

**MINISTRY OF FOREIGN AFFAIRS  
DENMARK**

**Denmark's Country Policy Paper for Bangladesh  
2019 – 2021**





## Abbreviations

- CSO – Civil Society Organisation
- LDC – Least Developed Country
- NGO – Non-Governmental Organisation
- RMG - Ready Made Garment
- SDG – Sustainable Development Goal
- TC – (Danish) Trade Council

## A. Introduction

**Bangladesh has followed a remarkable trajectory in the last couple of decades** and is expected to graduate from the United Nation's classification as a Least Developed Country (LDC) by 2024. The country has moreover achieved impressive progress in social development. These achievements – and the fact that Bangladesh has opened its borders to nearly a million Rohingya refugees fleeing from Myanmar and now hosts the world's largest refugee camp – reflect the strong aspiration of Bangladesh and its people to be recognised by the world as an equal partner and in its own right.

Thus in the years to come, Bangladesh will need to prepare itself for a smooth graduation from LDC-status, which after a grace period of 3 years will take full effect in 2027. Meanwhile, **Bangladesh faces challenges in meeting the UN Sustainable Development Goals (SDGs)**, particularly in regards to addressing climate change, increased inequality, weak institutions and corruption, as well as job-creation for large generations of young people. In addition, **democracy, rule of law and human rights have come under increased pressure**, notably in connection with the parliamentary elections in December 2018. If not managed, these factors may lead to increased irregular migration – including to Europe – and the risk of instability.

Dating back to Bangladesh's independence in 1972, **the development cooperation between Denmark and Bangladesh has contributed to the country's progress** in many areas such as agriculture, climate resilience, governance, and women's rights. To underpin the fast development and increasing diversification of **trade and commercial relations**, Strategic Sector Cooperation was established in 2015 in the area of workers' rights and safety. Well-functioning cooperation on return and readmission has been established, and most recently, Denmark has provided substantial humanitarian and development assistance in the context of the massive influx of Rohingya refugees since 2017. The long-term and comprehensive engagement has resulted in a solid and trusted partnership.

**Denmark has a strong interest in continuing a broad-based partnership with Bangladesh.** In addition to being one of Asia's fastest growing economies with an emerging consumer market, its strategic location, large and young population and economic dynamics create significant opportunities for Danish investment and trade. Politically, Denmark has an interest in contributing to ensure that Bangladesh remains a stable country that upholds rule of law and human rights, is resilient to radicalism and extremism and prevents irregular migration. A continued development partnership, in conjunction with engagements through the EU and multilateral partners, will play an important role in this regard.

This country policy paper covers the period 2019 to 2021 in order to reconcile the country policy cycle with the current development programme. During this period, focus of the development cooperation will be on consolidating the results of ongoing engagements and test new approaches and partnerships.

## **B. Denmark's partnership with Bangladesh; overall vision and strategic direction**

Denmark actively supports Bangladesh in its transition from Least Developed Country to becoming a Developing Country. Given Bangladesh's sustained high economic growth and increased self-reliance, Danish business opportunities in Bangladesh will expand, and over the mid- to long-term the focus of the Danish-Bangladeshi partnership will shift from aid to trade. During the period covered by this country policy paper, focus will be on consolidating the foundation for moving towards a strategic engagement focused on political and commercial cooperation underpinned by development cooperation.

Denmark's overall vision for the partnership with Bangladesh is *to support Bangladesh's graduation process and development towards sustainable and inclusive growth as a basis for deepening and widening political and commercial ties; and to promote freedom, security and prosperity, focusing on steps to widen the democratic space and enhance the respect for human rights.*

The vision will be realised through the following four strategic objectives of the partnership:

- 1. Contribute to inclusive and sustainable growth*
- 2. Enhance resilience of selected vulnerable and marginalised groups, including Rohingya refugees and affected host communities as well as groups prone to irregular migration*
- 3. Promote shared values in terms of democracy, good governance, human rights and gender equality*
- 4. Expand and diversify economic and commercial relations between Denmark and Bangladesh.*

These strategic objectives align with Denmark's Strategy for development cooperation and humanitarian action, "The World 2030", and will address all its four strategic concerns. Furthermore, the strategic objectives align with Bangladesh's seventh Five Year Plan, "Accelerating Growth - Empowering Citizens" (2016-2020), which sets an ambitious agenda for the journey towards middle-income country status. Finally, the SDGs will serve as a globally recognized framework for the partnership.

