

## **Denmark-Bangladesh Strategic Framework 2022-2027**

### **Draft**

#### **A. Denmark in Bangladesh: Vision and strategic direction**

Bangladesh is recognized worldwide as one of the most vulnerable countries to the impacts of global warming and climate change, but also as a country with a very positive economic outlook. The most vulnerable people, who still struggle to see socio-economic progress, are expected to be hit the hardest by the climate crisis, and the UN estimates that one in seven Bangladeshi may experience climate-induced displacement by 2050.

On this backdrop, Denmark's 'Bangladesh Strategic Framework 2022-2027' will be guided by Denmark and Bangladesh's mutual commitment to actively address the climate response at a global and national level while simultaneously focusing on growth, equity and environmental protection. This entails work that will enable a more resilient, prosperous and just society, which engages in environmentally friendly and socially-just trade. In this pursuit, the framework will leverage Danish strengths across sectors ranging from climate diplomacy, green business opportunities, innovation and research, and government-to-government strategic sector cooperation.

The framework builds on 50 years partnership, which predominantly has focused on traditional development cooperation. The decades of support to e.g. the agriculture, fisheries and water sectors, democracy and human rights, including the rights of women and indigenous peoples, has contributed to mutual trust and created a solid platform for constructive political dialogue between Denmark and Bangladesh.

Bangladesh has seen a solid economic growth over the past decades. As a result, Denmark's focus on trade cooperation has increased in the past years with increased investments and business relations. With this strategic framework, it is the ambition that Denmark in the period 2022-2027 will accelerate the transition from a traditional development partnership towards a partnership borne by economic diplomacy with a special view to Denmark's ambitions in the SDG and climate agenda.

An important element in the transition will be to pursue a role for private sector investments in enabling a green, digital and sustainable socioeconomic transition in Bangladesh. To realize these, Denmark and Bangladesh have signed a bilateral 'Sustainable and Green Framework Engagement', which amplifies the mutual aspirations in a green and sustainable transition.

**The overall vision of the Danish engagement in Bangladesh 2022-2027** is that:

*Bangladesh is transitioning towards a sustainable, green, and socially just society through a comprehensive commercial and political partnership with Denmark.*

The vision will be pursued through **two strategic objectives** for the period 2022-2027, namely

- **Promote a green and socially sustainable economic transition**
- **Enhance human security for a resilient and socially cohesive society**

The strategic objectives will be complemented by cross-cutting priorities such as the preservation of democracy and human rights, empowerment of youth, and improving gender equality, specifically the protection of women's and girl's rights.

On the backdrop of the Danish Foreign, Security, Trade and Development Policies, Denmark will in this endeavor bring all relevant instruments into use to promote change and pursue Danish interests and priorities. These instruments include political dialogue, bilateral development projects, strategic partnerships with Danish NGOs, academic research, Strategic Sector Cooperation, business instruments, and multilateral engagements at both national and global level.

The expanded partnership approach will entail coherent and coordinated actions whereby Danish instruments will be supplemented by engagement with relevant stakeholders and actors across society - and a close collaboration with the EU and the UN in particular. Through this partnership, Denmark and Bangladesh will bilaterally be able to tap into the knowledge, skills and expertise held by Danish authorities, civil society and the private sector in pursuit of the above vision.

## **B. Context: Achievements, challenges and risks**

### **Economic Growth, Human Development and Active Multilateralism**

Bangladesh is becoming a country of substantial economic and political weight, rendering it an important partner for Denmark in South Asia. According to IMF and the World Bank, Bangladesh's economy is expected to cross USD 500 billion over the next five years. With a total population of 168 million, and an average annual growth rate of 7%, Bangladesh could within 20 years be among the world's 25 largest economies. The country's economic recovery after the first two years of the Covid-19 pandemic signaled its overall resilience to economic shocks.

Bangladesh was included in the Lower Middle Income Country group in 2018, and will graduate from the United Nation's Least Developed Country (LDC) category in 2026. While these are important milestones in Bangladesh's development, it will mean that Bangladesh will face duties and possibly reduced trade benefits with international markets. Continued preferential access to the European market will depend on i.a. improved labour conditions, and sustained competitiveness will require more environmentally friendly and socially oriented value chains across all sectors.

The economy of Bangladesh is vulnerable to its heavy dependence on the garment sector, which constitutes 80 pct. of the export. The pharmaceutical sector is slowly growing with exports to more than 125 countries, including the EU. The information and communications technology industry has also grown steadily over the last years, with increased outsourcing by European companies. As most imports to Bangladesh are sourced from China and India, there is opportunity to improve the trade balance between Bangladesh and the EU. Foreign Direct Investment (FDI) from the EU remains limited, amounting to only USD 2 million annually.

The ILO-World Bank estimated before the Covid-outbreak that one out of four youth were not in employment in Bangladesh. As a consequence, many young people seek migrant job opportunities in the Gulf States, making migration another key driver of economic growth as remittances contribute to 8-10 pct. of the GDP. Irregular migration has increasingly become a challenge as the Gulf States intake has reduced.

In human development terms, Bangladesh has made great strides, including an impressive decline in child and maternal mortality, and a rise in life expectancy from 58 years in 1990 to 72 years in 2019. Expected years of schooling increased from 5.6 to 11.6 years, and GNI per capita from USD 1,554 to 4,976 in the same time span. The pandemic has led to significant learning loss and impacted education levels in the country because Bangladesh had one of the longest school closures in the world.

Bangladesh is an active multilateral player supporting rules-based international order and common progress of humankind with engagements in particular in the climate agenda, freedom of religion, peacekeeping and peacebuilding.

