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# INFLUENCING RESULTS IN FOUR TARGET AREAS OF SWEDEN'S DEVELOPMENT COOPERATION WITH BANGLADESH: OPPORTUNITIES FOR PRIVATE SECTOR COLLABORATION

Final report for mapping the role of private sector in Sweden's new results strategy for Bangladesh and opportunities for Private Sector Collaboration (PSC)

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## **Framework Agreement on Market Development**

Contract no C61157/F61021

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*Framework consortium led by SIPU International AB*  
*Consortium partners:*



**ACRONYMS**

BGMEA	Bangladeshi Garment Manufacturers Exporters association
CBO	Community based organization
CIDA	Canadian International Development Agency
DFID	Department for International Development
ENICT	Enheten för näringslivssamverkan och ICT (Sida)
ETI	Ethical Training Initiative
FAO	Food and Agricultural Organization
GIZ	Gesellschaft für Internationale Zusammenarbeit
GPOBA	Global partnership for output based aid
IDCOL	Infrastructure Development Company Limited
IFC	International Finance Corporation
IFI	International Financial Institution
ILO	International Labour Organization
ISO	International Organization for Standardization
JICA	Japan International Cooperation Agency
KTH	Kungliga Tekniska Högskolan (Royal Institute of Technology)
LFA	Logical Framework Analysis
LFI	The Local Finance Initiative
LoCAL	Local Climate Adaptive Living Facility
MFI	Micro Finance Institution
M4P	Making markets work for the poor
OECD	Organization of European Commerce and Development
PaCT	Partnership for cleaner Textile
PPP	Public Private partnership
PPDP	Public Private Development partnership
PSC	Private sector Collaboration
PSD	Private Sector Development
RMG	Ready Made Garments
SBE	Social Business Enterprise
SDC	Swiss Development Cooperation
SEK	Swedish kronor
Sida	Swedish International Development Cooperation Agency
SIWI	Stockholm International Water Institute
SRHR	Sexual and Reproductive Health and Rights
STWI	Stockholm Water Initiative
UNCDF	United Nations Capital Development Fund
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WB	World Bank
WWF	World Wildlife Fund
WFA	Water Footprint Assessment
WHO	World Health Organization

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# INFLUENCING RESULTS IN FOUR TARGET AREAS OF SWEDEN'S DEVELOPMENT COOPERATION WITH BANGLADESH: OPPORTUNITIES FOR PRIVATE SECTOR COLLABORATION

## I Introduction

Responding to a request from the Swedish government, Sida in December 2013 submitted a proposal on a new strategy for Sweden's development cooperation with Bangladesh. This new strategy, expected to be decided upon by the Swedish government during 2014, and to serve for a seven year long period, is based on four so called *results areas*, each containing three specific result indicators. The Government's request had also mandated that *women shall be the primary target group* of the future Strategy.

Furthermore, the Swedish government has expressed an ambition to as much as feasible involve the *private sector* in its development work. In all the four results areas, Sweden intends<sup>1</sup> to work with the most relevant stakeholders - whether public, private or NGO - and engage in interventions with cost-effective and innovative setups in order to achieve the best possible results. If the goal is e.g. to decrease the prevalence of diarrhoea in children the question to ask will be: Which actors could offer the most effective way to achieve this? The ministry of health, NGOs or private companies?

The present study, commissioned by the Swedish Embassy in Dhaka

- attempts to map private sector actors that today appear to be influencing the four result areas defined as targets for Sweden's development cooperation in Bangladesh

- provides examples of feasible further scope of private sector involvement in these result areas, and

- identifies actors for Sweden to partner with to enhance results in the four target areas.

### *The Four Result Areas*

The four result areas each with three specific target results are the following:

#### **1. Accountability, Democracy and Human Rights, In Particular for Women**

Agents of change within civil society and government institutions:

- 1.1 Work more effectively for greater respect for human rights and democratic accountability.
- 1.2 Work more effectively to combat corruption, and in particular corruption that affects women.
- 1.3 Have greater capacity and increased incentives to address violence against women.

#### **2. Maternal Mortality and Child Mortality Including access to Sexual and Reproductive Health**

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<sup>1</sup> This paragraph is quoted from the T.O.R.

### ***and Rights (SRHR)***

- 2.1 Reduced water-related mortality among children below five.
- 2.2 More women living in poverty have access to a national system providing quality maternal health care.
- 2.3 People living in poverty and marginalized groups make greater use of their rights to sexual and reproductive health.

