

Review of Business Matchmaking Programme Bangladesh

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Abbreviations

ADB	Asian Development Bank
BDS	Business Development Services
BMMP	Bangladesh Matchmaking Programme
BPDB	Bangladesh Power Development Board
B2B	Business to Business (Danish matchmaking program)
CSR	Corporate Social Responsibility
DB	Doing Business
FDI	Foreign Direct Investments
GCI	Global Competitiveness Index
GDP	Gross Domestic Product
ICT	Information Communication Technology
IMF	International Monetary Fund
MFI	Microfinance Institution
Mn	Million
NCC	Nordic Chambers of Commerce
NCP	National Contact Point
NGO	Non-governmental Organisation
NOK	Norwegian kroner
PPP	Public Private Partnership
PSD	Private Sector Development
RCP	Regional Contact Point
SME	Small and Medium Enterprises
ToR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
USD	United States Dollar
WB	World Bank
WEF	World Economic Forum

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1. Summary

The agreement between Innovation Norway and Norad for establishing the Bangladesh Matchmaking Programme (BMMP) was signed in March 2010, and was based on the traditional Norad matchmaking model. Innovation Norway agreed to be administratively responsible. The programme was envisaged for two phases. First there would be a pilot for the 3 year period 2010-2012, and if successful, there would be a second phase for 2-3 years. The first pilot period is now coming to an end, and this review assesses the results from the BMMP so far.

Key Findings

- With regard to the business environment, **Bangladesh has seen a deterioration** since 2009 in some of the international ratings like "Doing Business" (from 110 to 122) and in "Global Competitiveness" (from 111 to 118). The main change is a deterioration in infrastructure, and in particular within power and electricity.
- However, a key rationale for starting the BMMP is still in place: Namely **a growing and expanding economy** that continues to thrive despite numerous challenges.
- The start-up of BMMP took some time. It did not become fully operational until autumn 2010, primarily due to prolonged discussions about how to organize the BMMP from the Embassy in Dhaka. The Programme was thus not able to meet the targets for 2010.
- However, by September 2012, almost all aggregate targets set in the Programme Document are achieved - 13 recruited companies, 8 company visits to Bangladesh and 4 (out of 5) MoUs signed, Overall, **BMMP is considered to have met its goals**.
- Out of **the 13 recruited companies**, 2 are considered as "likely" to start a business, 8 others are in various stages of business preparation, while 4 have been unsuccessful and stopped the search for partners. Establishing viable partnerships is a long term process.
- Some **observations from the matchmaking** so far are:
 - Bangladesh as an **investment destination** has generally proven to be a difficult sell in Norway - the country is unknown and suffers from a poor image .
 - Norwegian companies tend to be **specialized and niche oriented**, while Bangladeshi companies are more general in their business. It has then been difficult to find good matches between similar types of companies.
 - In the **garments and textile sector**, the Norwegians and the prospective orders that they may place, have so far been too small.
 - While the **business framework conditions** may be challenging, they do not so far appear to be the main reason for delays or drop-outs.
 - Interviewed Norwegian companies are generally **satisfied with the work** done by BMMP coordinators and national contact points.
- **Five sectors have been given priority**, and almost all of the companies that have joined the programme belong to one of these. However, interest in for instance the ICT sector has been lower than expected. The trade sector it is perhaps a sector with more of a short-term focus than what the intentions behind the BMMP allow for.
- Having the **BMMP in Bangladesh at the Norwegian Embassy** is a good choice. It gives the Programme credibility and weight in Bangladesh, it provides Norwegian investors with increased assurance, it gives the Programme a Norwegian management link, and it enhances synergies and the commercial profile of the Embassy.

- Currently, the **Embassy employs the BMMP person**, and the budget is automatically adjusted for expenditure for this position and for the office rent. It is a somewhat complex, but practical solution to having the BMMP office at the Embassy.
- However, the arrangement leaves potentially **confused lines of authority**, with the Embassy as administratively responsible and Innovation Norway as the professional. The two did not always work well together. A clearer professional leadership based in Bangladesh is desired.
- **Increased presence of the Norwegian Innovation manager in Dhaka** is also believed to have other advantages:
 - *Better local partner search through better understanding of what a Norwegian company is looking for.*
 - *It will improve the credibility of the programme in Norway.*
 - *It will make it easier to establish the necessary network.*
 - *Potential for better integrated strategic management.*
- There has been two RCPs active in Norway, and it has been difficult to raise interest for BMMP. Suggestions to **improve the BMMP in Norway** include appointing more RCPs to increase direct marketing, develop better "sales material", a more strategic approach from Innovation Norway, and better coordination between Bangladesh and Norway regarding partner searches and follow up of possible partnerships.
- The BMMP is **not likely to use the full budget allocated**. As much as a fourth - or NOK 1.8 mn - of the total budget may be un-utilized at the end of 2012. The main reasons are the delayed start-up, and lesser use of consultants than anticipated. Thus, efficiency of the BMMP has been better than planned - by reaching the targets with less use of funds.
- There are no reliable costing benchmarks against which the BMMP can be measured at this stage, but very tentative calculations imply that **costs are reasonably in line** with other matchmaking programmes.
- The BMMP has **benefitted greatly from the cooperation with the Danish B2B**, particularly in the vulnerable establishment phase of the programme. Joint delegation visits have worked well. The Danes want to continue and broaden the cooperation.

Recommendations

It is recommended to continue the BMMP into a second phase of 2+1 year. The main reasons are:

- *It is too early to draw a definite conclusion about viability of the BMMP - 26 months are not sufficient time to assess whether the current matching methodology works.*
- *The basic rationale - encourage investments and technology transfer - is still relevant and there are no changes in the foundations for the programme, political or otherwise.*
- *The Programme has met its goals - and has thus met the qualifications for a second phase as outlined in the discussions with Norad.*
- *The BMMP is likely to be able to increase effectiveness with a number of operational adjustments.*

Operational recommendations are:

- Increase the presence of the Norwegian BMMP manager in Dhaka.
- Keep the Embassy as the base for the BMMP in Bangladesh, and find the most practical solution possible for continued presence of the BMMP person at the Embassy.

- Increase the number of RCPs in Norway, and improve the sales material that they can use.
- Assess different methods for allowing more follow-up of potential partnerships.
- Establish a more formal planning session between the B2B and the BMMP, to discuss and agree on a working plan with joint activities
- Regarding sectors, there should be a wide search for companies also outside of the five priority sectors.

The **following targets** should be attainable with an annual budget of NOK 3.5 mn per year (the actual cost for 2012 will be about NOK 3.2 mn):

Annual targets (for all years)		
	2012 Target	<i>New Target.</i>
Number of Recruited Companies	6	8
Company visits to partner country	4	6
Signed MoU	3	4

This is based on tentative calculations. **It is recommended that Innovation Norway drafts a new budget with attached targets for the next 2+1 year period, for discussions with Norad.** It is considered important that the programme can continue unhindered from January 2012, to avoid disruption of ongoing matching activities.

The **key risks for achieving these targets** are believed to be:

- **External risks:**
 - *Lack of real business interest from Norwegian companies.* A BMMP can facilitate, encourage and even cajole companies into visiting Bangladesh - but it can never create business where there is no business to be had.
 - *Worsening business climate in Bangladesh.* The current complexities already put a lid on what is achievable. However, a worsening electricity crisis may reduce the number of likely matches even further.
 - *Worsening international financial crisis.*
- **Internal risks**
 - *Delayed implementation of the programme.* This can for instance be due to changes in personnel in the programme.
 - *Inability to find appropriate companies in Bangladesh.* The programme must have very good processes for identifying solid local companies. The stated targets for BMMP assume that such routines are in place.
 - *Inability to find Norwegian companies.* Bangladesh must be communicated as an interesting option to potentially interested companies. One may not be able to find consultants that are able to do so.
 - *Deficit in management of programme.* Continued ambiguities with regard to the administrative and the professional responsibilities of the programme may frustrate the operation.
 - *Discontinuation of the cooperation with the Danish B2B.* The B2B has played a very supportive and facilitatory role for the BMMP.

2. Introduction and Background

The idea of starting a Bangladeshi Business Matchmaking programme dates back to 2008 when Norway and Bangladesh changed the modalities of cooperation. There would be less emphasis on traditional government aid programmes, and more on building partnerships involving other participants. Increased business relationships were desired by both countries. The matchmaking model appeared as a useful vehicle for encouraging such partnerships. While Bangladesh is home to a major Norwegian investment thorough the telecom company Telenor, there are few other joint businesses currently in operation.

In 2009, Norad thus funded two studies to assess the feasibility of such a matchmaking programme. The first¹ ended up with a positive recommendation for establishing a BMMP, while the other² concluded that there was business potential in several sectors that could possibly be tapped by a BMMP. Both studies made the point that a careful and considered start was necessary, to phase the programme according to market realities and company interest. Bangladesh is largely an unknown business destination for the majority of Norwegian companies, and the intricacies of local business practices make for a complex and risky investment environment.