### **Climate change and vulnerability**

Placed in a delta and with extremely high population density, Bangladesh is on the frontline of climate change, with effects being felt acutely in both rural and urban areas. An estimated 90 million Bangladeshis live in "high climate exposure areas", and up to 30 million people could be displaced from coastal areas in the coming decades. In the longer term, a sea-level rise of 45cm by 2100 is estimated to submerge more than 10% of Bangladesh's territory.

The high exposure to climate change is in particular a threat to the last decades' positive growth in agricultural productivity. Bangladesh has become self-sufficient in grains, but the productivity is gradually stagnating, and the sector faces challenges to achieving food security for the population. Higher profitability, productivity through mechanization, irrigation expansions, modern and climate smart agricultural production methods, and flood control are means to overcome the challenge.

Apart from food insecurity, the millions already living in chronic poverty in Bangladesh risk facing an aggravated health insecurity due to climate change, just as it can contribute to loss of land and livelihoods, which will heighten the risk of conflict and human insecurity, and risk causing climate-induced displacement.

The Government of Bangladesh has shown impressive leadership in its disaster risk reduction and climate adaptation efforts. It has been allocating own financial resources and been successful in accessing International Climate Funds.

On the emission side, in spite of the country's drive for industrialization, Bangladesh has committed itself to generating 40% of its energy from renewable sources by 2041. Currently, renewable energy accounts for approximately 3% of its energy production.

## **Trade potential**

Danish exports to Bangladesh stood at DKK 650 million and imports from Bangladesh were at DKK 6.3 billion in 2021.

The middle-class – now 12 million people – is growing faster than in any other Asian country. Anticipating that the Bangladeshi economy will sustain an average 7% annual growth rate, by 2026, the GDP (nominal) will cross USD500 Billion with a \$3,200 GDP/capita. This growth is partially export driven but significantly relies on domestic consumption driven by the large population that fuel a rapidly growing economy with an increasing industrial base, urbanization and infrastructure needs. With this development comes a rising purchasing power pointing to a consumer market for a range of advanced products and services.

Fossil fuel still accounts for 85% of the total energy generated in Bangladesh. But the demand for *energy efficiency and renewable* energy is increasing every day. Bangladesh aims to increase electricity from renewables from 3% to 10% by 2025. Investments are also required to achieve Bangladesh's target of quality and uninterrupted supply of electricity to all, through integrated development of power generation, transmission, and distribution.

*Clean and safe drinking* water to all is equally a goal which the Danish private sector have strong competencies in – both through knowhow and technical solutions. The government has the mandate of providing clean and safe drinking water to all, and will thus invest significantly, also in hard-to-reach-areas such as the remote islands and coastal areas of Bangladesh.

*Wastewater solutions* is equally high on the agenda, with a separate allocation under the national budget to address climate challenges and ensure a sustainable environment. Policies are in place, and factories, companies and stakeholders will now have to move towards more efficient technologies for water usage and water treatment. This is highly relevant for the garment industry and tanneries, but also for a wide range of other industries, including the medical.

*Food and agriculture* has for decades been of interest for Danish companies doing business in Bangladesh; ranging from dairy production, to food and beverages production, to cold chain and storage. The market is not only expected to grow, but will also evolve to demand state-of-the-art testing facilities and equipment, capacity building of key stakeholders in the value chain, including the public authorities, to cooperate and constructively support its manufacturers and exporters by ensuring quality control and certification of food products.

There is a broad recognition that Bangladesh's private sector must diversify to secure and sustain the growth of the overall economy. This requires broad-based business environment reforms, which tackle social and governance issues, ensure rule-based predictability for investors, transparency, and skills and competences development of the country's youth.

### **Poverty and fragility**

Although Bangladesh has achieved significant economic growth and trade potential, the gains are unequally distributed and inequality remains a key concern.

In 2019, 10% of the population accounted for approximately 43 pct. of GDP, while the poorest 50 pct. shared 17 pct. At least 20 million people are locked in extreme poverty. The fragility of the poorest was clearly seen during the time of the Covid pandemic, when urban slums saw a per capita income drop of 75 percent and rural populations of 62 percent.

Minorities, including indigenous peoples, continue to suffer disproportionately from poverty, violations of rights, and insecurity linked to local conflict. The fragile situation in the Chittagong Hill Tracts, where the 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 to address tens of thousands of grievances on access to land.

In general, Bangladesh's economy generates too few jobs and income opportunities for the several millions young people who enter the labour market each year. Half the population is below the age of 24 years and while youth represents a substantial potential dividend, it also comes with a risk of disenfranchisement and social unrest arising out of unmet expectations. There is a risk of instability and irregular migration if the job market cannot respond to their demands.

### **Rohingyas**

Almost one million Rohingya refugees from Myanmar have taken shelter in Cox's Bazar, a poor as well as environmentally fragile part of the country, where they now out-number the local population in some sub-districts. As the situation becomes more protracted, tensions between the host community and the Rohingya refugee population continue to build. Risks of escalating local conflicts are increasing due to the dense population and the already affected environment, with no perspectives of a solution to the situation.

Support to both the host community's and the refugees' needs – also with a view to conflict mitigation – will remain critical to reduce poverty and instability in this part of Bangladesh.

## **Democracy and Human Rights**

Bangladesh's constitution provides for a parliamentary form of government in which most power resides in the Office of the Prime Minister. While the country enjoys a relatively strong political stability, Human Rights defenders report pressure on democracy, rule of law, and human rights such as freedom of speech and association.

Corruption remains a challenge for the country. According to Transparency International, Bangladesh performs comparatively poorly in the South Asian region, with many public institutions perceived to be corrupt.

Civil society in Bangladesh is vibrant and active, but suffers from weak capacity and governance issues. The space for civil society interventions has been shrinking in Bangladesh. Media freedom has also decreased according to Human Rights Watch. Bureaucratic and cumbersome registration and approval processes have adversely affected CSO activities. This has limited platforms for marginalized groups, poor people, youth, and women and girls to claim their rights for access to services, jobs, and incomes.

