linkage consultant, recommended by Intellect UK, was not able to engage any potential client from the UK to take part in Softexpo 2011. A Non-resident Bangladeshi (NRB) and a targeted online campaign on Outsource Magazine failed to achieve much better results ahead of SOFTEXPO 2012 (1 UK participant). Funds invested were much smaller though, as the UK market will become a secondary target in 2012 (see rationale below).

In Dhaka, project management will keep relying on:

- The support of a Country Project Coordinator hired in November 2011 and hosted by DCCI.
- The quarterly meetings of the Project Coordination Group (PCG). Quarterly activity reports are shared ahead of each meeting, with an emphasis on monitoring project implementation, as well as a meeting agenda agreed upon with the partner TSIs. Each meeting is documented with minutes, shared with and validated by all participants.

1. Policy and project context including linkage to ongoing operations/activities:

With the support of CBI management, the NTFII Bangladesh team has established a direct and regular contact with CBI's Export Coaching Programme (ECP) team. In 2011, several joint activities were implemented successfully, in particular:

- Organisation of the Foreign Trade Representatives training in Rotterdam
- joint business match making event organised in Amsterdam
- participation of Bangladeshi companies benefitting from NTF II in the EXPRO training

A similar programme will be undertaken in 2012:

- 13 NTFII companies will take part in the CEBIT trade fair in Hannover with a booth presence on the CBI stand.
- A second joint event will be organized in Amsterdam with NTFII and ECP beneficiary companies.
- Further joint activities will be discussed during CEBIT in March 2012.

Furthermore, the NTF II steering group strongly recommended to focus on the capacity-building component of the project and to ensure a sustainable impact. The matchmaking and business-linkage activity is specifically undertaken to fulfil this goal, and help both TSIs extend their service portfolio with a new offering that is essential for the development of the Bangladeshi IT & ITES sector toward overseas markets. Efforts to put in place this service, which is currently not being offered by the local TSI BASIS and DCCI, have picked up in December 2011. This first step resulted in the fact that BASIS took the lead and organised the B2B meetings during SOFTEXPO 2012, with the support and guidance of ITC's matchmaking expert.

2. Objectives to be achieved:

The overall objective (at the impact level) of the programme is to achieve “Sustainable exporter competitiveness in the IT & ITES Sector in Bangladesh”¹.

The expected outcome of the project is that: “Competence of Bangladeshi partner TSI to develop and implement a modern business model for effectively linking Bangladeshi IT and ITES exporters to EU companies built and sustained”

3. Activities:

With more than 100 B2B meetings organized during two matchmaking events in the Netherlands (Amsterdam) and Denmark (Copenhagen), Bangladeshi companies have been able to sign initial pilot contracts. The events improved the European companies’ awareness about the outsourcing capability of Bangladesh. It also enabled Bangladeshi companies to gain a better understanding of the European markets’ requirements and identify concrete business opportunities. As part of project implementation, some additional capacity-building needs emerged and will partly be covered by NTFII. For instance, a “Brand-tone-of-voice” health check was provided to beneficiary companies in Dhaka. In addition, a group of NTF II beneficiaries attended the CBI EXPRO training in Rotterdam.

In Bangladesh, the project intends to strengthen the capacity of DCCI and BASIS to offer an effective business match making service for the IT and ITES sector. After a few months of negotiations on how this service will be deployed, the foundation for this new support service was rolled out during the in-depth training organized for staff of DCCI and BASIS in Dec 2011. During the training, DCCI and BASIS have articulated value propositions for themselves and the participating companies related to the new service, which will be deployed in 2012. The matchmaking service will complement and enhance both institutions’ service portfolio.

In addition to the business match making service the NTF II project focuses on building national brand for the IT and ITES sector that can be used by both partner organizations and other key stakeholders to position strategically the sector vis a vis the international markets. In this context, a first fact finding mission organized in July 2011 has shown that the brand-integration work with BASIS and DCCI will be a difficult undertaking of the project. Despite this difficulty, DCCI and BASIS worked together to ensure key support in promoting the IT sector at the international level.