The operational modalities were to be based on the same model that is currently in use in the matchmaking programmes in Vietnam, India, South Africa and Sri Lanka. Innovation Norway agreed to take administrative responsibility for the Programme, and signed an agreement 1st of March 2010 with Norad for that purpose. The programme was envisaged for two phases. First there would be a pilot for the 3 year period 2010-2012, and if successful, there would be a second phase for 2-3 years.

The first pilot period is now coming to an end, and Norad initiated a review to assess the results from the BMMP so far. Erlend Sigvaldsen from NCG was assigned the task to carry out this review, which commenced with a visit to Dhaka the second week of September 2012. The ToR is attached as Annex 1. A draft report was delivered to Norad the 14th of October, with the final report being finalised 26th of October.

Assessment Methodology

According to the ToR, the main purpose of the review is to "*to establish background information regarding the results achieved so far, main challenges encountered in the implementation of the Programme, and to suggest improvement for future cooperation including the administrative model for the Programme in Bangladesh.*"

To address these questions, the review was based on the following methodological features:

- *Review of relevant literature and documents*, including internal progress reports, investor profiles and implementation analysis. For the general Bangladeshi business environment, standard international sources like "*Doing Business*" were used to update the assessment from 2009.

¹ "*Identification and Feasibility: PSD Programme in Bangladesh*"; Norad/NCG, January 2009

² "*PSD Program in Bangladesh: Assessment of Business Conditions and Sector Potentials*"; Åsa Sildnes, October 2009

- *Visit to Dhaka*, with interviews of potential Bangladeshi as well as Norwegian companies, the Norwegian embassy, staff of the BMMP, other international matchmakers and investment experts.
- *Interviews in Norway* with concerned stakeholders, and the administration of a questionnaire to the involved Norwegian companies.

This review focuses mainly on the match-making programme in Bangladesh. It does not try to address the larger questions about matchmaking as a methodology, or whether that method makes sense in the current international private sector development setting. Further, while we look at costs of this particular programme, we have not tried to make any concrete cost-benefit calculation. Partner and investment promotion is a long term affair where development benefits are slow to materialize. It would simply not be credible to make any such assessment now.

A second factor worth taking into account is the expressed strategy of increasing the commercial orientation of the Norwegian presence in Bangladesh. There are very few publicly available instruments aiming at facilitating such an increase in commercial ties between the two countries. A key constraint is lack of knowledge, and the matchmaking facility plays an additional role to the pure developmental in widening the commercial expertise of Bangladesh, in Norway. While somewhat of a subtle rationale, that may in the longer run be an important feature of the BMMP.

3. Changes in Business Framework

The ToR asks for an update of the business framework conditions in Bangladesh. The assessments from the 2009 studies (see above) both summarize the conditions generally as "complex and difficult, but handable with the assistance of good local expertise and partners". While that conclusion by and large still holds, there has unfortunately been a deterioration in some of the international ratings that assess business environments

The World Bank "Doing Business"

The "Doing Business" from the World Bank is one of the most well known international comparative rankings. The indicators are grouped into 10 phases of a company's life, from starting business as the first, to closing the enterprise as the last. In each of these categories, countries are ranked according to how well they score in each. In 2009, Bangladesh was rated 110 out of 181 countries, while it in 2012 is 122 out of 183. In other words, Bangladesh has fallen relative to other countries. Table 1 shows the rating for each sub-sector - and Bangladesh ranks worse now in 6 out of 10 categories.

Table 1: Doing Business Rankings 2009 and 2012

	2012	2009
General Ranking	122	110
Starting a Business	86	90
Dealing with Construction Permits	82	114
Getting Electricity	182	NA
Registering Property	173	175
Getting Credit	78	59
Protecting Investors	24	18
Paying Taxes	100	90
Trading Across Borders	115	105
Enforcing Contracts	180	178
Resolving Insolvency	107	106

Source: DB 2009 and DB 2012

As was noted also in the 2009 report, Bangladesh scores well in the "protecting investors" category, but has awful ratings in "getting electricity" and "enforcing contracts". The electricity score is calculated by mapping "all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them". In Bangladesh it takes 7 procedures and 372 days, and costs 3526% of the per capita income. The average numbers for the South Asia region 145 days and 1776%.

The contract rating "collects data relating to the time, cost and procedural complexity of resolving a commercial lawsuit." There is no change in the ratings since 2009. It still takes 41 procedures, 1442 days and costs 63% of the contract value. In other words, don't get involved in contract disputes.

World Economic Forum: "Global Competitiveness Report (GCR)"

The Global Competitiveness Index (GCI), published by the World Economic Forum, measures the microeconomic and macroeconomic foundations of national competitiveness.³ WEF defines competitiveness as "the set of institutions, policies, and factors that determine the level of productivity of a country". The index is calculated based on scores in 12 different areas, ranging from infrastructure and macroeconomic policies, to education, governance, market efficiency, technological readiness and innovation.

Of 134 economies, Bangladesh was ranked as the 111th most competitive in the 2008-2009 report. Weaknesses are concentrated in institutions (127th) and technological readiness (126th), according to the report. In the 2012-2013 report Bangladesh is down to 118th place, out of 144 economies. Table 2 compares rankings of the 2008-2009 report with the most recent from the 2012-2013.

Table2: GCR Ratings in 2008-2009 and 2012-2013

	2012-2013	2008-2009
Overall rating	118	111
Basic Requirements		
Institutions	127	127
Infrastructure	134	122
Macroec stability	100	101
Health and Primary educ.	103	105
Efficiency Enhancers		
Higher educ. & Training	126	131
Goods market efficiency	95	106
Labour market efficiency	117	107
Financial market sophistication	95	82
Technological readiness	125	126
Market size	47	53
Innovation and Sophistication		
Business sophistication	108	105
Innovation	130	122

Source: GCR 2008-2009 and GCR 2012-2013

There are only small changes in most ratings, except for a deterioration in infrastructure. The most positive factor is market size, which continues to grow and where Bangladesh ranks as the 47th most competitive. The GCR sustains the DB finding that access to electricity has become a real problem - it is a key factor behind the lower score in infrastructure.

Bangladesh has generally very low ratings in "technological readiness" and "innovation", and in the related sub-categories like "company spending on R&D" (130), "university-industry collaboration in R&D" (131) and "firm-level technology absorption" (111). This confirms the initial assumption of the BMMP that there is demand for technology related foreign investment.

³ The Global Competitiveness Reports for 2008-2009 and 2012-2013; World Economic Forum.

The Competitiveness Report includes a survey done among executives where they were asked to rank the most problematic factors for doing business in each country. The top 5 in Bangladesh in the 2012-2013 are:

1. Inadequate supply of infrastructure	19.9%
2. Corruption	16.7%
3. Access to financing	9.5 %
4. Inefficient Government Bureaucracy	9.5%
5. Inflation	8.4%

Since 2008/09, infrastructure has moved from fourth place mentioned by 11.4%, to the first place with almost 1 in 5 stating this as the most serious problem. Corruption is mentioned by about the same share of executives now - 18.5% - as the most problematic factor, compared to 16.7% four years ago.

Infrastructure: An increasingly important bottleneck

In sum, it appears that the main change in the business framework since 2009 is a further deterioration in infrastructure, and in particular within power and electricity. To some degree, this is a case of being a victim of one's own success. Strong economic growth in recent years has increased demand for energy and transport services. Unfortunately, insufficient investment has created a severe infrastructure deficit.

This particularly pronounced within the power sector. About 85% of power-generating capacity is gas-fired, and shortages in gas supply have seriously affected availability of electricity. According to Asian Development Bank (ADB)⁴, electricity supply falls more than 2,000 megawatts short during peak periods, satisfying less than 75% of peak demand. Still, per capita electricity consumption - at about 160 kilowatt-hours annually - is one of the lowest in the world. Less than half of all households have access to electricity.

There are a number of reasons, among them inefficient public management of the sector. Existing electricity tariffs are inadequate for introducing alternative fuels or for attracting private investors to the sector. Low tariffs have contributed to poor maintenance, causing power losses and frequent breakdowns. According to ADB, boosting infrastructure investment requires regulatory reform and a substantial increase in the government's project implementation capacity.

As an immediate stop-gap measure, the government has signed contracts for renting power plants and developing new dual-fuel and coal-fired plants. This has apparently mitigated the power somewhat, according to the World Bank.⁵ The maximum actual generation of power in calendar year 2012 till May reached 6,066 MW, compared to a maximum generation of 5,174 MW in 2011 and 4,698.5 MW in 2010.

Roads and railroads have also fallen increasingly into disarray. According to ADB, just 40% of the roads are in good condition. High logistical costs leave large parts of the country economically isolated from national and regional markets. Also, urban congestion in Dhaka has reached alarming levels and increases transaction costs for all businesses in the city.