### ***3. Resilience for People Living in Poverty Through Improved Environmental Management and Basic Services***

- 3.1 Increased resilience, in particular among women living in poverty, as a result of improved protective infrastructure, disaster management systems and adapted livelihoods.
- 3.2 Government institutions and other stakeholders have greater capacity to manage water resources, particularly in disadvantaged and vulnerable areas.
- 3.3 People living in poverty have increased access to sustainable and resilient water, sanitation and hygiene services.

### ***4. Productive Employment, as well as Socially and Environmentally Sustainable Business Practices that Primarily Benefit Women***

- 4.1 Preconditions for women's productive employment and economic empowerment have improved
- 4.2 Enterprises in small and medium-sized cities, predominantly employing women, have greater capacity to develop business opportunities
- 4.3 Improved social dialogue between the parties in the labour market, which promotes better working conditions, primarily for women

## ***The Assignment***

The report is based on interviews with different categories of actors made during a two-week visit to Bangladesh at the end of May 2014, and on desk-based research. Over 40 persons were interviewed in 35 different firms and institutions, among them 14 firms and private business associations, 10 bilateral donor agencies, 5 IFIs, and 6 NGOs. Most of the donors as well as other actors are already today, or plan to be, involved in various schemes of private sector cooperation.

## ***Some Methodological Points***

This study will not focus on - nor however exclude - the fourth result area, which is naturally covered by a parallel assignment. The specific criteria for identifying and selecting opportunities for suitable PSC for Sida are discussed at some detail in chapter III.

It should be pointed out that some of the PSC schemes presented in Chapter III can have an effect on more than one of the four result areas. For example a scheme which aims to enhance women's empowerment (result area 1) by applying mobile education solutions, could equally well serve to enhance women's employment status (result area 4).

With respect to the various *direct and indirect modes* with which Sida envisages collaborating with the private sector, it is not the task of this assignment to discuss their suitability for the respective PSC-ventures proposed. This study focuses on the direct modes of collaboration with the private sector. However, we believe that the schemes of PSC presented in this report are such that they could be designed as a PPDP or a guarantee, *or* in terms of an "indirect" mode of cooperation depending on the particular situation and the wishes and preferences at the time of prospective partners. This is further elaborated in chapter 3.

***Report structure***

In Chapter II, as a background, the report provides a general overview of what kind of private sector actors influence the achievement of the results today, and in what way.

Chapter III, which is the main focus of the report, for each of the four main result areas, identifies the scope for private sector involvement that could positively influence Sida's objectives in the respective results areas, and proposes suitable opportunities for Sida to engage in collaboration with the private sector.

Chapter IV, based on the findings of Chapter III, presents a selection of examples of actors of different categories, which Sida could collaborate in the schemes proposed.

Chapter V, finally presents a brief "quality assessment" of the PSC opportunities proposed, while Chapter VI offers some tentative conclusions.

## **II - Private sector involvement today in the four result areas where Sweden's development cooperation with Bangladesh is to have effect**

This section provides a general overview of the current situation in Bangladesh with respect to the four result areas where Sida is to focus its development cooperation. It briefly accounts for result-affecting activities going on today - both by government, NGOs and private sector actors - and points out the main problem areas, which today are largely not being addressed<sup>2</sup>.

There is little data - either by way of formal statistics or in terms of reports - available to describe the private sector involvement with respect to the four result areas defined by Sida. Nor do we know which sectors to look at, because a certain result area could be influenced by activity from any sector - health, education, transport, industry, trade etc. It is difficult to establish what results private actors are achieving in any of the 12 result areas, as it is not easy to even find out where there are private firms active. For these reasons the mapping must be based on observations and opinions, and these observations will not be comprehensive, nor systematic. It should also be mentioned that our ability to define the scope for future private involvement with respect to the result areas does not really depend on systematic knowledge of what is going on today. Donors, NGOs as well as other actors all seem to have their ideas regarding the scope for private sector activity anyway, even if they have no such systematic knowledge.

### **Result Area 1: Accountability, democracy and human rights, in particular for women**

With respect to the result indicators contained in result area 1, most observers will agree that there is today little direct involvement by private sector actors. However, we can assume - and in some cases observe - that there could be indirect involvement of private sector actors. One such involvement is when business firms conduct training and information campaigns within their own companies on issues such as corruption, violence against women etc. In many cases we will assume that the companies' motive for doing so is that it will be good business in the long run. This is then based on the idea that workers who are informed about corruption and various human rights will in the long run be better and more stable workers, which in its turn will be good for the company's business. Improved life style of the workers would ultimately benefit the industry itself by way of increased productivity, decrease in labour unrest, bringing positive changes in the behavioural style and sense of responsibility and ensuring a congenial working environment to comply with the requirements of the buyers.