Since Covid-19, child marriages, domestic violence, gender-based violence, and abuse have been on the rise. Women and girls suffer the most due to the weak respect for human rights. More than 70% reported some abuse by their partners and incidents during Covid-19 crisis. Bangladesh's rates for child marriage remain among the highest in South Asia. While 3-4 million women are employed in the garment sector, jobs for women are still constrained to a few low-paying sectors.

### **Box 1 Risks and scenarios for Bangladesh**

The achievement of the strategic objectives for the Danish partnership with Bangladesh depends on political, economic and social developments as well as a range of associated risk factors.

In the positive scenario and as targeted by the Government, Bangladesh will continue its fast economic and social development towards becoming a UN “Developed Country” by 2041. This will require a continued high level of economic growth. This kind of growth can only spur from maintaining access to current export markets, diversification of the economy, greater FDI, infrastructure development, and the prevalence of a skilled work force. It can also be fueled by the growing middle class who seek better living conditions and demand more advanced products and services. The social changes will likely lead to domestic understanding and support for the government’s international climate leadership. There will likely be a demand for a green transition because the environmental and climate damage will be visible, inevitable, and extensive.

Reduction of poverty will continue and the state will gradually have the capacity to take responsibility to offer greater social protection, whereas today many gaps in social services are filled by NGOs. This scenario requires political stability in the country, which implies that the question of political succession is resolved peacefully with ample democratic space and no human rights violations. Climate displaced persons are absorbed into economic activities and urban regions, and there is minimal consequence of rapid urbanization caused by climate-induced migration.

In the negative scenario, Bangladesh loses its competitive edge in the international garment sector before being able to move to the high-value-added production markets, the country falls into the Middle Income Trap, sees low foreign investment, has limited industrial diversification, and poor labour market conditions. Bangladesh does not achieve the preferential market access to the European market after losing its privileged access in 2029. Other real risk factors for this situation are the lack of skilled workers due to lack of quality education at all levels. Lack of predictability as well as of a level playing field and unchecked corruption may continue to discourage FDI and hamper Danish companies’ interest in the market. Lack of ability of the state to deliver on economic growth and incrementally improve quality of life may undermine its legitimacy and contribute to social disorder. Furthermore, the question of political succession could become the cause of massive civil unrest in the country during a period of transition. The Intergovernmental Panel on Climate Change (IPCC) noted that the greatest single impact of climate change could be on human migration with a predicted number of 200 million displaced by 2050, and Bangladesh will not be spared. Finally, social and economic disenfranchisement contributes to social fragmentation and rise in radical ideologies and religious extremism, which will undermine a secular society committed to democracy and human rights.

Except for major disruptors in the world market or losing the preferential access to the European market, none of the challenges are unsurmountable and Bangladesh is mainly set on the positive scenario. However, difficult reforms will be required, including touching on vested interests, which will challenge the government’s ability to keep the risks in check, and there will surely be bumps on the road to becoming an emerging market and beyond.

### C. Danish political priorities, achievements, and strengths

Denmark's 50 years of bilateral development partnership with Bangladesh has contributed significantly to local development in areas such as governance and human rights, humanitarian protection, climate adaptation and mitigation, livelihoods development, access to clean water, agricultural development and improved infrastructure. These are all contributing factors to Bangladesh's impressive social and economic development.

The longstanding and committed partnership has contributed to Bangladesh's trust in Denmark being a credible bilateral partner. It gives a strong platform for a continued dynamic, broad and adaptive partnership required in Denmark's gradual shift from traditional development partnership towards a partnership driven by economic diplomacy intending to push for a green and socially sustainable development.

In this endeavour, Denmark will ensure that learnings from past achievements inform the selection of instruments and the design of specific activities nationally in Bangladesh, and through joint pursuits at the global level.

#### Climate diplomacy

In line with the Danish Government's Strategy for Development Cooperation, "The World We Share", the Foreign and Security policy, and Denmark's commitment to the Sustainable Development Goals (SDGs), Denmark will enhance its focus on climate under the umbrella of **a broad bilateral 'Sustainable and Green Framework Engagement' between Denmark and Bangladesh**. This will guide the joint endeavor to reach the targets set in the Paris Climate Agreement.

Denmark will **pursue shared priorities with Bangladesh in the international climate agenda and negotiation process**, and push jointly for progress in relevant multilateral forums. Joint efforts in this regard will build on Bangladesh's leading role in the climate negotiations and its active role in the Climate Vulnerable Forum, and Denmark's strengths in promoting green technologies.

In support of the climate vulnerable people, Denmark will **strengthen its engagement in climate change adaptation and healthier ecosystems** for the global and local benefit and to address the root causes for climate induced displacement. Denmark will ensure that this benefits the most vulnerable and marginalized people of Bangladesh, who are also most vulnerable to climate change, shocks and disasters. Focus will be on strengthening resilience of local communities through improved access to clean water and climate smart agricultural value chains.

#### Economic diplomacy

Denmark will pursue the 'triple bottom line', and insist on both strengthening the potential for Danish private sector engagements in Bangladesh, and purposefully work towards ensuring Bangladesh's stake in a green and socially just global agenda. Focus will be on efforts across the public and private actors, and work towards a mutual understanding of **social responsibility in the value chains**, which nurture Bangladesh's industry's demand for greener energy sources, more energy efficient and climate smart productions, and better working conditions in Bangladesh. Danish companies are able to contribute to the green transition by technology transfer and through green investments.



## Value diplomacy

In accordance with Denmark's Foreign and Security Policy, Denmark will engage in the fight for **democratic values, promote international rule of law, and respect for human rights** to create hope and **equal opportunities for all**. Denmark will together with and through the Nordic partners, the EU and the UN, and in open dialogue with Bangladesh, ensure an active focus on these values with a view to **contribute to Bangladesh's continued stability**, which is fundamental to the continued sustainable growth. This requires a broad focus also on drivers of inequality, communal tensions, and matters relating to religious intolerance and violent extremism.