There is thus unfortunately little doubt that the current infrastructure problems constrain domestic as well as foreign investment.

⁴ "Country Partnership Strategy Bangladesh 2011 - 2015"; October 2011, ADB.

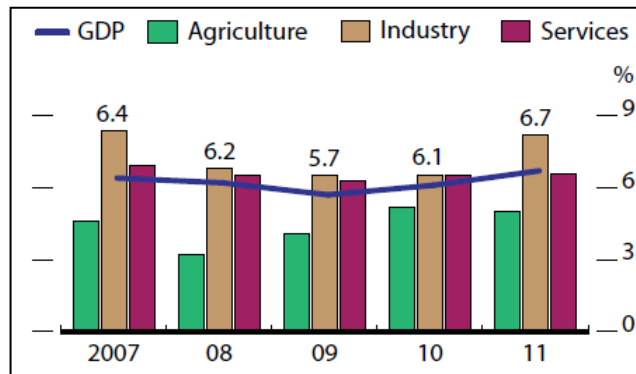
⁵ "Bangladesh Economic Update", May 2012, World Bank

But the economy still grows...

Despite the many challenges that businesses in Bangladesh face, the gross domestic product (GDP) continue to grow at a good pace. In the FY 2011 (ending June 30th), the economy grew by 6.7%, above the average for the last 5 years. Manufacturing - primarily textiles and garments - are the key driver behind the good growth, but also agriculture has done well the last few years thanks to favorable weather.

This contributes to making growth inclusive, and Bangladesh reduced the so-called head count poverty rate from 40% in the FY 2005, to 31% in FY 2010. The decrease in relative poverty rates - the absolute numbers have only slowly decreased - is to a large degree a result of the phenomenal growth in the garments industries. This has led to overall rising productivity and wages, as labour shifts from low-return agricultural labor to nonfarm employment and export industries. A second factor important for poverty reduction is the large amount of remittances coming back into Bangladesh from overseas workers. The private sector is thus a key driving force behind economic growth and poverty reduction.

Figure 1: Economic Growth 2007 - 2011, per sector



Source: *Economic Trends in Asia, ADB, 2012*

The latest WB estimate for FY 2012 indicates a slowing pace, to an annual growth of 6.3%. The Euro crisis has contributed to difficulties in export markets, while internal factors as increased inflationary pressure and a slowing in private investments have also played a role. However, Bangladesh's key macroeconomic indicators have mostly remained sound despite internal and external challenges

A key rationale for starting the BMMP in Bangladesh is thus still in place: Namely a fast growing and expanding economy that continues to thrive despite numerous challenges. Bangladesh may become a middle income country in the early 2020s, with increasingly sophisticated consumer markets. That part of the business framework has not changed since 2009.

4. BMMP Achievements

The agreement with Norad was signed by Innovation Norway in March 2010. However, it took some time before the BMMP became fully operational, with the coordinator in Bangladesh not taking up her post until 7 months later. The main reason was a change in plans for how to organise the Bangladeshi part of the BMMP. Initially, the thought was to use an independent consultancy company. However, a visit to Bangladesh in February showed that was not feasible. Innovation Norway came back with a preference for having the person stationed at the Norwegian Embassy instead. The two main reasons were to provide legitimacy and credibility to the program as such, and to have a somewhat more pronounced management oversight through the Embassy.

This resulted in a prolonged dialogue between Innovation Norway, Norad, the Embassy and the Norwegian Ministry of Foreign Affairs (MFA) on how to organise such an arrangement. This discussion ended up with the Embassy hiring the Coordinator directly, thus being administratively responsible for the person. Innovation Norway through the BMMP desk in Norway would retain the professional responsibility for the Coordinator. Financially, this was organised by having the MFA subtracting a given amount each year from the initial BMMP allocation. This paid for salaries and for all office related costs, and was simply drawn out of the original budget.

By November 2010, the Programme had finally managed to get both a Programme Manager in Bangladesh, and two Regional Contact Points (RCP) in Norway appointed. Now, the challenge was to convince Norwegian firms to assess Bangladesh as a country to try business in.

4.1. Results vs. Targets

An undisputed lesson from all other matchmaking programmes is that "things take time". The process from convincing two different companies to look at a theoretical joint business idea, to that idea being implemented, is long and hazardous. Also, there appears to be "benefits of scale" involved, meaning that a BMMP programme becomes more attractive - and possibly effective - as it gradually builds up a portfolio of matches. It will inevitably take some time before the coordinators have developed adequate acquaintance and knowledge about the respective markets.

In Bangladesh, both of the two preparatory reports stress the need to manage expectations as to how many matches could be hoped for. Bangladesh is almost unknown in Norway and has a somewhat unflattering image of poverty and corruption. The international financial crisis would not make it any easier to find Norwegian companies that would risk investments in Bangladesh, it was assumed. The first three years from 2010 - 2012 were thus defined as a pilot phase by Norad and Innovation Norway.

In consequence, the concrete targets for the three years were rather conservative. By 2012, the BMMP should have recruited 13 companies, 8 of which would have visited Bangladesh, and 3 which would have signed MoUs. The result as of July 2012 are as follows:

Table 3: BMMP targets and achievements 2010-2012

	2010		2011		2012		Total	
	Target	Achiev.	Target	Achiev.	Target	Achiev. Sept.	Target	Achiev.
Number of Recruited Companies	2	1	5	6	6	6	13	13
Company visits to partner country	1	0	3	5	4	3	8	8
Signed MoU	0	0	2	0	3	4	5	4
Commercial transaction	0	0	0	0	0	0	0	0

As BMMP only got off the ground in late 2010, results from that year were sparse. However, the programme gathered speed in 2011 and 6 Norwegian companies entered the programme during that year. Five also visited Bangladesh during 2011. This level of activity continued into 2012, with 4 companies also entering into MoUs with Bangladeshi partners. As of September 2012, the targets set in the Programme Documents are almost all achieved. There is one missing MoU, but overall, **the planned targets of the programme are considered met.**

The 13 companies entering BMMP come from different sectors, from all over Norway. While some by now have decided to go for Bangladesh, others are less likely to continue their quest for business. Table 4 lists the companies, and our assessment of the current status of their partner activities.

Table 4: Norwegian Companies in BMMP

	Sector	Recruited	Visit	MoU	Assessment September 2012
Nordic Form	Home textile	2010	-	-	Stopped. Did not find partner
Innotech Solar	Renw. Energy	2011	2011	-	Stopped. Too low local prices
Workmaster	Garment	2011	2011	-	Stopped. Did not find partner
Storvik Aqua	Aquaculture	2011	2011	2012	Possible. Ongoing discussions with partner
Getek International	Renw. Energy	2011	2011	2012	On hold. Currently unfeasible business idea
Moota	Media /ICT	2011	2011	2012	Possible. Ongoing discussions with partner
TTS Handling Systems	Maritime	2011	2012	-	On hold. Looking for partner
Rubrikk	Media/ICT	2012	2012	(2012)	Likely. Sign MoU in October
Gyldendal	Media/ICT	2012	-	-	Possible. Changed idea and partner
Rofi	Tents/Emerg.Aid	2012	-	-	Stopped. Did not find partner
Maritime Møbler	Maritime	2012	-	-	On hold. No partner found
Mester Grønn	Florist/Trade	2012	2012	-	Possible. Determined to start
Akvaforsk Genetic Cen	Aquaculture	2012	-	-	Yet to visit Bangladesh
Plany*	Aquaculture	2011*	2011		Part of marine delegation in 2011
AquaOptima'	Aquaculture	2011*	2011		Part of marine delegation in 2011
MMC *	Aquaculture	2012*	2012	-	Just visited Bangladesh. Reasonable interest
Pharmaq *	Aquaculture	2012*	2012	-	Just visited Bangladesh. Substantial interest

* Not formally part of BMMP

The four last companies - Plany, AquaOptima, MMC and Pharmac - have yet to join the BMMP formally, but they participated in joint Danish/Norwegian business delegations, the latest which took place in September 2012. BMMP was a joint inviter with the Danish B2B programme for that delegation, and BMMP staff assisted the two companies for the whole stay. As they have not formally joined BMMP, they are not counted against the targets in table 3. However, their visits are to a large degree a result of BMMP work, and they are thus included in table 4.

As of September 2012, the two companies most likely to start a business together with a local partner are considered to be Rubrikk and Storvik Aqua. Rubrikk has partnered with BDnews24.com, to start an internet classified service. Rubrikk has the technology, while BDnews has the medium and the established market platform. The business will be up and running before the end of the year.

In the case of Storvik Aqua, they have a firm MoU with Fishtech to build and operate a pilot farm for Tilapia. The process has been slow however, and Norad still awaits the final feasibility report following Storvik's last visit to Bangladesh. However, the cooperation seems to be based on a feasible business idea, and the local partner appears committed.