Denmark will pursue the above strategic objectives through a comprehensive partnership and rights based approach based on **six key instruments** (see box next page) with **considerable opportunities for synergies** between them. Furthermore, Denmark will promote synergies between actions that supplement and complement each other, including in the following ways:

- Complement existing agricultural livelihood and resilience activities with funds from the Climate Envelope;
- Using Trade Council (TC) tools as well as Danida Business Finance, the Investment Fund for Developing Countries (IFU) and Denmark’s Export Credit Agency (EKF) to promote Danish business opportunities.
- Complementing development engagements and partnerships with Danish civil society organisations in support of decent work and labour rights through the Strategic Sector Cooperation on workers’ safety. This will contribute to inclusive economic development and the creation of decent jobs. In addition, the Strategic Sector Cooperation will contribute to safer and more socially responsible production of products in Bangladesh of interest for Danish importers.
- Strengthening Hum-Dev Nexus by using development and humanitarian funds in response to the Rohingya refugee crisis, *i.a.* in cooperation with Danish NGO partners and possibly also with relevant UN-organisations and the World Bank. Closer coherence between the initial humanitarian responses and more long-term development engagements will promote sustainable and durable solutions to the crisis. Focus will be on fostering innovative partnerships and approaches.
- Exploring synergies between Danida and TC activities, including how Danish business solutions and expertise can be applied to leverage the pro-poor Danida investments in line with SDG 17 (“partnerships for the goals”).

**Key instruments:**

- Diplomacy and political dialogue, including through the EU, with a broad range of Bangladesh actors, building also the foundation for an efficient economic diplomacy
- Development cooperation, incl. funds from the Climate Envelope and support to Danish NGOs
- Humanitarian assistance through Danish and international partners
- Promotion of commercial cooperation, trade and investment, including with Danida Business Finance and other financial instruments
- Strategic Sector Cooperation with a focus on sustainable growth in the manufacturing sector
- Funds from the Migration Envelope

In its development partnership with Bangladesh, Denmark has engaged with **a wide variety of partners** over the years – from line ministries and other government entities, over UN agencies, to Danish and international NGO-partners as well as a host of national CSOs and NGOs. Building on lessons learned, Denmark will continue the cooperation with its long-term partners, but also seek out new entry points and drivers of change with a clear strategic look towards the next phase of the country programme, including by supporting Bangladeshi civil society, Danish strategic NGO-partners and the private sector. Furthermore, Denmark will seek to establish broader alliances among the Nordic countries, within the EU and with other international actors in Bangladesh in order to promote Danish policy priorities on democracy, gender equality, youth, human rights, labour rights, as well as sexual and reproductive health and rights. Denmark will promote transparency in all partnerships.

It is the expectation that Bangladesh will maintain a platform and a presence in Denmark. The Bangladeshi embassy in Copenhagen provides a basis for a continued efficient dialogue and strong bilateral cooperation.

### C. Analysis of the situation in Bangladesh; opportunities, challenges and risks

The Bangladeshi economy has grown rapidly in the past decade **with annual GDP growth rates consistently above 6 pct.** and reaching 7.3 pct. in 2018, placing it among the fastest growing economies in Asia. In many ways, the outlook is positive as big challenges related to insufficient power supply and poor infrastructure are starting to be addressed and a new consumer class emerges with a demand for more and better goods and services. Moreover, while Bangladesh is located in one of the least integrated regions globally, there is significant potential for **cross-border cooperation** in a wide range of areas, including development of infrastructure such as roads, tunnels, bridges, power supply and for promoting trade. With a strategic location along potential economic corridors, Bangladesh could act as a hub between India, China and South East Asia. This represents a potential rise in trade, transport and tourism, including in the context of the Chinese Belt and Road Initiative.

However, many issues remain to be addressed for Bangladesh to fully realize its social and economic potential. Economic growth is still mainly driven by the export led Ready-made Garment (RMG) industry, the service and construction industries and remittances. With more than 2 million youths entering the labour market every year, job creation will be crucial – also to address irregular migrant flows. Yet, the inflow of foreign direct investment remains low, mainly due to the poor regulatory framework and business environment as well as widespread corruption and red tape. Moreover, domestic investments suffer from limited and expensive local financing. Despite this, **both larger and middle-sized Danish companies are showing an increased interest in entering the local market.**

**The Ready-made Garment sector** accounts for more than 80 pct. of export earnings and employs more than 4 million workers, 60 pct. of whom are women. The success has made Bangladesh the world's second largest exporter of RMG after China, but the sector's role in creating employment has started to decline with increased automation. The pharmaceutical sector has grown significantly and is becoming one of the growth industries with exports to more than 125 countries, including the US and EU markets. Also **the information and communications technology (ICT) industry** has grown steadily over the last years, with increased outsourcing of services and development solutions by European companies to Bangladesh. As most imports to Bangladesh are sourced from China and India, the trade balance between Bangladesh and the EU is in clear favour of Bangladesh.