Danish focus will be on a few critical areas where past Danish engagement provide a relevant basis for engaging, such as labour rights, girls and women's rights, and indigenous peoples rights.

## Migration Diplomacy

Denmark will continue its efforts to help uncover sustainable economic prospects for vulnerable people where they live. Observing how irregular migration from Bangladesh to the EU has increased over the past years, Denmark will maintain a strong focus on **decent jobs** as a contribution to sustain livelihoods and equitable economic development. The joint Team Europe Initiatives will support better **job opportunities for youth** who enter the job market.

## Humanitarian support

The situation of the Rohingyas has become a protracted crisis, which calls for an effective international response and coordination. Denmark will **work to address both the humanitarian and development dimensions of the Rohingya crises** and provide support to both Rohingyas and the communities affected by the large influx.

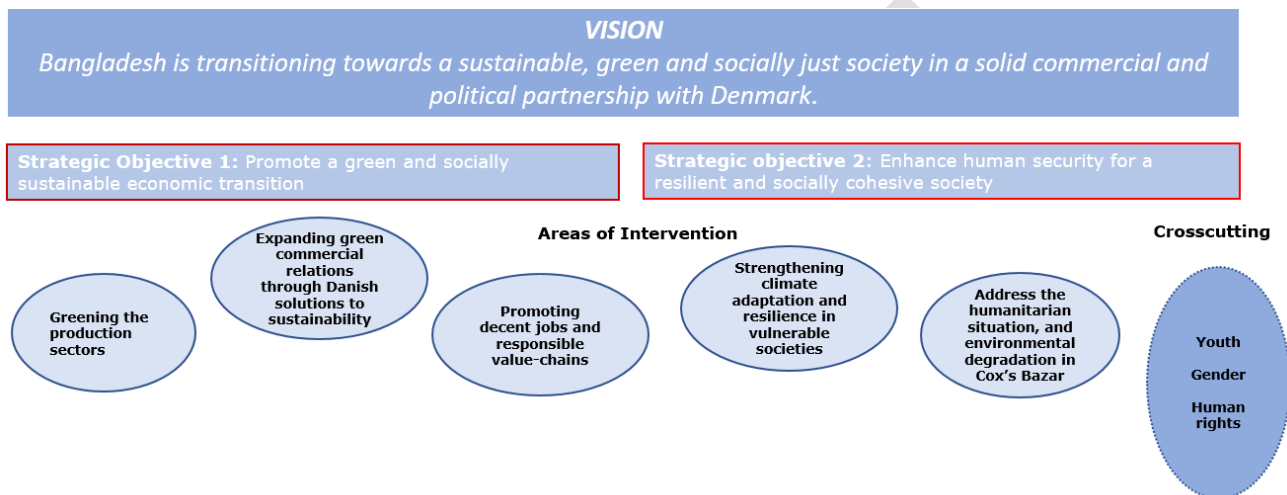
### Box 1: Overview of Denmark's most important instruments in Bangladesh

- Active political dialogue, including through the EU and other multilateral fora
- Bilateral development programme
- Climate Funds
- Strategic Partnership Agreements with Danish NGOs
- Danida Development Research Grants
- Strategic Sector Cooperation
- Danida Green Business Partnerships
- Danida Sustainable Infrastructure Finance, IFU, EKF/Green Accelerator and other financing mechanisms
- Through EU: NDICI and Team Europe Initiatives
- Multilateral engagement at both national and global level (including through Green Climate Fund, Global Environment Facility, UNDP, UNHCR, WFP, and the World Bank).

## D. Strategic objectives

This section unfolds the two strategic objectives and describes how Denmark – through coherent efforts across policy areas and instruments – will pursue these.

One focuses on the green partnership for Bangladesh’s sustainable and fair transition, the second addresses vulnerability of populations living with severe livelihood risks or humanitarian needs, due to climate change, conflict, and marginalization.



The work to support the Strategic Objectives will revolve around five areas of varied interconnectivity. For each area of intervention, selected tools and approaches are applied building on past achievements, strengths, and new opportunities. Each area of intervention works primarily towards one of the two objectives, but also support the other.

Respect for human rights and concerns for gender and youth are cross-cutting, and all initiatives and instruments will be designed and applied with respect to the Human Rights Based Approach.

### D.1 Green, sustainable and socially just economic growth

- Strategic objective 1: Promote a green and socially sustainable economic transition
- Relevance of the SDGs: 1 (no poverty), 6 (clean water), 7 (affordable energy), 8 (decent work and economic growth), 11 (sustainable cities and communities), 12 (responsible consumption and production), and 13 (climate action).

Advancing a growth process that generates greener and better opportunities for more people is integral in the Danish partnership with Bangladesh.

Of the five thematic areas of interventions, three will in particular relate to this. One will directly promote Danish-Bangladeshi business partnerships on green and responsible solutions, and as such provide the foundation for the growing commercial partnership between Bangladesh and Denmark. The other two work to promote the enabling conditions for a greener and more sustainable industry and responsible value-chains, by advancing more environmentally friendly production and by introducing more responsible labour practices. All three are closely related, and synergies will be sought in the implementation.

### *1. Expanding green commercial relations – Danish solutions to sustainability*

In support of SDGs 6 (clean water), 7 (affordable energy) 11 (sustainable cities and communities) and 12 (responsible consumption and production), this area of intervention will work to increase the number and extent of partnerships between Danish and Bangladeshi private sector enterprises interested in connecting the local market with the global demand for sustainable solutions and emerging markets.