As far as we understand, 4 out of the remaining 11 companies appear to have stopped looking for a partner. The other 8 are in various stages of business preparation, with some having good leads, while others have difficulties in finding satisfactory local counterparts. Most are still some way off any concrete investment.

4.2. Matchmaking Observations

A few observations can be made from the partner matching experience so far:

- ***Bangladesh as an investment destination has generally proven to be a difficult sell in Norway.*** There are many reasons, some of which have more to do with the increased uncertainty in international markets than Bangladesh as such. Also, many Norwegian companies with an expressed internationalization strategy have already chosen other countries as their targets. However, it is also clear that the country has a difficult business image, which has not been helped by the difficulties that Telenor has faced in the country.
- ***The motivation for looking at Bangladesh also varies among the current BMMP participants.*** Some are looking for a partner to produce goods for export to the Norwegian market, and most of the interest in garments and home textiles can be explained as such. Others are attracted by the Bangladeshi market, as they have a product that they think can be sold locally, and produced jointly with a local partner. Both the ICT/media companies - Rubrikk and Moota - have a product that with some adaptation could be sold locally. A third category of enterprises are more looking for general business ideas where their product/technology can be part of a more comprehensive business package. Getek specialises in off-grid electricity supply solutions, and was looking for a partner that could jointly cooperate in making turn-key solutions in this area. MMC is another example of a company that offers very specialized handling technology for frozen fish, but that require other parts of the value chain to be in place for it to be effective.
- In fact, a challenge has been that ***Norwegian companies tend to be very specialized and niche oriented, while Bangladeshi companies are more general*** in their business. It has then been difficult to find good matches between similar companies, with the Norwegian being too specialized to find ready partners at the required level of product sophistication. In fact, the traditional concept of matching two companies that do approximately the same appears largely irrelevant. It is more a question of being able to identify a joint business idea where the partners together "design" a product or service, thus that the partners are complementary. Of course, this complicates the partner search that BMMP does, as BMMP needs to have an eye also outside of the specific sub-sector in question.

- Interestingly, in the garments and textile sector, ***the Norwegians and the prospective orders that they may place, are too small***. Nordic Form and Workmaster did not find companies interested in producing the "small" volumes they sought.
- Some of the Norwegian companies felt they were ***presented with local partners that did not have the necessary qualifications***. In fact, one suggestion from one of these was that BMMP should do more and better mapping of the Bangladeshi markets/partners before approaching the Norwegian company.
- While the business framework conditions may be challenging, they ***do not so far appear to be the main reason for delays in implementation***. Of course, most of the matches have yet to reach a stage where the businesses are confronted by bureaucratic hurdles, so it is a little early to conclude. But so far, there are few complaints heard about the business environment.
- However, a concern more often cited among Norwegian companies is ***a fear of having their technology stolen***. Losing control of a core technology can be quite serious for companies that have invested substantial amounts in developing it. A partnership with a large degree of technology transfer may then simply be training of a future competitor.
- Several of the involved Bangladeshi companies appear ***to have prior experience with foreign partners***, either in other business ventures or through previous aid and donor programmes. This is clearly advantageous, as the differences in general business culture are quite significant. Knowing the "western mind" is an important prerequisite for facilitating genuine discussions between a Norwegian and a Bangladeshi businessperson. There have as far as we are able to assess been few so-called joy riders on either side.

With a couple of exceptions, the Norwegian companies are generally satisfied with the work done by BMMP coordinators and national contact points. The responses on the questionnaire are mostly positive to BMMP, and the persons involved. Complaints listed are more of the nature "*spent the whole day driving through Dhaka*" - which unfortunately is inevitable in today's Dhaka.

While relatively few companies have joined the programme so far, the BMMP can list several other companies that they have also delivered services to. MMC and Pharmaq are two such examples, and Plany AS and AquaOptima AS are two others that participated in a study tour together with Storvik Aqua in 2011. In addition, BMMP staff has assisted Jotun in looking for a location for a possible manufacturing plant, and Altinn (through Accenture) used BMMP to find market contacts for their technical products. Even Grameenphone through its daughter company GP IT used the BMMP to get in contact with potential customers in Norway.

This facilitation of business contacts is an important part of the BMMP work. It contributes to lowering barriers to cross-border communication.

5. Sector Priorities

While the BMMP is open to all companies, five sectors were termed "priority sectors" in the agreement between Norad and Innovation Norway:

- ICT
- Energy and power production
- Shipbuilding and maritime related activities
- Marine activities
- Trade of manufactured goods

"Priority sector" meant that the BMMP would work proactively towards them. It was believed that the changes for finding matches would be particularly good in these business areas.

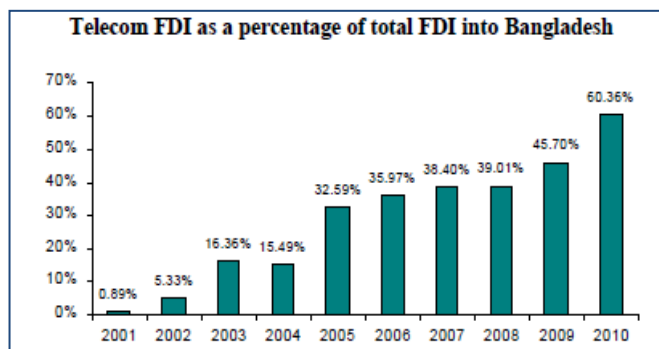
The BMMP has evidently followed the intention in the agreement, and almost all of the companies that joined the programme, belong to one of the above five. However, not all of the sectors have proven to be as forthcoming as expected.

ICT

While there are currently two possible matches in this sector (Rubrikk and Moota) with another still exploring (Gyldendal), it has been difficult to get companies interested. A long list of possible Norwegian companies have been contacted, with very few responding positively. Indeed, the BMMP planned to arrange an ICT delegation to Bangladesh, but did not attract a sufficient number of enterprises for the visit to go ahead.

A key reason appears to be that most of those that had plans for outsourcing and/or internationalisation, had already done so. Secondly, internet infrastructure and technology level were considered as relatively poor. The country has international connectivity via only a single submarine cable. Bangladesh has one of the lowest internet penetration rates in the South Asian region - no more than 6%. Of this, 94% is through mobile phone networks. There is also concern about deficient ICT regulations with regard to issues like copy protection and e-commerce solutions. Still, the majority of foreign investment coming to Bangladesh in recent years has been in the telecommunications sector.⁶

Figure 2: Telecom FDI, 2001 - 2010



Source: Bangladesh Bank 2010

⁶ "ICT Sector Performance Review for Bangladesh"; Prof. Faheem Hussain, 2011,

ICT is an attractive sector because the barriers to entry are low. Investments are often only computer hardware, and financial outlays are limited. This is a much more controllable risk than for instance the construction of a production plant, or any other long term asset commitment. There is substantial manpower with good qualifications available at cheap wages. As the markets are still in an early development phase, a number of opportunities are present for companies with sophisticated products that have yet to be offered in Bangladesh. Both Rubrik and Moota represent such products. The "value added service" market is clearly an emerging market for the mobile phone and internet users.

However, uncertainties in the regulatory environment appear to have increased lately, including what some see as discriminatory behaviour from the regulatory body within telecom itself. There is a poor perception among stakeholders of the country's telecom regulatory and policy environment (ref. footnote 6). The process surrounding the recent renewal of the 2G licenses, and of the upcoming auction for 3G have for instance been hotly debated. Established operators have serious concerns with the current practice of government management of the sector.

In sum, there is probably potential for getting additional matches in the ICT sector, but it is more difficult than initially envisaged. While remaining a priority, it probably does not defend a prioritised priority status.

Energy and power production

There has been some interest among renewable energy companies for Bangladesh, but few has so far found a feasible business model. Innotech Solar that works with solar panels found the domestic prices to be too low, and had problems finding a good partner. Getek also works with mini power plants based on solar energy, but has not been able to devise a financially attractive business plan. The solar market is competitive, and the rules of competition appear to be "complex".

This is to some degree a reflection of the current status of energy production in Bangladesh. It is - in undiplomatic terms - a mess. Supply shortages has become acute - for many reasons - and the Government has responded by a number of short term actions that has alleviated some of the immediate needs. However, the longer term challenges remain as serious as ever.

The key issue is Bangladesh's heavy reliance on natural gas as its primary energy source. When 85% of power-generating capacity is gas-fired, dwindling gas supplies seriously affect power generation. Unfortunately, the issue is compounded when existing gas resources are misallocated by low tariffs, trade restraints, and administrative allocations.

According to ADBs energy sector assessment from October 2011: *Existing electricity tariffs are grossly inadequate for introducing alternative fuels such as liquefied natural gas and coal or for attracting private investors to the sector.* ⁷

Recent efforts to expand private participation in power generation have not progressed well because of weaknesses in tendering and the government's inability to decide on a long-term strategy. Preferences given to Bangladesh Power Development Board do in any case make it difficult to get a level playing field for private sector investment.