In September 2011, under the close partnership with DCCI, 10 Bangladeshi Foreign Trade Representatives (FTR) based in Europe gained a better understanding and competencies in using the tools and methodologies to promote Bangladesh as a global sourcing destination. This workshop is the first of its kind as it is focused on the IT sector and aims at using the FTR network as the marketing arm in the European countries. In December 2011, under close coordination with BASIS, several large consultancies were mobilised to participate in the first Bangladesh Outsourcing conference, during which a positioning whitepaper produced by KPMG on behalf of NTFII was presented. The Conference took place during the e-Asia event, a major IT regional event, and provided great visibility to the IT and ITES sector in Bangladesh. Moreover, a social-media community manager based at BASIS set up LinkedIn and Facebook accounts to mobilize and engage non-resident Bangladeshis (NRBs) active in the IT industry to become “Ambassadors” of their home-country industry.

¹ NTF II’s overall objective of programme as “the creation of sustainable exporter competitiveness in selected potential export sectors and selected CBI partner countries” based on the complementary expertise between ITC and CBI, taking into account the mandates of ITC and CBI.

4. Assumptions and risks:

Bangladesh is a destination difficult to sell on the global sourcing market. It is hardly known as a supplier of IT and IT-enabled services and does not appear in most outsourcing and off shoring rankings established by the global consultancies. The 2011 Bangladesh Outsourcing Conference attracted 3 major consultancies (AT Kearney, KPMG and Everest Research)

At a macro level, the main assumption is that the global IT & ITES market will continue to grow, particularly the target markets selected for the project. Furthermore, the success of the project is based on the assumption that there will be continued commitment to and active engagement partner TSIs in Bangladesh, as well as those in European markets. At a more operational level, it is assumed that selected beneficiary SMEs in Bangladesh will be the right players to ensure a maximum level of success of the business linkage process. In 2011, it became obvious that it is difficult to combine the analytical and drafting skills with business-development capacities, hence the decision to split both aspects of the business linkage in the Netherlands.

5. Management and coordination arrangements:

The NTFII Bangladesh project coordination group (PCG) has been formally launched after the signature of the project document. The first meeting took place in July 2011, the second in December 2011, the third in February 2012.

Quarterly meetings of the PCG are taking place either independently or during ITC staff mission to Dhaka. The plan to use the support of video conferencing failed so far, due to rigid regulations in Dhaka, which make it very costly to have required equipment rented for a day and deployed on site.

The project will continue relying heavily on the LinkedIn group of 40 companies, which confirmed its usefulness as a platform for two-way communication between the project management and the beneficiary companies.

In view of communication issues signalled by DCCI in 2011, the Country Project Coordinator is preparing 2-page activity reports after each activity in Dhaka and a quarterly action plan, shared with the PCG ahead of each new quarter.

6. Financing arrangements:

The project is using a procurement process to engage with partner TSIs in European markets. The ITC grant process was considered inadequate for this purpose. However, it is important to note that the procurement process requires a longer lead time which resulted in delay in implementing some of the activities in 2011.

7. Monitoring, review and evaluation arrangements:

BASIS and DCCI agreed that the project management team would monitor the project implementation and that DCCI would be actively involved in its evaluation. The project RBM framework is monitored with the support of the CBI quality assurance advisor.

A monitoring and evaluation training will take place in April 2012. It will include the training of a national M&E consultant to support DCCI and BASIS with M&E related issues. It is expected that this will help partner TSIs implement a specific approach to monitor change at impact level in particular in relation to gender and poverty issues.

8. Key quality and sustainability issues:

Implementation and sustainability of output 2 was a major issue throughout 2011. This has become much less of a problem since December 2011 (see above), but needs to be closely monitored by the project management, with the support of the Business Generation team of the TSI Strengthening section of ITC, which is implementing the component.

III. Work plan for the Next Period

1. Results to be delivered – quantity, quality and time:

	Q1	Q2	Q3	Q4
Identify beneficiary IT & ITES companies in Bangladesh (replacing 7 NTFII BGD companies through new EOI process)				
Identify and contact relevant experts in Europe to act as project intermediaries (NL, UK, DK)				
Research the potential markets and segments in Europe (NL, UK, DK)				
Design marketing plans for each selected country				
Identify and mobilize relevant partners and TSIs in Europe (NL, UK, DK) jointly with beneficiary TSI				
Deploy pre-marketing activities				
Organize marketing activities in destination markets				
Mobilize potential partners in destination markets to come to SOFTEXPO on a business mission				
Organize European business mission during SOFTEXPO				
Train TSI to enable selected staff to become business-linkage experts				
3.1.1 Identify key strengths of BD as an IT & ITES destination (plus: general country image)				
3.2.1 Build an IT & ITES branding roadmap				
3.2.2 prepare case studies (success stories)				
3.3.1 Deploy the branding effort with major consultancies during Outsourcing Summit 2011				
3.3.2 Deploy PR campaigns				
3.3.2 Train Commercial attachés as "Bangladesh IT & ITES ambassadors				
3.3.3. Build awareness of NRBs (Non-Resident Bangladeshis)				