Bangladesh has achieved remarkable success in empowerment of women, particularly the disadvantaged women. A large part of the credit is due to the civil society organisations working since the liberation in 1971. A large number of women are now no longer dependent, rather they are cash contributors to their families. Internal migration of women (young girls mostly) had been a common practice since long and they were mostly engaged as household workers by tradition and used to receive small amount of cash against selling their working hours almost 24 hours. The RMG industry has meant a massive change in the life style of the disadvantaged poorer women. But accountability, democracy and human rights in the sector have not yet been given necessary importance though it would be beneficial for both the parties.

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<sup>2</sup> The dominating focus on the ready-made garments sector in this chapter as well as all through the report is explained by the fact that it is by far the most important sector of the Bangladeshi economy, and the country's largest foreign exchange earner. It is also the sector where a Swedish firm is a leading actor.

More than 5 million women now work in the RMG and allied industries. It is difficult to clarify the roles and responsibilities of the civil society actors and government institutions. However the private sector entrepreneurs have largely failed to enforce basic norms of employment, accountability, democracy and human rights. Certain rights for female labour, i.e. maternity leave have not yet been implemented in most enterprises. Only a few industry owners have introduced some of the basic rights for the women workers, and incorporated those women's rights in their policy. Basically garment workers are low paid employees. They are also deprived of many of the facilities they are entitled to. The workers do not have effective organizations to represent them. It has been possible for the reason that the women workers coming from rural area are mostly illiterate and unaware of their rights and responsibilities and the employers take this as an advantage.

Corruption in Bangladesh in some way has been institutionalised due to poor governance. This is equally true for the individual enterprises, associations as well as micro finance institutions. Private Sector actors cannot be considered as primary responsible for the wide spread corruption practices. Sometimes they may not have any option but to take part in corruption to do business, and thereby themselves becoming active contributors to spreading corruption.

Industries employing women workers need to increase their capacity to combat violence against the women at the work place and also outside, i.e. on way to the work place. An important responsibility is to create the feeling of security among the women workers - a congenial working environment within their factory premises, the work places. Ensuring a secured working environment would ultimately contribute towards increased productivity. Some violence against women workers is caused by their male co-workers. However, it should be noted that most of the violence occurs at their families and on way to their work places, and not primarily in the workplace.

Most of the RMG factories in Bangladesh were established at unplanned building premises in the Metropolitan areas in Dhaka and Chittagong. The buildings were not constructed for such industries but converted with minimum renovations to accommodate the factories. Naturally, the buildings do not have the necessary facilities to meet the requirements of emergency exit in case of fire and/or any other accidents. Lack of safety and security caused several accidents and loss of lives.

The 'Readymade Garments' in Bangladesh, with passage of time have become matured and the conditionality imposed from the buyers' side have also been stricter. The bigger industries are now relocated at new industrial locations outside the Metropolitan area and the buildings are also being constructed to meet the safety requirements. Having safe working environment at the work place is a right of the workers. The Government along with ILO and the associations (BGMEA, BKMEA & BTMEA) have strengthened their supervisions and working together to ensure safe congenial working conditions at the individual factories.

Another right of the workers ignored for long was absence of the right to have their own platform to negotiate with the owners. Non-existence of trade unions or associations in form actually contributed towards creation of unwanted chaos in the sector. Recently, the Government has enacted a law to ensure the right of the worker to get organised in form of associations. This is expected to be beneficial for both sides - the workers as well as the owners. However, still there is a long way to go to materialise the practices of accountability, democracy, and human rights in the private sector enterprises in Bangladesh.

Many private sector entrepreneurs have realised the benefits to the company by strengthening accountability, democracy and human rights. To accelerate the process the private sector could consider interventions such as:

- Encourage formation of workers' forum to represent the workers;

- Provide necessary training for the representatives regarding their rights and responsibilities to ensure accountability from both the sides;
- Develop regular dialogue between owners and workers;
- Ensure availability of necessary infrastructural facilities to meet emergencies and accidents, such as fire, earth-quake, building collapse, etc.
- Arranging safety parades at regular intervals;

## **Result Area 2: Maternal mortality and child mortality, including access to SRHR**

Maternal mortality and child mortality are dependent on easy access to services related to Sex and Reproductive Health Rights (SRHR). This is a right of women not a privilege, and it should be the responsibility of the employer as well as the government to ensure it. Yet the rights of the women are regularly ignored. The RMG industry is however seen as having contributed to a reduction of maternal mortality and child mortality. In addition, medical care facilities, even though of limited scale, contribute towards achieving other relevant results, e.g. increased consciousness about primary health care, pre-natal, post-natal and neo-natal health care, requirement of balanced diet for pregnancy period and neo-mothers, importance of safe delivery under the care of a trained birth attendant, etc.