⁷ "Country Partnership Strategy 2011 - 2015", Asian Development Bank, 2011,

Energy is likely to remain a chaotic sector for some time to come, and there will most certainly be business potentials for companies that are able to understand and read the combined forces of politics and economics correctly. However, newcomers to Bangladesh should tread carefully for the time being.

In the longer run, due to pressure from economic necessity, it is likely that a more holistic approach to utilizing the indigenous energy resources coal, wind, and solar in addition to gas will be introduced. A long term investor may thus benefit from an early entrance, to be positioned for later growth.

Shipbuilding and maritime related activities

Bangladesh has had some success in establishing itself as a shipbuilder of small to medium type of ships. For instance Danish investors have been active in the sector. There are today 2 shipyards that build for export, while 3 others are modernizing to become qualified exporters. Bangladesh has lower productivity than competitors like India and China, but lower labour costs apparently makes ships built in Bangladesh cheaper⁸. Being highly sensitive to international economic conditions, growth has recently slowed. There has been no orders for new vessels from foreign buyers this year due to global recession.⁹

It is likely the supplier linkages that are of most interest to Norwegian companies, by establishing partnerships that can produce inputs to the shipbuilding industry. Norway has a number of very effective company clusters within ship design, production and outfitting that might find a market in Bangladesh. One company has tried, Maritime Møbler, but it has yet not found a partner. Much of the local industry is not very well developed, and a prospective investor will probably have to invest in substantial training and technology transfer to attain the desired quality.

The potential is there however, as most ship outfittings are now imported. Examples include (according to footnote 8) doors, windows, port holes, stairs, ladders & gangways, ventilation grills, container fittings, safety accessories and signs i.e. life jackets, buoys & boats, survival suits, rescue nets & baskets, maritime signs, symbols & posters, anchor & anchor cables, shafts, propellers & stern tubes, switch gears and panels etc.

Given Norway's proven competence in the area, the maritime supply industry should remain a priority.

Marine activities

The potential primarily relates to aquaculture and fisheries. Several companies have looked at Bangladesh, and Storvik Aqua has come close to sealing a deal with Fishtech, for establishing an experimental aquaculture pond to showcase their implicit technology. The main challenge for this as for other Norwegian operators is the difference in fish species - tilapia is not salmon. It requires different approaches and methodologies, and feed technology that works wonders along the coast of Norway may not do so in the rivers of Bangladesh. Pharmaq, that makes vaccines, cannot for instance just export its medicines - it needs to be adapted to local conditions to be effective. However, their visit to Bangladesh created significant interest, and the company has solid international experience from for instance Vietnam.

⁸ "Potentials, priorities and prospects of shipbuilding in Bangladesh", Dr. Abdullahel Bari, Ananda Group, 2010

⁹ <http://\shiptrading-com>; 9th October 2012

A limitation for some of the Norwegian enterprises has been a constrained financial situation back home, with new international ventures receiving low priority. However, as seen from the number of companies on the roster of the BMMP that have expressed interest, this is still assessed as a promising sector.

Trade of manufactured goods

The garments/textile sector was thought to be one of the most obvious industry sectors where Norwegians would find partners, for production of items for the Norwegian market. Two companies were subsequently recruited into the programme, but both failed to find partners. Interestingly, it is the Bangladeshi companies that find the Norwegians as too small. The volumes were too low to be of interest, or would be so expensive that production was out of the question. Further, the level of technology was lower than expected according to the BMMP, and it did not satisfy the specifications from Norwegian companies.

This was the case for Mester Grønn, that looked for a wide range of products to sell as add-ons in their stores in Norway. They have for the time being identified only porcelain as of interest, and is actively looking for a partner that can co-produce different porcelain goods. Other goods did not meet their quality specifications, like for instance that textiles has to be consistently water proof.

A challenge for matchmaking in the trade sector is to make sure that matches are long term, and not only a single order placement. It can be argued that it is perhaps a sector with more of a short-term focus than what the intentions behind the BMMP allow for. However, establishment of joint production facilities may happen, and for instance Mester Grønn is clearly looking for a committed and longer term production partnership. The BMMP need to carefully assess the potential of partnerships within the area.

Other Sectors

There are several sectors that are believed to represent significant growth potential. The B2B in Denmark mentions the following, of which two and half (agribusiness) are similar to the Norwegian :

- Energy industry– including the green energy industry
- Water
- Pharmaceuticals
- Agribusiness
- ICT and business service

Bangladesh themselves has identified 10 priority sectors and industries, with a view to giving them special incentives and support. These include agro-based industries, ceramics, electronics, frozen foods, textiles, ICT, leather, life science, light engineering and energy and power.

In sum, the original five sectors ought to be given emphasis also in the future. However, it is a general recommended to widen the search for companies to include also other sectors than these five. An important prerequisite is to add more Regional Contact Points in Norway, to increase the domestic capacity.

6. Organisation of the Programme

The BMMP was to be operated along the same administrative lines as the other matching programmes - there would be national contact points in each country that would identify companies, and report to a country coordinator in Norway. The payment offered to the Norwegian contact points would be somewhat higher in case of successful matching, as Bangladesh was assumed to be more challenging than the other countries.

However, there was one crucial difference compared to other Innovation Norway managed matching programmes, namely an absence of an Innovation Norway office in the subject country. This led to a number of challenges that the Programme still works with.

6.1. Localisation of BMMP Office

Initially, the plan was to hire a particular consultancy company that would be the Bangladeshi contact for the BMMP, from a separate office in Dhaka. After a visit to Bangladesh in early February 2010, that idea was discarded. The recommendation was to rather have that person at the Norwegian embassy, and preferably under some sort of contract directly with the Embassy.

The reasons for this still hold, and the placement of this position at the Embassy is supported:

- ***It gives the Programme credibility and weight in Bangladesh.*** On a huge and very varied consultancy scene, a one woman office "somewhere" in Dhaka will struggle to be taken seriously - even if it has a nice placard announcing its Norwegian heritage. It certainly also helps to be calling from the Embassy when arranging meetings, and when trying to get access to decision makers. Similar programmes by the Dutch and the Danes are run out of Embassies.
- ***It gives Norwegian investors comfort and assurance.*** The business environment is undeniably very different from Norway, and the Embassy link appears as a quality assurance in unfamiliar surroundings.
- ***It gives the Programme a Norwegian management link.*** Having a consultant on his/her own with only a telephone link to Norway is hardly sufficient guidance and supervision in the Bangladeshi context. While the control aspect is one issue, another is the necessity to have a manager that can guide on a day to day basis. Somebody would have to interpret profiles from Norwegian businesses, and their concern and priorities in the process of finding good matches.
- ***It enhances the commercial profile of the Embassy.*** There are advantages also for the Embassy in having a business person in the building. The current cooperation strategy emphasizes extended business ties between the countries - precisely what the BMMP aims for.
- ***It provides professional synergies.*** Having other professionals to consult with provide synergies not only to the BMMP, but likely also to other embassy activities. It most likely also contributes to easier communication with other embassies, and for instance the Danish B2B.

Thus, it is strongly recommended to keep the Embassy as the base for the BMMP also for the next phase.

However, this embassy solution brought in a few other dilemmas. The practical one was how to actually contract and employ the person, while the organisational proved somewhat more complex. How should the BMMP Project Manager report, when both the Embassy and Innovation Norway were to share responsibility?

6.2. Administration of BMMP in Bangladesh

The practical question was solved by the Embassy hiring the BMMP person directly. Innovation Norway could not do so as it was not a legal subject in Bangladesh, and Innovation Norway did not want to do a consultancy contract. The implicit reasoning appears to be that Innovation Norway did not think a consultant would be able to properly present the BMMP with sufficient weight.

As already mentioned in chapter 4, this led to a prolonged discussion between the stakeholders. The end result with the Embassy employing the BMMP person as a local employee, and with the total BMMP budget being adjusted at the MFA level for the compensation to the Embassy, with only the net amount being transferred to Norad and Innovation Norway, appears as a practical solution that works.

The recommendation is to find the most practical solution possible for continued presence of the BMMP person at the Embassy.

Lines of Responsibility

The initial thinking was that the Embassy was to be administratively responsible, while Innovation Norway was the professional manager. While an attractive idea, it can lead to unclear and potentially confused lines of authority.

Apparently, there have been several instances where the two lines of authority disagreed. The Embassy had one opinion about how an issue should be addressed, Innovation Norway apparently another. This has been more of a frustration for the Embassy, than at Innovation Norway. To some degree this negates the rationale of actually having the Embassy as a local employer - local management becomes difficult when authority is split. There is another angle to the management question that also needs to be taken into account. Namely that it is difficult to distance-manage in day-to-day operations. Bangladesh has a controlling tradition in labor relations, where one expects to be briefed regularly regarding the work to be done.