2. Resource schedule and budget

Resources planned for 2012 amount to 795,660 USD. These funds are allocated to the various activities mentioned above.

	Activity Name	Estimated budget 2012 (in USD)
0. Overall Management		
0.1.	Management and Technical leadership	214,862
0.2.	Monitoring	14,102
0.3.	Evaluation	4,700
SUB TOTAL OVERALL MANAGEMENT		233,666
1 Viable commercial relations established		
1.2.	Research potential markets and segments in Europe (NL, UK, DK), design marketing plans and mobilise TSIs partners	35,386
1.3.	Organise marketing activities in destination markets	241,133
1.4.	Mobilize potential partners in destination markets to come to SOFTEXPO on a business mission and Organize European business mission during SOFTEXPO	129,376
SUB TOTAL ACTIVITY 1.		405,896
2.1.	Identify the cost structure of the business-linkage service, with country-specific costs (incl. research on successes and failures in export marketing) and develop a business model for sustainable service	40,617
2.2.	Market the business-linkage offering as a core part of TSI mandate	36,029
SUB TOTAL ACTIVITY 2.		76,646
3.3.	Deploy PR campaign, mobilize Commercial attachés and build awareness of NRBs (Non-Resident Bangladeshi)	79,455
SUB TOTAL ACTIVITY 3.		79,455
GRAND TOTAL 2012		795,660

3. Updated risk management plan

Risk analysis:

Indicators	Risks	Mitigation measures	Risk level. Update, December 2011
1.1. Bangladeshi SMEs selected based on potential fit with EU market demand	<ol style="list-style-type: none"> Selection of SMEs not relevant from the destination market perspective EU market demand not properly identified for Bangladeshi ITO & ITES offering 	<ol style="list-style-type: none"> Public expression of interest (EOI) form shared with the largest possible number of relevant SMEs in Bangladesh Selection undertaken by EU experts and validated by BASIS and DCCI Expertise of EU consultants checked and segment choices approved by BASIS and DCCI 	<ol style="list-style-type: none"> LOW. The group of 40 NTFII companies is to be updated partially (8 companies) in January 2012. The selection process was managed by ITC alone, as DCCI and BASIS did not want to be seen as interfering. MEDIUM: EU market demand identified properly and confirmed in Denmark and in the Netherlands. The UK market, however, did not yield any results. Mitigating the risk of underperformance requires the diversification of target markets. Germany will be added in 2012 and activities in the UK focusing on awareness raising and PR.
1.2. Relevance of market overview assessed through identification of EU market opportunities at segment level in view of competitive strengths of Bangladeshi supply side	<ol style="list-style-type: none"> Poor quality of market opportunities at segment level 	<ol style="list-style-type: none"> EU experts ensure that selection of segments takes into account Bangladesh's core strengths and the business-linkaging perspective 	<ol style="list-style-type: none"> LOW. The segment-level approach could not really be adopted in 2011, as events were gathering hardly more candidates than there were positions available, due to the cost-sharing approach of the project. <p>A segment-level approach will be trialled in Denmark (Mobile) and Germany (Graphic Design) in 2012.</p>
1.3. Marketing of beneficiary SMEs corresponding to needs identified at segment level in EU	<ol style="list-style-type: none"> Lack of adaptation of SME marketing to EU demand Segmentation fails to translate into business-linkaging opportunities Disparity of achievements in business contacts mobilization in target markets 	<ol style="list-style-type: none"> EU experts assess and advise on marketing materials EU experts recruited with the priority assignment to recruit EU prospects (performance assessed in mid 2011 and 2012) Country selection assessed in mid-2011 and mid-2012: under-performing target market(s) replaced by new one(s) 	<ol style="list-style-type: none"> MEDIUM/HIGH: This risk remains present and a real threat to the export performance of participating companies. A brand-tone-of-voice diagnostic was undertaken for 20+ companies in December 2011. Similar marketing-enhancing activities will be undertaken in 2012. See RISK under 1.2. MEDIUM: The UK market will be replaced by the German one for B2B activities.
1.4. SMEs previously informed and linked up through tailor-made business-linkaging, with customized follow-up assistance provided	<ol style="list-style-type: none"> Low-level of target SME recruitment for Softexpo study tour Poor profiling of target SMEs, not matching beneficiary SME 	<ol style="list-style-type: none"> In year 1, possibility to subsidize up to 90% of target SME study tour to Softexpo Selection criteria for target SMEs established 	<ol style="list-style-type: none"> HIGH: The target of 30 companies per SOFTEXPO exhibition was overly optimistic. However, it was decided not to subsidize up to 90% the participation of European SMEs to ensure real motivation of participants.