The majority of people living in rural areas are still dependent on **agriculture** for livelihood and income. Today, Bangladesh is self-sufficient in grains, but productivity increases have stalled and the area of farmland is shrinking, following urbanization and climate change. **Bangladesh is among the most climate vulnerable countries**, victim to heavy rain, floods, cyclones, salinization and spells of drought, intensifying the risk of food insecurity, disappearance of income opportunities for farmers, and the spread of water-related diseases. More than 25 million out of the country's 165 million people are still living in **poverty**, mainly in rural areas. Economic projections indicate that the poverty rate will fall to 15-20 pct. by

2030, which is still far from enough to eradicate extreme poverty by 2030. In addition, inequality is increasing.

The high level of **remittances** is believed to have played a major role in the reduction of poverty. With a contribution of around 8-10 pct. to GDP, remittances compose a major pillar of the Bangladeshi economy, and Bangladesh ranks seventh on the list of the world's top remittance receiving countries. Every year, more than half a million Bangladeshis join the 9 million already working abroad – mainly in the Middle East and South East Asia. Bangladeshi nationals represent a significant group of irregular migrants arriving in Europe.

In recent years, Bangladesh's political development has been characterized by an **increasing pressure on democracy, rule of law and human rights**. This has been most notable in connection with the parliamentary elections in December 2018 and the campaign period preceding it, which was marred with violence and significant obstacles to a level playing field. The Government has enacted and amended laws, which violate freedom of expression and curtail civil and political rights, such as the freedom of assembly. Civil society space is significantly constrained with *i.a.* a very bureaucratic and cumbersome registration process. Despite some progress, the **governance** system continues to be weak and insufficiently resourced. Most public institutions are inefficient, highly centralized and politicized, making provision of effective services challenging. **Corruption** continues to be a widespread and systemic problem undermining democratic, social and economic development. As Bangladesh graduates from the LDC status, compliance with the human and workers' rights covenants will be of increasing importance to maintain the preferential access to EU markets through the current Everything But Arms (EBA) or future Generalised Scheme of Preferences-Plus (GSP+), that is key for the RMG sector and thus for the Bangladeshi economy.

While employment in the RMG-sector has created opportunities for women, mainly from rural areas with little or no education, **gender inequality** remains a big challenge as social and institutional barriers still prevent women from taking up jobs and from developing productive skills. Bangladesh has the third highest rate of **child marriage** in the world. Gender based violence, harassment in public transportation, lack of child-care facilities and lack of secured benefits such as maternity leave are common problems.

Bangladesh has made remarkable achievements in access to education, especially at the primary level and for girls. Despite this, the dropout rates are still significant, and only 50 percent of the students who enrol in the first grade reach grade 10. Women continue to lag behind men in higher secondary and tertiary education. Government spending on education as a share of GDP is around 2 pct., the second lowest in South Asia.

The fragile situation in the Chittagong Hill Tracts where **indigenous peoples** are poorer and have less access to social services than the national average represents a particular set of problems. The Government is yet to fully implement a peace accord from 1997 and to address tens of thousands of grievances on access to land.

**Religious intolerance and violent extremism** are on the rise. In recent years, Bangladesh has experienced killings of people who oppose a fundamentalist interpretation of Islam, such as bloggers, and human rights activists as well as religious minorities and foreigners. Factors such

as political polarisation, increasing inequality and adverse impacts of climate change contribute to the creation of a breeding ground for radicalization, particularly among youth. This situation is exploited by groups such as Daesh (ISIL), Al Qaeda in the Indian Subcontinent (AQIS), and the Pakistani based Lashkar-e-Taiba, all believed to be active in Bangladesh. The authorities regularly claim to disrupt planned terror attacks.

With the escalation of the **Rohingya crisis in 2017**, almost one million Rohingya refugees have taken shelter in Cox's Bazar in the South Eastern part of the densely populated country. The Government of Bangladesh maintains that the only acceptable outcome is a political solution and that the refugees must return to Myanmar. Yet, this is unlikely to happen in the short- to medium term, and the situation is well under way to become a protracted crisis. While the Bangladeshi people initially welcomed the Rohingya population, there are growing concerns about the negative impacts of their longer-term stay. Decreasing water levels, environmental degradation and deforestation, road congestion, price hikes, and potential outbreak of diseases are among the consequences that create tensions with local communities. Moreover, there is a risk of trafficking and radicalization in the extremely densely populated camps.

