

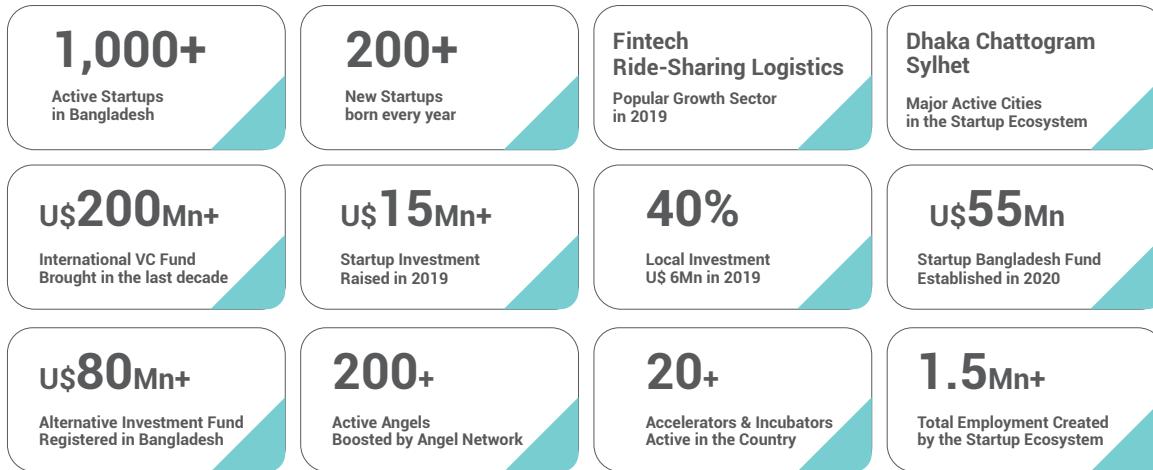
Post-COVID-19 ICT Roadmap: The Startup Ecosystem

How the Roadmap came to be

With the growing certainty that COVID-19 is here to stay, the ICT Division of the Government of Bangladesh is developing a roadmap to fight the pandemic and ensuing crisis and to find innovative ways to flourish in the 'new normal'. Startup Ecosystem is one of the 18 priority sectors selected based on the impact of COVID-19 on the sector and its potential for transformation of the economy and society.

Why Bangladesh Startup Ecosystem?

In the last half decade startups have become a driving force for innovation and economic progress in Bangladesh. They have been instrumental in the pursuit of Vision 2021 and Digital Bangladesh - where digital transformation is the foremost priority, facilitating access to information technology and efficient, ICT-enabled services. Startups have scaled to provide employment to an estimated 1.5 million people and indirectly support the livelihood of an estimated 6 million. They have attracted over US\$ 200 million in international venture capital funds till date.

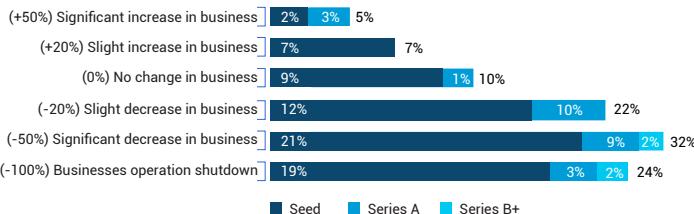


Source: BSEC, Bangladesh Startup Survival Guide, LightCastle Analytics Wing, 2020

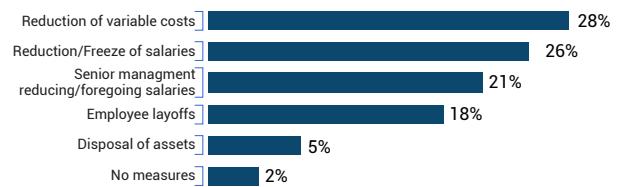
Impact of COVID-19

The startup ecosystem has been severely hit by the COVID-19 pandemic, with many being forced to make the hard choice of shutting down business. In a survey of 160+ startups conducted in April 2020, 80% of top ten startups (in terms of direct or indirect employment generated), 48% of essential sector startups, and 56% of all surveyed startups saw at least a 50% drop in revenue generation. 52% seed stage startups saw some decrease in their top line performance. What was more alarming was that 63% of startups had less than 3 months of runway, while 87% would exhaust their cash reserves in less than 6 months. In addition to operational challenges, startups face logistical challenges due to restricted mobility.

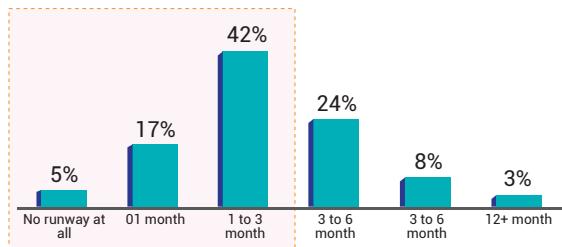
56% of business saw at least a 50% drop on revenue generation, while 52% seed stage startups saw decrease in business



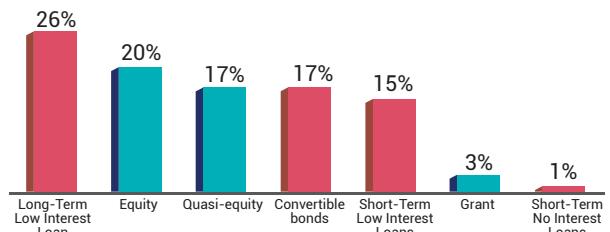
Reduction of Variable Cost and Salary are the first measures taken by 54% of the startups