	<p>expectations</p> <p>3. Poor planning of business-linkaging contacts during Softexpo week</p> <p>4. Poor follow-up in business linkaging, resulting in lost momentum and opportunities</p> <p>5. Time credit per SME not sufficient to be useful for beneficiary SMEs</p>	<p>3. Country Project Coordinator takes full ownership of study tour coordination in Dhaka</p> <p>4. EU experts monitor and document follow-up</p> <p>5. If time credit not sufficient to be useful, reallocate resources from other less important items</p>	<p>2. LOW - SOFTEXPO 2011 participating SMEs from the Netherlands were not sufficiently screened. The 2012 screening will ensure that no “out of target” companies participate in the delegation.</p> <p>3. MEDIUM - The time-credit system was not used in 2011 and will be replaced by an Export Marketing Plan follow-up in 2012. Still unclear if available credit will be sufficient.</p>
2.1. Demand-driven and sustainable business model identified for business-linkaging service	<p>1. Business-model study not practical enough to be translated into an actual TSI service</p> <p>2. Low level of economic sustainability of the proposed business model</p> <p>3. Inability to collect feedback from SMEs on service usefulness</p>	<p>1. Business-model study outline and drafts shared and validated by partners, with emphasis on “reality check”</p> <p>2. Business-model reality check by partners</p> <p>3. Leverage partnership with 40 SMEs to collect data</p>	<p>1. N.A. The draft report was shared in December 2011 due to the late start of the activity. The risk remains.</p> <p>2. MEDIUM: Despite the “political” commitment of partners to the component, its feasibility will require more than the current level of engagement. The TS team will maintain the momentum to make the component more reality grounded and thus ensuring the buy-in of the stakeholders.</p> <p>3. LOW: SME are willing to provide data through surveys shared with the support of the CPC.</p>
2.2. Sustainable business-linkaging service deployed in TSI with appropriate organizational changes and staff trained	<p>1. Trained TSI staff leaving the organization</p> <p>2. Service not ready to be deployed in BASIS portfolio because of a lack of secretariat resources</p> <p>3. Service not ready to be deployed in DCCI portfolio because of divergence with other less sector-specific services and lack of dedicated HR</p>	<p>1. Expose the largest possible number of staff to the service</p> <p>2. Coordinate with Bitmap 2 and anticipate service deployment</p> <p>3. Ensure early planning by DCCI for inclusion of the service</p>	<p>.1. MEDIUM – as 9 DCCI staff were trained versus 2 at BASIS, the risk is higher with BASIS: Due to significant changes in the scoping of BITMAP 2, coordination on this item was limited.</p> <p>2. MEDIUM – the commitment of BASIS to the component is small. They still need to be convinced that the business model is realistic.</p> <p>3. LOW – DCCI sees potential for the service, in particular in other sectors (RMG)</p>
3.1. IT & ITES brand concept developed on the basis of national value proposition	<p>1. Brand concept not aligned with Bangladesh Brand initiative</p> <p>2. Brand concept not aligned with national</p>	<p>1- Alignment of brand concepts ensured by involving Bangladesh Brand Forum at an early stage</p>	<p>1. MEDIUM - The involvement of BBF did not suffice to ensure that the brand be aligned.</p> <p>2- MEDIUM – the national value proposition is still not clearly defined, A</p>