Denmark is well-positioned to support Bangladesh's ambitions to promote a greener economy, with strong-holds in water solutions and food and agriculture in particular, but also in relation to sustainable building construction, energy efficiency, life sciences, and shipping and logistics.

Denmark will engage in improving the business climate to underpin more interest from Danish companies.

### *2. Greening the production sectors*

Building on a long-term development engagement in two specific sectors, namely food & agriculture and garment, Denmark will in particular focus on these sectors, when supporting more environmentally friendly production practices and value-chains. This is fully in line with Bangladesh's own commitment to promote a greener economy and a more resilient society. It will also help fulfill SDG 12 (responsible consumption and production) and 13 (climate action).

The garment sector is Bangladesh's economic backbone and growth driver contributing to 80 percent of the country's export. Many Danish garment brands source from Bangladesh, and the country has been subject to criticism for its negative environmental and social impact leading to increased efforts of cleaner and more responsible production in the recent years. The national and international demand for a more environmentally friendly and sustainable garment sector requires a continued focus by relevant stakeholders.

The agricultural sector accounts for less than 20 per cent of GDP, but is highly relevant as it employs more than 40 per cent of Bangladesh's labour force. The sector experiences high post-harvest loss caused by poor product quality and insufficient cool chain. There is a demand for a climate-smart transition of the production in Bangladesh by strengthening the regulatory frameworks, and institutional capacity, systems and processes through sharing of best practices and green knowledge/technology transfer.

### *3. Promoting decent jobs and responsible value-chains*

Decent work has been high on the agenda in Bangladesh since the Rana Plaza accident in 2013, in which more than 1,100 workers died in a collapsed factory. This has triggered significant progress on responsible business conduct in the formal garment sector. The work has been driven jointly by the Bangladeshi government, the private sector, garment brands, civil society and development partners.

Danish research has shown a positive correlation between better working conditions and productivity, which gives a business model that could be amplified.

Continued progress on decent work is essential for many Danish companies relying on responsible value-chains to maintain and expand partnerships with Bangladeshi suppliers. Denmark has knowledge to share, and is a well-established and credible partner to bring together relevant institutions

and authorities, the industries, and the unions in Bangladesh. This solid platform is instrumental to push forward developments in this area and will enable progress on SDG 8 (decent work and economic growth).

## **D.2 Climate vulnerability, stability and conflict mitigation**

- Strategic objective 2: Enhance human security for a resilient and socially cohesive society
- Relevance of the SDGs: 1 (no poverty), 5 (gender equality), 6 (clean water), 10 (reduced inequalities), and 13 (climate action).

Bangladesh's most vulnerable communities have precarious livelihood opportunities, lack social protection, and have limited resources to secure their resilience in face of climate change and natural disasters. The most marginalized groups include women and children, and religious and ethnic minorities. Progress remains geographically uneven with areas affected by fragility and resource constraints being of particular concern. Pre-existing inequalities have been further exacerbated by Covid-19.

In line with the strategy of leaving no one behind, Denmark will address vulnerability in fragile communities through a focus on climate resilient livelihoods and humanitarian needs. This will contribute to poverty reduction, tackle drivers of destabilization and displacement, and address factors driving inequality in Bangladesh.

Two areas of interventions are directly supporting this objective.

### *4. Strengthening climate adaptation and resilience in vulnerable societies*

In line with the Danish Development Cooperation Strategy, Denmark will give priority to improve highly vulnerable communities' resilience to climate change, to prevent climate-induced loss and damage and enhance their livelihood and social protection needs. This will also reduce the pressure on natural resources, improve the broader environmental situation and mitigate climate related displacement.

The World Bank has identified the Chittagong Hill Tracts (CHT), the coastal zone and the Haor wetland areas as especially climate vulnerable hotspots. These regions are at the same time crucial for the country's socio-economic and ecological security as they provide vital natural resources. Denmark will therefore target adaptation interventions in vulnerable communities in these areas.

The Danish engagement will revolve around capacity building of vulnerable communities, Local Government Institutions and civil society organisations for planning and financing climate change adaptation solutions in selected climate vulnerable areas, including micro- and small-watersheds, and amongst smallholder farmers who are most vulnerable to impacts of the rising salinity in coastal and estuarine areas in line with SDG 1 (no poverty), 6 (clean water), 10 (reduced inequalities) and 13 (climate action).

Recognizing that the climate crisis is gendered, with women being disproportionately affected by the effects of a changing climate, Denmark will maintain a strong focus on gender and youth when supporting local-led adaptation and climate resilience at community level to support SDG 5 (gender equality).

## *5. Address the humanitarian situation, and environmental degradation in Cox's Bazar*

In line with the international society, Denmark considers the Rohingya crisis a protection crisis. Children, who make up approximately half the refugee population, have been disproportionately affected by the crisis due to physical, psychological, and social vulnerabilities, particularly due to disruptions in their education.

The Cox's Bazar district, which hosts the communities is exceptionally vulnerable to the impacts of climate change, and preparedness and resilience to environmental risk and disaster situations is therefore increasingly a concern. This comes on top of the high human-made pressure on natural resources and environmental degradation, including deforestation, pollution and groundwater depletion, which is a consequence of the influx of approximately a million Rohingyas in an already overpopulated and poor district. Together, these factors are contributing to a negative sentiment among Bangladeshis.

A near future political solution to the situation is unlikely. While continuing to advocate for a political solution for the Rohingyas to return to Myanmar, the crisis will have to be treated as a protracted crisis. Durable solutions for the refugees and the Bangladeshis living in Cox's Bazar must be considered through enhanced livelihoods taking into consideration the extreme pressure on natural resources and the reduced ground water level.

Denmark will support both humanitarian and protection needs, for a de-escalation of local conflicts through targeted and essential development support, including access to drinking water and better sanitation interventions in the host communities. These will contribute to SDG 5 (gender equality), 6 (clean water), 10 (reduced inequalities), and 13 (climate action).