63% of Startups have less than 3 months of runway



59% of Startups seek leverage (loans and bonds) in times of crisis



Source: BSEC, Bangladesh Startup Survival Guide, LightCastle Analytics Wing, 2020

Constraints

An internal survey conducted to understand the severe bottlenecks faced by over a hundred startups found that finding the right talent, in terms of co-founder and team, is the biggest problem that founders face when attempting to take their company forward. Lack of access to funding, improper knowledge of cash flow management, need for comprehensive government support, and legal and regulatory challenges are some of the major problems riddling the sector, without even taking the effects of COVID-19 into consideration.

Action Agenda

Taking learnings from local and global best practices and to tackle: (i) the effects of the pandemic, and (ii) the existing systemic and regulatory shortcomings of the Startup Ecosystem, the ICT Ministry is proposing the following five interventions in the immediate to short term:

Title	An emergency allocation of BDT 150 crore Startup fund for 150 prominent Startups in the form of equity/quasi-equity by 2020	Launch fund of funds to attract investments from both domestic and foreign capital markets by 2021	BHTPA from ICT Ministry can launch Startup Assistance program to provide in-kind benefits to minimize Startup operation cost till the middle of 2021	A new procurement law - "Made in Bangladesh" that mandates corporations to source from Startups along with a mechanism in the startup policy for incentivizing angel investors will increase the overall liquidity of the sector by 2021	IICT Ministry to set-up Invest Bangladesh (www.investbangladesh.gov.bd) as the holistic information platform for Startups by 2025 as a part of 8th Five Year Plan
Why	Without funding support, many seed and growth-stage startups are going to wind up, growth of the country and number of jobs for the population will be impacted.	A fund of funds (also multi-manager investment) gives small investors broad diversification to protect investments from severe losses from uncontrollable factors (inflation and counterparty default), increasing private sector participation through de-risked public vehicles for investing in startups	By providing in-kind services at lower or no cost to startups will allow them to marginally optimize their expenses against decreased revenue that can sustain their profitability	Launching a procurement movement that obliges corporations to source a portion of their total procurement from startups will help the early stage startups navigate through the immediate challenges created by the crises and become more resilient in the future	A one-stop centralized portal will promote all startup activities and opportunities in one place, decentralizing the latest entrepreneurship opportunities and information allowing startups to network, access free tools and resources and participate in programs and challenges. E.g. startupindia.gov.in in India
What	The ICT ministry can establish a BDT 150 crore startup support fund program in the form of grant/ quasi-equity/ matching fund nature to support the 150 startups for a runway of 12+ months. Based on multiple criterias i.e. employment, market potential, and post-pandemic adjusted valuation, startups can be categorized as- small, medium, and large	Create a fund of funds through public private partnership to increase investment in ecosystem	Startups can utilize ICT Ministry's and other GoB ministries' extensive infrastructure (tier-4 Data Center; access to Startup Bangladesh co-Working space; rent exemption at Sheikh Hasina High Tech Park, Jessore, and Rajshahi; GoB warehouses) at a minimum costs	The Ministry of Commerce and Ministry of Finance can work together in order to introduce the proposed procurement rule which will open new avenues for startups and drive the demand side development while encouraging angel investors to invest in startups will further develop the supply side	By converging all support information (startup job circulars/ investment opportunities/ co-working space/ government contracts) and knowledge information (grant opportunity/ development fund applications/ latest competitions), Startup Bangladesh will make it the largest opportunity discovery platform for startups in Bangladesh
Lead Agency	Startup Bangladesh	Bangladesh Bank	Bangladesh Hi-Tech Park Authority (BHTPA)	Ministry of Commerce	Startup Bangladesh
Actor	Startups	Startups; Angel Investors; VCS, FIs and NBFIs	Startups	Startups, Ministries of Bangladesh	Startups, Startup Media, Development Partners, Accelerator/ incubators, University
Coordinator	ICT Division	ICT Division	ICT Division	ICT Division	ICT Division
Facilitator	Startup Bangladesh	Startup Bangladesh	Startup Bangladesh	Startup Bangladesh	Startup Bangladesh
Government Partners	ICT Division, Bangladesh Bank, Startup Bangladesh, BIDA	ICT Division, NBR, Bangladesh Bank, Ministry of Commerce/ Ministry of Industry, BIDA, Startup Bangladesh	Bangladesh Hi-Tech Park Authority (BHTPA), ICT Division	Ministry of Commerce, Ministry of Finance, ICT Division, a2i	ICT Division, Startup Bangladesh
Private and Development Partners	Angel and VC Network	Angel and VC Network, FIs and NBFIs	BSC, Angels, VC, ecosystem builder, FIs, gov., dev		Startup Media: Youth opportunities, Future Startup, dataBD.co; BDjobs and startups; Accelerators/ Incubators and Competitions; UNCDF, a2i, USAID, DFID and more
Financing and modality	Government Funding through Startup Bangladesh	Private Public Partnership between government, VC and financial institutions	Government Funding through BHTPA	Government Funding	Government Funding