In its **international relations**, the Government of Bangladesh has placed high importance on reaching out to its neighbours and building broad alliances in the region and beyond. The country is a strong **advocate for achieving the SDGs**, in particular those related to climate and water resources, aid effectiveness and education for girls. Bangladesh is an active partner in international organisations and a major contributor of military staff to UN peacekeeping operations. In addition, the country has a high international profile in the promotion of safe, orderly and regular migration. Bangladesh is a member of the Human Rights Council for the period 2019-2021. The country has also applied to **become a P4G partner**.

## **D. Strategic objectives and key areas addressed in Danish-Bangladesh partnership**

### ***D.1 Inclusive and sustainable economic growth***

Building on a long-standing partnership with Bangladesh to address poverty reduction and sustainable economic growth and employment, this strategic objective will continue to be guided by SDGs 1 (“ending poverty”), 5 (“gender equality”), 8 (“decent work and economic growth”), 10 (“reduction of inequality”) and 13 (“climate action”).

Based on lessons learned from years of cooperation with the Bangladeshi Ministry of Agriculture, **Denmark will consolidate results** achieved from its national focus on livelihood improvements, rural economic development and climate resilience with a focus on women and youth. In the medium term, it is envisaged that the previous emphasis on empowerment of poor rural households through the Farmer Field School approach will gradually **shift towards a more private sector-led value chain approach** to economic development and the creation of decent jobs, including for women and youth. Lessons learned from the Strategic Sector Cooperation will to the extent possible complement and be included in the development engagements. It will also be explored how Danish business solutions and know-how can be applied to leverage the pro-poor Danida investments – in line with SDG 17 (“partnerships for



the goals”). Danish businesses can play an important role in creating growth and decent jobs in Bangladesh, while there is also a significant potential for local demand for Danish solutions.

Consequently, **Denmark will increasingly center its support around the linkages between agricultural supply and demand markets** – more specifically between farmers that are poor (but with some means of production) and their producer organisations on the one hand and small and medium sized enterprises (SMEs) within the agribusiness sector on the other. The aim is to enhance value addition throughout the value chain, thereby improving markets and employment opportunities for the poor farmers while stimulating private sector growth through agribusiness development. Climate smart solutions and strategies for adapting to challenges in the supply market will increasingly serve as a guiding principle. In line with the UN Guiding Principles on Business and Human Rights, the new private sector development approach will emphasize issues such as climate and environment, gender equality, youth, social protection, and human rights including the rights of workers. Realising that markets do not automatically work in favour of the poor, **Denmark will strive to ensure that increased profit and value addition benefit all value chain actors**, including smallholder farmers.

#### ***D.2 Enhanced resilience of selected vulnerable and marginalised groups, including Rohingya refugees and host communities as well as groups prone to irregular migration and climate affected displacement***

In line with the principle of the SDGs to leave no one behind, **Denmark will maintain its focus on marginalised and vulnerable groups**. It is assumed that skills and agribusiness development will lead to better jobs and improved income for these groups. A lack of economic opportunities being one of the root causes of irregular migration, it is further assumed that the support will have a positive effect on vulnerable groups of potential irregular migrants. **Denmark will cooperate with the Bangladeshi authorities on enhancing migration management**, *i.a.* through information campaigns about the risks of irregular migration and responsible reintegration of returning Bangladeshi citizens as well as through contributions to the reintegration of returnees.

Denmark will support efforts to improve the livelihood and climate resilience of **Rohingya refugees and affected host communities** in South Eastern Bangladesh. The support will build on lessons learned from the Farmer Field School approach, but will also focus on social cohesion and peaceful coexistence between host communities and the refugee population. Such a focus is key in providing for the protection space that is needed for a continued effective humanitarian response to the refugee crisis. **It is Denmark’s ambition to strengthen the Humanitarian-Development Nexus approach** in a Bangladeshi context and in doing so ensuring that the Danish development engagements are applied in synergy with the humanitarian interventions as part of a more durable and longer-term response to the refugee crisis. Underpinning this, **Denmark will utilize knowledge of more durable solutions from other contexts** to promote stronger coordination between development partners and humanitarian actors and a long-term commitment in Bangladesh. In addition, **Denmark will continue livelihood support to the indigenous and marginalised people** of the Chittagong

Hill Tracts. Denmark will continue to stay engaged in the political dialogue to promote sustainable solutions together with relevant international partners.

### ***D.3 Democracy, good governance, human rights and gender equality***

This strategic objective will be guided by SDGs 5 (“gender equality”) and 16 (“peace, justice and strong institutions”).