### **Monitoring of Denmark's broad engagement in Bangladesh**

The Embassy in Dhaka will, together with the Ministry of Foreign Affairs in Copenhagen, maintain an overview of the broad range of engagements implemented by a broad range of actors, and through the various available instruments supported by Denmark.

A monitoring framework outlining strategic indicators will provide the basis for the Embassy's analysis of progress, which will guide the bilateral political dialogue with the Government of Bangladesh and other relevant partners including civil society and businesses who have a stake in the implementation of the Strategic Framework. The monitoring of indicators will furthermore lay the foundation for internal management dialogue related to scenarios and risks.

Review of the individual partnerships under the bilateral development programme will be specified in accordance with the Danida Aid Management Guidelines.

## IMPACT LEVEL

### OVERALL VISION

Bangladesh is transitioning towards a sustainable, green, and socially just society through a comprehensive commercial and political partnership with Denmark.

### STRATEGIC OBJECTIVES

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| 1. A strengthened green commercial and development collaboration for a sustainable economic transition | 2. Enhanced human security for a climate resilient, stable and socially cohesive society |
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### INDICATORS AND MEANS OF VERIFICATION (MOV)

<p><b>1. Equality and growth inclusiveness</b> (Proportion of population living under national poverty line; Income per capita among the bottom 40% population). MOV: World Inequality Database; World Bank Poverty and Equity Data Portal; Bangladesh Bureau of Statistics (BBS) Household Income and Expenditure Survey, SDGs: 1.2.1, 10.1.1.</p>	<p><b>1. Adaptation, mitigation and climate resilience</b> (Integrate climate change measures in to national policies, strategies and planning). MoV: Ministry of Environment, Forest and Climate Change Reports, SDG 13.2.1.</p>
<p><b>2. Green commercial partnership and sustainable development</b> (Danish-Bangladeshi business partnership on green and responsible solutions to foster balanced growth and sustainable development). MoV: Global Green Economy Index; SDGs: 6, 7, 11, 12.</p>	<p><b>2. Socio economic vulnerability</b> (Addressing livelihoods and humanitarian needs and climate-induced irregular migration). MoV: Socio-economic Vulnerability Global Risk Index; IOM; SDG: 10.7.2.</p>
<p><b>3. Sustainable and fair transition</b> (Addressing green and inclusive growth for advancing sustainable economic growth through collaboration and partnership) MoV: World Bank Doing Business Index; SDG 17.11.1.</p>	<p><b>3. Inclusiveness and tolerance</b> (Reduced conflict and violent extremism) MOV: Global terrorism Index; SDG 16.1.2.</p>
<p><b>4. Decent and productive jobs creation</b> (Proportion of informal employment in total employment, by sector and sex; MoV: SDG 8.2, 8.3, World Bank Databank Jobs/ILO, OECD.</p>	<p><b>4. Gender equality</b> (Achieving gender equality and empowerment of women; combating violence against women and girls). MoV: SDG 5.2.1, 5.3.1 (Child marriage rate); SDG Bangladesh Progress Report; Bureau of Statistics; Ministry of Women and Children Affairs.</p>
<p><b>5. Agricultural productivity and growth inclusiveness</b> (Volume of production; Proportion of agricultural area under productive and sustainable agriculture). MoV: SDG 2.3.1, 2.4.1. Agriculture Sample Census; Agriculture Production Survey, BBS; Bangladesh SDG Progress Report.</p>	<p><b>5. Youth</b> (Productive jobs created for young men and women, Proportion of youth not in education, employment or training). MoV: World Bank Databank Jobs (ILO; SDGs 8.6.1.</p>
<p><b>6. Green growth</b> (Leadership and Climate Change; Efficiency Sectors, Markets, Investments, Environment, Proportion of population with primary reliance on clean fuels and technology). MoV: Global Green Economy Index; SDG 7.1.2, 12 and 13</p>	<p><b>6. Human Security</b> (Security of individuals and groups in economic, environmental, and social terms) MOV: The Human Security Index; SDG 1.1, 1.4, 13.1, 13.3, 16.1, 16.7, 16.b</p>

## **E. Bangladesh bilateral development programme 2022-2027**

The previous chapter focused on the comprehensive approach to the strategic objectives of the Strategic Framework for Bangladesh. This chapter specifically outlines the strategic focus areas of one of the instruments - the bilateral development programme 2022-2027.

The reduced size and scope of the programme, in comparison to past development programmes, signals the gradual phasing out of Denmark's traditional development support and the transition from an 'expanded partnership', where all instruments are used to the anticipated future 'targeted partnership', which will increase focus on supporting areas of mutual interests.

DKK 250 Million has been budgeted for the bilateral development programme covering 2022-2027. On top of this, funds from the 'climate envelope' and an ongoing partnership with IFAD (2019-2027), focusing on agriculture and strengthened market linkages, will be treated as part of the programme.

### **Priorities and strategic considerations**

To actively pursue synergies between the different instruments, the bilateral development programme will consist of a limited number of projects. The projects will be designed to address the strategic objectives of the overall Bangladesh Strategic Framework.

The preliminary outcomes are defined with consideration to:

- add value to the strategic objectives;
- ensuring a focused and lean portfolio;
- building on past achievements;
- adaptive design; and
- consolidation of Denmark's past engagements in Bangladesh for sustainability.

The programme will be implemented by long-term partners, of which most are envisaged to be multilateral. The partners will be selected based on their capacity to implement effectively with a view to a sound exit strategy/sustainability, and/or potential scaling of impact by the Government or other development partners.

The development aspirations and priorities enshrined in Bangladesh's 8th Five Year Plan will, together with the Sustainable Development Goals, guide the programming. The United Nations Sustainable Development Cooperation Framework for Bangladesh 2022-2026 will also be a guiding document, which will be supported both through Denmark's significant core support through the broader UN system, and through relevant projects under the bilateral development programme.