It needs to be emphasized that the cooperation now appears much better, but the initial challenge remains: How to combine two reporting channels? One alternative is that either Innovation Norway or the Embassy takes full formal responsibility. This is probably not a realistic alternative. It is Innovation Norway that has the matchmaking expertise and network, and the Embassy is currently not staffed to take the full job. Innovation Norway can, but will not do a consultancy contract.

The other main alternative is ***to increase the presence of Innovation Norway in Bangladesh***. The key is to have closer professional management in Dhaka - and there is every reason to believe that would facilitate cooperation substantially. Besides making management of the BMMP easier, it is believed to also increase the effectiveness of the Programme:

- ***Better local partner search through better understanding of what a Norwegian company is looking for.*** This is particularly important with the shift towards more matching of

business ideas, than of companies as such. One must be able to "read" correctly the business thinking of the Norwegian company.

- *It will improve the credibility of the programme in Norway*, and provide increased reassurance to Norwegian companies seeking business. It will also likely be easier to facilitate follow-up when the manager knows both parties of the partnership directly.
- *It will make it easier to establish the necessary network*. As elsewhere in Asia, business builds to a large extent on personal contacts, and the BMMP needs a Norwegian contact point to establish credibility among potential local partners, stakeholders and relevant authorities.
- *Potential for better integrated strategic management*, by likely enhanced coordination of activities in Norway and Bangladesh. This could for instance take the shape of more pronounced sector plans, based on a broader set of activities in both countries. It will be easier to identify opportunities in Bangladesh, that could be marketed back home.

The manager of the Danish B2B started our discussion with a clear recommendation: "*The major mistake of your matchmaking programme is that you do not have a Norwegian manager in Bangladesh.*" Her comment is not easily dismissed, in light of what the Danes themselves have been able to achieve. There is now more than 60 partnerships in operation out of more than 100 initial matches, as a direct result of the B2B.

The overarching recommendation regarding the Bangladeshi part of the BMMP is thus to have a Norwegian manager present. It may not necessarily be a full time presence, but must be more than a week every month.

6.3. Administration of the BMMP in Norway

The Norwegian part of the BMMP is based on the traditional matchmaking model, with Regional Contact Points (RCP) - consultants - being responsible for identifying and encouraging Norwegian companies to try Bangladesh. These RCPs are paid according to certain success criteria that are similar to the targets listed in table 3 for the programme as a whole. This model is similar to the other Matchmaking programmes, but the fees are higher for Bangladesh than the others. In addition, the RCP always follows the Norwegian company on their first trip to Bangladesh, being paid for the time used.

Two RCPs were initially appointed to work with Bangladesh, both with a solid background from the country and with in-depth knowledge of the prioritised sectors. While they have managed to enlist the required number of companies according to the programme targets, both maintain strongly that it has been hard work. Bangladesh has been difficult to sell, and the response for instance from the ICT sector has been quite discouraging.

Suggestions for improving the Norwegian part of BMMP include:

- Appoint more than 2 RCPs - with the current payment system there is little financial risk involved. While RCP experience with Bangladesh is important, it will be less so when a Norwegian manager is present in Bangladesh. BMMP is best marketed through face-to-face meetings, and the programme needs to increase the number of those.
- More and better "sales material" from Bangladesh, like sector studies, reliable market information, and possibly even concrete business ideas.

- The RCPs wish for a more strategic approach from Innovation Norway, meaning utilizing the wider network and the resources that Innovation Norway has at its disposal in the BMMP work. However, experience has tended to show that while it is a good idea on paper, it is difficult to implement.
- Better coordination between Bangladesh and Norway, regarding partner searches and follow up of possible partnerships. Again, having a manager in Bangladesh is likely to improve the "comprehensiveness" of the BMMP approach.

While all of these are likely to increase effectiveness of the BMMP, ***the most important are considered to be increasing the number of RCPs and to improve the sales material.*** The two others will possibly follow from the other recommendation of having a Norwegian in Dhaka.

Follow-up Funds

The above suggestions do not foresee changes in the current basic BMMP model. However, one proposal that imply a small change is to introduce what can be called follow-up funds. The idea is to give the Norwegian company access to a consultant - possibly the RCP - for say 10 additional working days, paid for by the BMMP. The requirement would be that the company has both joined the programme, visited Bangladesh, and found a possible partner- but before an MoU is signed. Of course, Norad's has a Feasibility support instrument that might also be used for such purposes. However, one might wish to have such support seamlessly integrated in the matchmaking, without having to do a new application.

The rationale behind is that the partner process generally moves very slowly, and that it might benefit from extra resource input in the immediate aftermath of the first partner meeting. Generally speaking, according to several of the stakeholders interviewed, there is need for more follow-up than what the BMMP offers today and this is one possible method. It can also be done directly from the BMMP, but it might be more targeted and demand driven if it is the company that decides what the follow up should be.

It is recommended that the BMMP assess different methods for allowing more follow up of potential partnerships.

6.4. Budgets and Costs

The initial budget was made for 3 years, and was from the start a tentative estimation of what was needed. The other matchmaking programmes provided some experience. However, as the administrative set-up (no local Innovation office) was different, and the market seen as more difficult, those other programmes could not be blueprinted. For the whole three year period, the budget was set at NOK 9 mn.

The MFA priced the annual rent of the Embassy office plus salary to the Bangladeshi coordinator at NOK 655,000 per year. Based on this calculation, MFA deducted NOK 1.7 mn from the total budget of NOK 9 mn, which - according to the annual costing - should cover roughly 30 months of operation.

Of the remaining NOK 7.3 mn, the main cost items were assumed to be the services of the Innovation Norway manager in Norway, and payments to the Regional Contact Points. The total cost of these two was calculated to about NOK 5.1 mn. In addition, there would be some travel and administrative costs. A small income of NOK 104,000 from participation fees was included. However, the actual use of funds have diverged quite substantially from the budget.

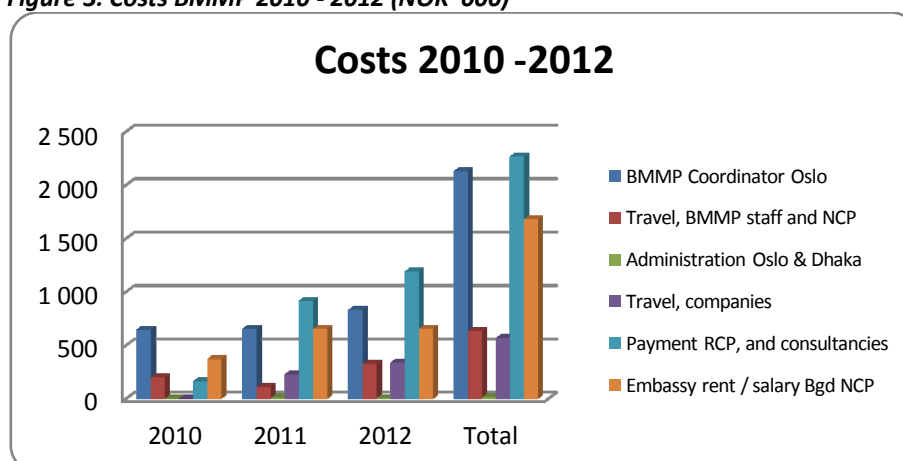
Table 5 Budget and Use of Funds: 2010 - June 2012

NOK '000	2010		2011		June 2012		Total		Remain
	Bud	Actual Cost	Bud	Actual Cost	Bud	Actual Cost	Bud	Actual Cost	
BMMP Coordinator Oslo	985	645	455	654	360	415	1,800	1,714	86
Travel, BMMP staff and NCP	290	199	259	109	259	163	808	471	337
Other adm. Oslo & Dhaka	110	1	75	8	50	3	235	12	223
Travel, companies	77	0	431	227	455	170	963	397	566
Payment RCP, and consult.	660	161	1,277	915	1,357	595	3,294	1,671	1,623
Contingency	108	0	108	0	108	0	324	0	324
- Income : Participation Fee	-16	-8	-40	-48	-48	-32	-104	-88	-16
Total	2,214	998	2,565	1,865	2,541	1,314	7,320	4,177	3,143

The main difference is that BMMP has used substantially less money than estimated in the budget. The latest figures are per June 2012, and at that time NOK 3.1 mn was left of the total budget of NOK 7.3 mn, or almost 43%. If it is assumed that BMMP will use the same amount of money in the last 6 months of 2012 as in the first 6, there will still be NOK 1.8 mn left at the end of 2012, or almost a fourth of the total budget.

One reason is the late start-up. Matching did not really start until late 2010, and usage of the budget the first year was less than half. The other key reason is that activity has been lesser than assumed - not in terms of companies joining, but in terms of other consultancy costs connected to the matching. About NOK 2 mn out of the budget of NOK 3.2 was assumed to be for extra consultancy work, but the use of this money has been constrained. Generally, there has also been fewer travels, and very little in terms of extra administration. To some degree, the Norwegian coordinator in Innovation Norway has acted as the "extra consultant", and that position will use more funds than originally thought.