	value proposition	2. National value proposition clearly defined and connected with brand concept during Branding Workshop	brand discovery roundtable in Q1 2012 should clarify it.
3.2. Marketing materials aligned with brand concept and EU standards and demand	<ol style="list-style-type: none"> 1. Marketing materials not consistent with brand guidelines 2. Marketing materials not in line with EU market standards 	<ol style="list-style-type: none"> 1. Brand guidelines clearly spelled out in order to be implementable by PR agency 2. EU experts confirm alignment of materials in the pre-print validation process 	<ol style="list-style-type: none"> 1. LOW – the brand guidelines currently applied are those of BangladeshNEXT, ensuring a coherence for NTFII prepared marketing materials. 2. LOW – the marketing materials were submitted to potential EU clients during SOFTEXPO and EU events and did not receive any criticism.
3.3. Brand perception on “Bangladesh NEXT” of opinion leaders and market intermediaries enhanced	<ol style="list-style-type: none"> 1. Inability to measure the brand perception 2. Difficulty in comparing results of perception surveys 3. Inability to mobilize analysts and/or journalists 4. Lack of coordination between partner TSIs on NRB database 	<ol style="list-style-type: none"> 1. Brand perception measurement based on realistic measurement units 2. Selection of data sources on a multi-year basis 3. Involve all stakeholders with one message in the advocacy work undertaken with analysts 4. Funds not allocated in year 2 if coordination not ensured. 	<ol style="list-style-type: none"> 1. LOW – the KPI defined in the RBM are mostly realistic and measurable. 2. LOW – datasets have been harmonized as much as possible in volatile, LDC environments. 3. HIGH – there is still no coordination and DCCI has not decided yet on the usage of the related budget. The community manager hired by BASIS did not manage to mobilize the community.

5. Special activities to support sustainability

Focus on sustainable capacity building of both TSIs to ensure effective management of the matchmaking service and organisation of result-oriented business-to-business meetings.

1. Under activity 1.1.1. a second “expression of interest” (EOI) was organised to partly renew beneficiary group of companies.

This step was not foreseen initially in the project document, however the success of NTF II project is based on the strong commitment and active involvement in the project, which was formalised through a **Letter of Intent signed by each company and NTFII**. On this basis and at the end of 2011, the project team made an assessment of the contribution of each selected company. Based on last year’s activities, it appears that the group of companies can be divided in roughly three categories:

- “champions”, actively engaging in the project (about 10),
- “followers”, taking part, but without any special effort (20+), and
- “passive”, which did not use any of the opportunities offered by the project (less than 10).

In view of this lack of engagement, the Project Coordination Group (PCG) decided during its Dec. meeting to replace the latter by new, more committed companies, which would be able to seize the business-development opportunities offered by NTFII.

A second EOI was organized in January 2012, in which 48 companies took part. A short-list of 15 was produced with the Dutch and Danish business-linkage experts and the UK senior adviser on outsourcing, according to criteria which had been validated by DCCI and BASIS. In parallel, the PCG agreed on the exclusion criteria, and as a result, 8 companies were disqualified. The final selection of 8 companies was undertaken in mid February.

2. Under activity 1.2.2., change in target markets

Marketing activities on the three target markets have yielded different results. The Dutch and especially the Danish initiatives have lead to enhanced business linkages between Bangladeshi companies and potential local clients, with in some cases contracts signed.

2011 and early 2012 matchmaking activities on the UK market, however, have not resulted in any leads. The promotion effort on this highly competitive market needs to be sustained and integrated, beyond the capacities of the NTFII project, and requires the active support of the Bangladeshi high commission in London, BASIS, BACCO (the call centre association) and the Export Promotion Board of Bangladesh.

In view of the above, NTFII Bangladesh beneficiary companies and partner TSIs (BASIS and DCCI) requested to explore the German, in connection with CBI activities in Bangladesh. The participation of an NTFII delegation at CEBIT on the CBI pavilion in March 2012 will be a first opportunity to explore the market. Contacts have already been made with the Bangla-German Chamber of Commerce and Industry (BGCCI) and with possible consultants during CEBIT

6. Updated logical framework with performance indicators and means of verification

The RBM framework remains unchanged, based on the discussions organised with the Quality Assurance Advisor in March 2012.