The Embassy will on a regular basis assess synergies with other instruments, including the sector cooperation, to ensure an adaptive approach in the implementation of the bilateral development programme.

### **Development projects in support of green, inclusive and sustainable production sectors**

In support of the first Strategic Objective of the Bangladesh Strategic Framework, the bilateral development programme will focus on Denmark's support towards a green and socially just economic growth through the Food & Agriculture Sector, and through urban industrial sectors, including, but not limited to the garment industries. The programme is expected to pave the way for

enhanced engagement of Danish enterprises and businesses that work for a fair and socially and environmentally sustainable trade agenda. With considerations to the principle of ‘leaving no one behind’, the sectors are selected because they can be drivers of not only economic growth, but also for improved local livelihoods in both rural and urban settings.

### Greening the industries

Pursuing a green and socially just transition, Denmark will continue its involvement in the greening of significant polluting industries in Bangladesh. This will work to prevent a continuation of the growth in CO<sub>2</sub> emissions Bangladesh has seen over the past two decades, and address Bangladesh’s own pursuit of a green and trade-driven transformation of the industries. With the transition towards a more trade related future partnership, this is an essential stepping stone, which responds to Bangladesh’s continued access to the Danish and broader European markets and its growing demand for green and sustainable supply chains.

Globally, it is estimated that the fashion industry is responsible for 10% of global carbon emissions. Barriers such as usage of old and poorly maintained machines, poor energy management are key issues being addressed in the garment sector, as in several other industries in Bangladesh, if Bangladesh is to meet its nationally determined contributions target of 15% GHG emission reduction by 2030. Water is another concern, as the textile production is estimated to be responsible for about 20% of global clean water pollution from dyeing and finishing products globally, solutions for waste water treatment is required for more environmentally friendly production methods.

### Development through better working conditions

An equally important element of a sustainable supply chain is ‘decent work’, which is essential for Bangladesh to continue its access to the European market.

Denmark has built a longstanding and constructive relation with both the Danish and the Bangladeshi business sector, social partners, and relevant authorities engaged in the decent work agenda primarily within the garment sector. Partnerships which have been stimulated by the sector cooperation between the Danish and Bangladeshi Labour Inspection Authorities over the past years.

Denmark will ensure that this strong platform is maintained, and that the bilateral development programme works to support efforts to strengthen social dialogue and harmonious industrial relations. As part of Denmark’s exit strategy, the aim is to consolidate many years of investment and partnerships, and to see a continued strong ownership of the Bangladeshi business sector. The focus on consolidation of labour standards and decent working conditions is timely as it directly links to Bangladesh’s roadmap for continued preferential access to the European Market. Furthermore, it responds to European brands’ expectations to see a more sustainable and socially just garment supply chain.

The Danish engagement in the sector will be an integral part of the ‘Team Europe Initiative on Decent Work’ – which brings EU and several member states together for a coherent approach to skills and job creation for youth and women in particular, as well as work safety and protection, and labour rights based on international standards.



The support will ultimately contribute to transforming the economy towards a more inclusive and socially just economic growth, and is therefore important for the achievement of the second Strategic Objective in its aim to reduce inequality and drivers of conflict.

#### BOX 2

BSF Expected Outcomes - Development projects in support of green, inclusive and sustainable production sectors

- Strengthened government and private sector participation in promoting green, resilient, and inclusive development by setting climate and environmental standards that meet upcoming EU requirements for import.
- Strengthened enforcement of labour law, and increased motivation of companies with a view to pursue a sustainable supply chain and decent working conditions.

Out of the bilateral development programme's DKK 250 Million, DKK 70 Million is allocated to support Bangladesh's sustainable, green and socially just growth.

#### Complementary development project

An existing IFAD development project<sup>1</sup> is carried forward till 2027, and will be seen as complementary to the efforts related to a green, inclusive and sustainable production sector. This project supports the development of rural commodity value chains, with a focus on adoption of improved climate friendly production methods and establishment of sustainable market linkages. This engagement builds on a decades-long partnership in the agricultural sector in Bangladesh, and the sector has grown significantly over the years. But the severe vulnerability to extreme weather is increasingly becoming a challenge. Denmark and Bangladesh share the vision to see the advancement of a more climate friendly food & agriculture sector as an engine for economic growth, which call for intensified green and climate smart practices. Building on past experiences, Denmark will continue to support the income and food security of marginal and small farmers and microentrepreneurs across selected value chains as a means to improve resilience and generate employment.

#### **Development projects targeting resilience of vulnerable groups affected by climate change**

The second Strategic Objective of the Country Strategic Framework relates to enhancing human security for a climate resilient and socially cohesive society. Focus will be on the most vulnerable groups who are exposed to an increase in frequency or intensity of climate related events such as cyclones, floods, droughts, and adverse impacts on livelihoods, agricultural production and ecosystems. These undercut prospects for peace, stability, and sustainable development. The bilateral development programme will address this objective in light of the climate vulnerability, poverty, inequality and conflict nexus.

The projects will respond to the Paris Agreement's goals and Denmark's ambitions to devote focus to climate adaptation in the most climate vulnerable countries, with a focus on the most marginalized people.

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<sup>1</sup> Carried forward from Bangladesh Country Programme 2026-2022

### Strengthening adaptation and climate resilience in vulnerable communities

Being one of the most climate vulnerable countries in the world, it is essential to support Bangladesh's resilience towards climate change. Denmark will therefore expand its contribution to adaptation with a view to limit loss of livelihood opportunities for the most vulnerable and thereby diminish climate-induced displacement. Investments have to be implemented in close collaboration with – and engagement of – local communities and authorities, and where relevant be connected to the global funds, which are operating in Bangladesh. Denmark will give special attention to the nexus between climate change and economic impoverishment with a focus on agriculture and natural resources dependent communities in Bangladesh. These will include the Chittagong Hill Tracts, where Denmark over many years has been engaged in local adaptation initiatives and in the realization of the Peace Accord between ethnic minorities in the region and the government of Bangladesh, but also climate vulnerable communities near the coastline and/or in the Haor wetland region.