Figure 3: Costs BMMP 2010 - 2012 (NOK '000)



* Costs for 2012 is an estimation based on first 6 months of the year

The relative cost picture is illustrated in figure 3. Here, the costs for the full year of 2012 is assumed to be twice the costs for the first six months. (Preliminary estimations from Innovation Norway for the year 2012 indicates a lower figure, but it will likely not be very far off.) The amount paid to MFA for the local BMMP person and the hire of the office at the Embassy is included.

The figure illustrates that the key cost components are related to activities in Norway, namely the Innovation coordinator and the payment to NCPs. The coordinator is paid on an hourly basis, at NOK 950 per hour. This is at the high end of current rates paid consultants within the development aid sector in Norway. For an assignment that has not been subject to external competition, and for staff that is partly paid by public budgets, this does appear as perhaps a little high.

There are unfortunately no benchmarks against which these costs can be fairly compared. No calculation has for instance been done across all matchmaking programmes regarding the "cost per MoU". As there are substantial differences between the countries, there is some hesitation that this may not give a just picture of the efforts in the different countries.

There are also methodological questions. One issue is the lag involved - an effort today may only provide results 3 years into the future - another is the difficulty of finding reliable measures. The overall goal of the BMMP is to create real business, and it can be questioned if an MoU or a visit to Bangladesh are good proxies for that target. However, they are for the time being the best we have, and the cost per June 2012 for instance per MoU is roughly NOK 1.3 mn - based on 4 signed MoU and **including all costs**, also those related to the Embassy.

Such a figure must be treated with great caution as changes in the number of MOUs will drastically change the "unit cost" - and there is for instance an MoU that was signed later in 2012. In connection with the overall evaluation done of all Norwegian business related programmes in 2010¹⁰, costs for the matchmaking programmes in South Africa and Sri Lanka were estimated. The cost per successful project - meaning started operation - seen over the full period was calculated to be NOK 0.7 mn in Sri Lanka and NOK 1.3 million in South Africa.¹¹

Thus, if all MoUs in Bangladesh ended up in a concrete business "tomorrow", the cost in nominal terms would be comparable to South Africa. In fact, in real terms the costs in South Africa would be substantially higher. The Bangladeshi costs also include a significant start-up element, and the marginal costs for each new participant can be expected to be lower. Thus, as a tentative finding, the costs in Bangladesh appear reasonably in line with other matchmaking programmes so far.

It is also worth repeating one particular conclusion from that Evaluation: "*As a means of creating commercial ties between Norwegian SMEs and business partners in the 'South', the MMP is cost-effective. The MMP can therefore have a particular value as a means of transition from aid to non-aid for 'graduating' countries, and where Norway wants to maintain a partnership.*"

6.5. Cooperation and Synergies

The BMMP has had great benefits from the cooperation with the Danish B2B. The Danes offered not only assistance to get started, but also to integrate Norwegian companies in their programs. Support from the Danish B2B include:

- Training of the Bangladeshi BMMP coordinator through an internship for 3 weeks at the Danish Embassy.

¹⁰ "Evaluation of Norwegian Business-related Assistance", Report 3/2010, Norad.

¹¹ As noted in the Evaluation, this is in nominal terms. The costs in current 2012 NOK would be higher.

- Matching support for the whole period, including assistance in finding Bangladeshi companies through the Danish network
- Quality assurance of companies identified, by background and owner quality checks.
- Sharing of analytical sector material and data
- Invitation to Norwegian companies to participate in joint delegation visits to Bangladesh. The latest was for agriculture and fisheries, where 2 out of 11 companies were Norwegian.

This has to a large degree been a one-way street - as the Norwegian BMMP has been preoccupied with getting started. However, BMMP covers some of the costs involved, and for instance in the case of the Agricultural delegation, covered 2/11th parts of the expenditure.

The Danes expressively want to continue and broaden the cooperation. Their key argument is that it is important to be large, both with regard to the network and "economies of scale", and in relation to be taken seriously as a matchmaker. While the Danes have a larger budget and more comprehensive instruments available, the basic rationale behind the two programmes is the same - namely to encourage joint businesses between Danes/Norwegians and Bangladeshi. It is not the amount of grant money that really matters in the process of creating sustainable, solid joint ventures. Management at the Danish Embassy would in future like to also include the Swedes, to form a joint Scandinavian matching activity.

The importance of this support can hardly be overrated in the vulnerable establishment phase of a programme like BMMP. The cooperation with the Danes is considered to be crucial also in the coming period. It would be good if BMMP could provide more input to the partnership than funds, and this ought to be an operational objective for the coming period. ***One recommendation is thus to establish a more formal planning session between the B2B and the BMMP, to discuss and agree on a working plan with joint activities.*** The Danes may possibly find this too ceremonial to be of interest as they are a highly entrepreneurial outfit. However, it is worth trying as part of cultivating the partnership.

One additional milieu that should be of interest for the BMMP is the ***Nordic Chamber of Commerce*** (NCC) in Bangladesh. It now comprises about 45 companies, and is an active operator in the private sector with a large network. It can play a supporting role for Norwegian companies that come to Bangladesh, assist BMMP in identifying potential partners, and be an important source with regard to sector markets and business conditions. The possibility of NCC also renting an office at the Embassy has been mentioned, and that would broaden the BMMP resource base further.

7. Concluding Discussion and Recommendations

While the BMMP has managed to reach the targets initially set for the programme, there is a feeling that it might have done even better. The administrative difficulties experienced during the first part of the Programme must have impeded operations. It is difficult to say what would have happened if BMMP had not gotten the support it did from the Danish B2B. In the immediate start-up, it was the Danes that had all the contacts and the network in Bangladesh. The staff at the Danish embassy provided crucial assistance to the BMMP in finding possible partners for those Norwegian leads that came through. It would have been very difficult indeed without this support.

The Programme has now found a much surer footing, both in Bangladesh and in Norway - and Denmark are committed to continue cooperation. While the absence of any commercial deals may seem to indicate otherwise, it is believed that there is still untapped potential for matching Bangladeshi and Norwegian companies. The hypothesis that "things take time" has proven true - and quick investments is not advised under most circumstances. This point is made time and time again in the many evaluations that have been done of the different country B2B programmes¹²: *Problems occur when companies and individuals **rush into partnership** without fully understanding what they are getting involved in. Companies need to have a solid understanding of what they want from the partnership before they establish it. Taking sufficient time to know each other, and define the expectations are considered crucial.*

It is thus recommended to continue the BMMP into a second phase of 2+1 year. The main reasons are:

- *It is too early to draw a definite conclusion about viability of the BMMP - 26 months are not sufficient time to assess whether the current matching methodology works in the Bangladeshi context.*
- *The basic rationale - encourage investments and technology transfer - is still relevant and there are no changes in the foundations for the programme, political or otherwise. Indeed, current policy of the Norwegian Embassy in Bangladesh is to broaden commercial ties.*
- *The Programme has met its goals - and has thus met the qualifications for a second phase as outlined in the discussions with Norad. There is no particular operational flaw that should justify a discontinuation.*
- *The BMMP is likely to be able to increase effectiveness with a number of operational adjustments, of which the most important is to increase the presence of the Norwegian manager in Dhaka.*

Other key recommendations include:

- Keep the Embassy as the base for the BMMP in Bangladesh, and find the most practical solution possible for continued presence of the BMMP person at the Embassy.
- Increase the number of RCPs in Norway, and improve the sales material that they can use
- Assess different methods for allowing more follow up of potential partnerships.

¹² "Evaluation of Performance of B2B Partnerships, (In Kenya), May 2009.

- Establish a more formal planning session between the B2B and the BMMP, to discuss and agree on a working plan with joint activities
- Regarding priority sectors, these are fine, but there should be wide search for companies also outside of the five chosen.

7.1. Budgets and Targets for next phase

While the BMMP can become more effective - and probably also efficient - substantial increases in the number of successful matches are not likely. The external constraints in the form of difficult Bangladeshi business environment and limited interest in Norway preclude large numbers.

The available budget is another constraint. The annual cost for 2012 will likely end up at about NOK 2.5 mn, exclusive of the Embassy related costs of NOK 655,000. If we add the two, the current level of activity thus costs about NOK 3.1 - 3.2 mn per year. There are two main additional cost drivers following the above recommendations, namely an increased presence of a Norwegian manager in Bangladesh, and an increased number of RCP consultants in Norway. On the other hand, the hourly rate that Innovation Norway now charges the Programme (950 per hour) seems high and need to be properly justified to be accepted for a second phase. This is a programme for which there has been no tender or competition. Some savings are thus likely there.