In the areas of gender, human rights and anti-corruption, Denmark has long-term partnerships with several public institutions and NGOs. These partnerships provide Denmark with a high degree of credibility and trust – as well as responsibility – in these areas, vis-à-vis the Bangladeshi actors. Denmark is highly regarded for its constructive advocacy on delicate issues, including fighting corruption and upholding rule of law. Value-based dialogue will remain an important element in Denmark’s partnership with Bangladesh in the years to come, and **Denmark will maintain a constructive dialogue with partners and interlocutors** on a wide range of issues of interest to both countries.

**Denmark will consolidate ongoing development activities** that promote human rights and good governance, improved working conditions and workers safety, civic space, gender equality, sexual and reproductive health and rights, while combating gender based violence, radicalisation and violent extremism. In this context, Denmark will also look for new entry points to provide support to local civil society.

**Denmark will seek influence** in the areas with the best possibilities for creating positive change. **Political dialogue** – both bilateral and through the EU – will be a key instrument in contributing to the development of democracy, human rights and fundamental freedoms, including the freedom of speech, which is particularly relevant in the wake of the 2018 parliamentary election. In addition Denmark will seek broad partnerships with likeminded partners and development actors, including relevant Danish strategic NGOs.

Both Bangladesh and Denmark are members of the **Human Rights Council (HRC) for the period 2019-2021**. This creates an opportunity for re-enforcing cooperation in the area of human rights and gives a platform for dialogue at a higher level. The locally-based process of following up on recommendations from the **Universal Periodic Review (UPR)** is another concrete opportunity where closer cooperation and dialogue can support improvements to the human right situation in Bangladesh.

**Denmark will work to strengthen local civil society** through the provision of long-term support, including – where relevant – support for networks, dialogue activities etc. with the aim of building local capacity and collective resilience to pressure. Danish and international NGO-partners will be an important vehicle for such efforts.

### ***D.4 Increased and diversified economic and commercial relations***

The commercial opportunities in Bangladesh are generally seen as attractive by Danish companies, which is reflected in growing engagement year by year. More than two million

Bangladeshis join the ranks of the middle class every year and Bangladeshi consumers are eager to spend on more sophisticated goods and services. Meanwhile, the Government of Bangladesh as well as the private sector increasingly focus on **green growth and sustainability**. There is a growing interest from several sectors, including the RMG sector, in efficient and green solutions within energy and water as well as a drive towards higher-level technological solutions – areas where Danish businesses hold a strong position and where investments can contribute to achieving the SDGs. At the same time, Danish companies sourcing in Bangladesh, particularly within the RMG sector, have an interest in ensuring that their products comply with required standards and are produced under sustainable and socially responsible conditions. However, protectionism of the local industry is very common and high import duties on many products challenge the Danish export opportunities and the competition in general. To tap into the large business opportunities in Bangladesh, Danish companies will therefore need to ensure local content in the value chain of their products.

Large companies within the dairy and pharmaceutical sectors have a long history in the country and a growing portfolio, and several Danish clothing brands have long sourced from Bangladeshi textile factories. Investments in the local production of Danish brands contribute to both development of the specific sectors by transfer of know-how and technology and secure local employment and growth opportunities. These well-established Danish companies serve as inspiration for new companies within a broad range of industries. Danish consulting companies occasionally win contracts tendered by the development banks or the government, but there is an additional potential to tap.

Denmark will continue and expand the **Strategic Sector Cooperation on workers' safety between the relevant authorities** in Denmark and Bangladesh in support of Danish buyers. At the same time, Denmark will continue to **enhance synergies between the development cooperation and commercial activities** and promote Danida Business Finance instruments, Denmark's Export Credit Facility (EKF), the Investment Fund for Developing Countries (IFU) and other financing instruments, including the multilateral banks.

Denmark will continue to provide **high quality services to Danish companies**. The Danish Embassy in Dhaka offers all the services from the Trade Council available to Danish companies. Going forward, commercial relations will be promoted within a wider regional Trade Council approach for South Asia and aligned to regional clusters in order to provide better services and critical mass to companies and partners.

Meanwhile, to better support Danish businesses, Denmark will **strengthen its economic diplomacy** in Bangladesh, both bilaterally and in cooperation with the EU. In context of the latter, Denmark is engaged in the Bangladesh-EU business dialogue, that seeks to promote and improve the business environment.

## **E. Monitoring of Denmark's engagement**

A mid-term review of the country programme has been carried out in 2019. An evaluation of the Agricultural Growth and Employment Programme (AGEP) will be finalised in 2019. The joint regional board for TC South Asia, which is headed by the ambassadors of the region, will monitor and coordinate trade related activities.