Given the increased global focus on climate adaptation, Denmark will work through multilateral avenues to ensure a strong collaboration with policy-makers that are able to promote scaling-up of relevant approaches, promotion of community engagement to increase local ownership; and mainstreaming of nature-based solutions into policymaking. The bilateral development programme will therefore ensure strong links to global funds' engagement in adaptation and disaster resilience, and as such build a platform for continued dialogue beyond the bilateral development programme.

### Deescalating conflict potential in Cox's Bazar

While Denmark supports the humanitarian response in the Rohingya camps through Strategic Partnerships with Danish NGOs and through the significant core contributions to the UN system, the bilateral development programme will focus on the dire development needs in the host communities of Cox's Bazar region. This region faces a severe risk of increased fragility, conflict and local violence due to the high pressure on natural resources amplified by the climate changes and the sudden presence of approximately one million refugees. Already prior to the Rohingya crisis, Cox's Bazar was amongst the districts in Bangladesh with most limited access to safe drinking water, particularly in remote rural areas. Also the unstable situation in the bordering Rakhine region of Myanmar is a concern in this part of Bangladesh, where deforestation and groundwater depletion has amplified anti-refugee sentiments among Bangladeshis towards the Rohingyas, and where channels of radicalization has increased over the past years. Through collaboration with local government institutions and contributions to visible development investments in the water and sanitation sector, the Danish bilateral development programme will contribute to reducing the longer term conflict potential, while also facilitating access to basic services.

### BOX 3

BSF - Expected Outcomes – Development projects targeting resilience of vulnerable groups affected by climate change

- Strengthened capacity of local and national stakeholders to plan and implement local-led climate adaptation solutions.
- Enhanced use of evidence-based information for improvement of climate change adaptation policies and practices at national and local level.
- Vulnerable host communities benefit from improved hygiene sensitization, and access to water and sanitation for enhanced livelihood, resilience and diminished local conflicts.
- Government agencies promote social inclusion and tolerance.

Out of the DKK 250 Million of the bilateral development programme, DKK 180 is allocated to support human security by reducing drivers of inequality and conflicts through strengthened adaptation and climate resilience.

### Complementary development project

An existing BRAC project<sup>2</sup> is carried forward till 2024, and will be seen as complementary to projects targeting resilience of vulnerable groups affected by climate change. This project supports the immediate need to work for clean drinking water in the coastal zone, where access to drinking water has become a source for conflict and displacement as increasing salinity creates stress on populations who rely on both surface and groundwater for drinking water, and forces mostly women to travel further to source safe drinking water.

### **Budget for Bilateral Development Programme**

	Budget (DKK)
Green, inclusive and sustainable production sectors	70 Million
Resilience of vulnerable groups affected by climate change	180 Million
<b>Total</b>	<b>250 Million</b>

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<sup>2</sup> Climate envelope 2021

## Annex 1. Key Figures for Bangladesh

INDICATOR	VALUE	YEAR	SOURCE
<b>Key Economic Data</b>			
Surface area (square km, thousand)	147.57	2020	WB
Population	164.69 million	2020	WB
Gross Domestic Products, GDP (current US\$)	323.06 billion	2020	WB
Gross Domestic Products Growth (annual pct.)	3.509	2020	WB
GNI per capita (current US\$) <sup>3</sup>	2030	2020	WB
Doing Business 2020 rank (out of 190 countries)	168	2020	WB
<b>Sectoral share of GDP</b>			
- Agriculture (%)	13.02	2019	BBS
- Industry (%)	31.13	2019	BBS
- Services (%)	55.86	2019	BBS
Government expense (% of GDP)	9.4	2016	WB
Tax Revenue (% of GDP)	8.77	2016	WB
Net ODA received per capita (current US\$)	27.493	2019	WB
Net official development assistance (% of GNI)	1.418	2019	WB
Current account balance (% of GDP)	0.335	2020	WB
Total debt service (% of GNI)	1.141	2020	WB
Inflation, consumer prices (annual change in pct.)	5.691	2020	WB
<b>Key Social Data</b>			
Population growth (annual %)	1.003	2020	WB
Life expectancy at birth	72.59	2019	WB
Infant mortality rate (per 1,000 births)	24.3	2020	WB
Number of doctors (per 10,000)	6.37	2019	WHO
Adult literacy rate (% above 15 years of age)	74.7	2019	UNESCO
School enrolment, primary (% gross)	119.556	2020	WB
Military expenditure in (% of GDP)	1.302	2020	WB
Poverty headcount ratio at 1,90 US\$ a day (% of population)	14.3	2016	WB
Income share held by the lowest 20% of population	8.6	2016	WB
<b>Key environmental data</b>			
Forest area (% of land area)	14.47	2020	WB
Terrestrial and marine protected areas (% of total territorial area)	4.889	2018	WB
CO2 emissions (metric tons per capita)	0.513	2018	WB
<b>Key human rights data</b>			
Number of International Human Rights Instruments ratified (out of 14)	10	2020	OHCHR
Strength of legal rights index (0=weak to 12=strong)	5	2019	WB
Political rights score, 0 (Not free) - 40 (Free)	15	2020	The Global Economy
Civil liberties index, 7 (weak) - 1 (strong), 1972 - 2020	4	2020	The Global Economy

BBS: Bangladesh Bureau of Statistics

<sup>3</sup> Atlas method.