An annual tentative cost estimate for continued activity at current levels, after implementation of the recommendations, might thus be in the order of NOK 3.5 mn. (Existing cost per year of 3.2 mn plus an additional 0.3 mn). This is only tentative and ***Innovation Norway must of course make a renewed budget estimate, for discussions with Norad.*** The objective is that this amount of funds will increase effectiveness compared to the current plan. If we assume that the activity will stay at this particular level in the next 3 years - i.e. an annual budget of NOK 3.5 - the annual targets with such a budget are suggested as follows:

Table 6 : Tentative Annual Targets (with a NOK 3.5 mn budget)

	Annual targets (each year)	
	Target 2012	New Target.
Number of Recruited Companies	6	8
Company visits to partner country	4	6
Signed MoU	3	4

It is proposed to make the next phase a 2 + 1 arrangement, with the programme continuing automatically for another year in case all targets are met, while it will remain an option for Norad if the targets are not achieved.

It is considered important that the programme can continue unhindered from January 2012, to avoid disruption of ongoing matching activities.

7.2. Internal and External Risks

The Programme Document lists 6 different risk aspects to the programme, which the ToR wants to be revisited. The table below summarise the current assessment.

Table 7. Risks in the Programme Document

Risk	Status
1) Regulatory hassle and compliance problems	Yet to be experienced - no business started
2) Corruption	No reports of this as a problem
3) Company registration and licensing	Yet to register any business
4) Irregularities and lack of transparency	Same, no reports as of yet
5) Difficult to remit money	While problematic, no problem for BMMP yet
6) Electricity	A national issue, but no problem for BMMP yet

All of the risks listed relate to the business as such, and the possible problems that a partnership might have in establishing and operating a company. As none of the matches have gotten off the ground, it is too early to conclude whether these risks have been relevant or not.

Obviously, the listed risks play an indirect role for BMMP success in that they constitute barriers to entry, primarily for the Norwegian company. A high level of corruption will for instance make a Norwegian company - concerned about its reputation - think twice before entering the programme.

However, it is suggested to reformulate the risks, to make their likely impact on the targets for BMMP clearer. In addition, there are a few other programme related risks that also ought to be taken into account with regard to BMMP performance. In the next phase, the risks to BMMP for achieving the stated targets are considered to be as follows:

External risks:

- *Lack of real business interest from Norwegian companies.* There may be many reasons, but the key factor is that Bangladesh does not appeal in business terms. A BMMP can facilitate, encourage and even cajole companies into visiting Bangladesh - but it can never create business where there is no business to be had. The final decision is for each company to make.
- *Worsening business climate in Bangladesh.* This point summarize all the risks in the current risk matrix. The targets proposed for the next phase assume that the business climate is "as-is" today. The current complexities already put a lid on what we believe is achievable. However, a worsening electricity crisis may for instance reduce the number of likely matches even further.
- *Worsening international financial crisis.* A self evident point - any development that further impedes international trade, investment and financial flows will make it more difficult to attract companies to the programme.

Internal risks

- *Delayed implementation of the programme.* This can for instance be due to changes in personnel in the programme. There are very few currently involved, and the programme is vulnerable to changes in staffing.
- *Inability to find appropriate companies in Bangladesh.* This is to some degree an external risk as well, but as the private business sector in Bangladesh is multifaceted and non-transparent, the programme must have very good processes for identifying solid local companies. The stated targets for BMMP assume that such routines are in place.
- *Inability to find Norwegian companies.* The issue in Norway is slightly different - here there is more a question of being able to communicate Bangladesh as an interesting

option to potentially sympathetic companies. One may not be able to find consultants that are able to do so.

- *Deficit in management of programme.* Continued ambiguities with regard to the administrative and the professional responsibilities of the programme may frustrate the operation. There needs to be clear lines of responsibility, with good local follow-up.
- *Discontinuation of the cooperation with the Danish B2B.* The B2B has played a very supportive and facilitatory role for the BMMP. A potential break with the Danes is likely to have unfortunate consequences for the programme.

The mitigation procedures for most of the internal risks are implicit - do not delay, install good matching procedures in Bangladesh and Norway, pay close attention to the management aspects, and keep the Danes happy. The external risks are harder to address, as all will reduce the "available market" for matches irrespective of what the BMMP may do. However, reconsidering operational strategies may be necessary if the market dries completely.

ANNEX 1: Terms of Reference

Review of the Bangladesh Business MatchMaking Programme

1. Background

In 2008 The Norwegian Government initiated a process of changing the modalities for development cooperation between Norway and Bangladesh. The traditional government cooperation programs should gradually be phased out and a new strategic partnership program introduced, covering areas of mutual interest including private sector development and cooperation.

As part of the new cooperation modalities communicated to Bangladesh, Norad in cooperation with the Norwegian Embassy in Dhaka, worked to establish a platform for support to private sector development in Bangladesh. Two separate private sector development studies were carried out in 2009. In line with the conclusions from these reports Norad decided to enter into an agreement with Innovation Norway (IN) to develop a Business MatchMaking Program (BMMP) in Bangladesh based on the same principles as the existing BMMPs managed by IN on behalf of Norad. The agreement between Norad and IN was signed in 2010 for a three years program with a possibility of being continued after an independent review towards the end of the three years period.

The objective of the program is to build business partnerships that strengthen the partner companies and the business community in Bangladesh.

The program has the following expected results / outputs:

	<u>Year 2010</u>	<u>Year 2011</u>	<u>Year 2012</u>
Number of recruited Companies	2	5	6
Company visits to the partner country	1	3	4
Signed MOU / other Agreements	0	2	3

Purpose of the review

The purpose of the review is to establish background information regarding the results achieved so far, main challenges encountered in the implementation of the Programme, and to suggest improvement for future cooperation including the administrative model for the Programme in Bangladesh.

Scope of Work

The review shall:

- give an overview of outputs related to plans and an assessment of expected outputs for a possible next phase
- assess any major changes in general business framework in Bangladesh since the starting of the Programme
- present and discuss any particular sector issues with regard to Norwegian priorities and possible new information regarding fields where there is comparative advantage for the BMMP and the Norwegian companies to engage
- make an analysis of the main costs related to the startup and implementation of the Programme, both the National Contact Point (NKP) in IN Oslo, Regional Contact Points (RKPs) in Norway and the Programme Manager (NCP) in Bangladesh, and comment on the organisation's cost effectiveness including identification of possible shortcomings
- revisit the risks aspects as presented in the Appropriation Document and assess the follow up during the first three years of the Programme, identify further risks and propose ways of monitoring
- based on information obtained, the consultant shall assess and make a recommendation regarding the way forward, including organizing / alternative administrative set-up of the Programme in Bangladesh and also compare it to ongoing / other BMMP programs implemented by IN

Work Method

The review will be a combination of work in Norway, interviews with relevant parties, and a field visit to Bangladesh. Norad will participate in the review as an observer.

Key sources of information for the review:

- In Norway:
- Innovation Norway
 - The Regional Contact Points
 - Companies involved in the Programme
 - Information Office for Private Sector Development (Veiledningskontoret)
- In Bangladesh:
- The Norwegian Embassy including the BMMP Manager
 - The Nordic Chamber of Commerce in Dhaka
 - The Danish Embassy in Dhaka (B2B program)
 - Local companies involved in the Programme
 - Telenor?

However, the consultant is free to contact any party which he deems relevant for the review.

Reporting and Time Schedule

In total, the assignment will comprise 3 -4 working weeks for the Norwegian consultant. This includes one week field visit and preparatory work plus reporting in Norway. The field trip is planned for week 37.

A draft report should be submitted to Norad by 1st October 2012. The final report should be submitted not later than 10 days after comments from Norad has been received.

The report shall be prepared in English and include an executive summary with main findings and recommendations.

Oslo 27.08.2012

ANNEX 2: People Met

Ragne Birte Lund	Ambassador, Norwegian Embassy
Arne Haug	Deputy Head of Mission, Norwegian Embassy
Sayed Bayzid	Chief Coordinator, BMMP, Norwegian Embassy
Tazeen Choudhury	Program Manager, BMMP, Norwegian Embassy
Anette Galskjøt	Commercial Counsellor, Danish Embassy
Henriette Freris	Export Counsellor, Danish Ministry of Foreign Affairs
Knut Bolstad	Manager BMMP, Innovation Norway
Åsa Sildnes	Regional Contact Point, BMMP, Norway
Rita Worren	Regional Contact Point, BMMP, Norway
Fridtjof Rusten	CFO, Grameenphone
Mohammed Bhuiyan	Director Finance, Grameenphone
Arild Klokkehaug	President, Nordic Chamber of Commerce
Hasan Fatheme	Executive Director, Nordic Chamber of Commerce
Nasir Ahmed	MD, Click-House, Ltd (Crossing Point)
Mohammed Sarker	Director Research, Fishtech Ltd
Farhad Hossain	Chairman, Fishtech Ltd
Ataul Bhuiyan	MD, Fishtech Ltd
Makad Hasan	Airtel Ltd
Steinar Torvik	Sales Manager, MMC Tendos
Erik Sunde	Compact AS
Pham Cong Tanh	Pharmaq AS