A considerable number of relocated RMG factories are under the coverage of rural health & family planning services from rural areas, but the problem is availing of the services since the recipients spend most of their time at the factory premises. Several big groups of industries in the RMG and textiles sector have introduced maternity and primary health care services for their employees. Some have also introduced regular medical check-up facilities for their employees.

Some of the NGOs involved in micro-credit have their own clinical facilities to provide services at a subsidised cost. Some of them have introduced health cards for the beneficiary loan takers and made it mandatory to get a thorough medical check-up prior to sanction and disbursement of loans. They also have established referral relations with private medical services at subsidised expenses. These MFI run medical services also provide awareness advices at the weekly centre meetings, family planning products and immunisation for the client women as well as their family members.

Lack of safe drinking water at the factory premises as well as at the residents of the workers causes different water-borne diseases, affects health and hygiene of the workers and their family as a whole. Children are the easiest victims, water borne diseases being one of the primary reasons for child mortality. Bangladesh's achievement in reducing infant mortality is significant, made possible not least through creating awareness regarding safe drinking water, and use of non-contaminated water for cooking and other household activities.

At the workplaces almost all factories arrange for supply of safe drinking water either from their own sources or from external supply. The problem lies with supply of safe drinking water and water for daily household requirement for drinking, cooking, washing and bathing. Women workers mostly live in groups in cheaper accommodation with limited facilities. Availability of safe water at their residents is still not ensured. In the areas they live do not have any water supply from the organised government sources.

Women living in poverty have limited access to a national system providing quality maternal health care even if, at least in principle government health and family welfare services are extended down to the lowest strata of the local government, the Union Parishod. Private clinics can also be found at most of the Upazilas. In addition, some MFIs provide medical services at a subsidised price. MFIs also have interest free loan facilities for their members for specialised and costly treatment for the

members as well as their family members. Some MFIs have arrangements with local private hospitals and clinics where members can receive treatments at subsidized prices.

Access to specialist treatment is inadequate, as there are not many experienced doctors in rural areas. The ones that practice in rural areas usually do not provide the services free of cost, and often government hospital doctors will be seen to spend more of their time in private practices. Women living in poverty can hardly avail these services. Moreover, they do not have the funds to pay for tests and medicine. Test facilities at the Government hospitals are limited, supply of free medicine from Government hospitals are also limited.

Several awareness raising campaigns organised by the local government in collaboration with the health department contribute significantly to increased awareness about maternity care, safe birth under a trained birth attendant (Dhai), neo-natal care and care for new-mothers. Actually the traditional birth attendants have been brought under training programme to make them aware about the safety and importance of cleanliness during the birth of a new baby. All these efforts actually contributed towards decreasing maternal and child death ratio.

Since 1990's private sector medical colleges and hospitals are coming up to supplement government run medical services in Bangladesh and by now a number of specialised hospitals have been established in the private sector. There are also some quasi-Government and NGO run hospitals e.g. BIRDEM (Bangladesh Institute of Research and Rehabilitation in Diabetes, Endocrine and Metabolic Disorders), Bangladesh Heart Foundation Hospital, Gana Shasthya Kendra Hospitals & Medical College, etc. have been contributing substantially in specialised areas of medical facilities.

These medical care facilities provide quality medical services at comparatively cheaper cost. Among the private sector hospitals and medical colleges, some of the reputed ones are Apollo Hospitals, Square Hospital & medical College, Bangladesh Medical College & Hospital, LabAid Specialised Hospital, Popular Medical College & Hospitals, Z. H. Sikder Women's Medical College & Hospital (Pvt) LTD., Jahurul Islam Medical College & Hospital, Bajitpur, Mymensingh, etc.

All of these private sector hospitals are centralised in Dhaka and are relatively costly, thus beyond the reach of the poorer section of the people. However, none of the private medical college & hospitals 'Enam Medical College & Hospital, made positive contributions to help during the 'Rana Plaza' collapse in April 2013, which claimed the lives of around 1200 female workers at the garments located in the building. But in general the contribution of private sector medical services' to benefit the result area maternal mortality and child mortality, including access to SRHR is insignificant.

The private sector enterprises may consider introduction of the facilities indicated below:

- introducing maternity leave according to the government rules
- appointing medical personal along with establishment of a small medical centre at the factory premise for regular medical check-up
- providing primary health care facilities for the workers and their minor children
- introducing child care centre inside the factory premise
- provide adequate numbers of toilets and sanitation facilities;
- supply safe drinking water within the vicinity of the work places

### **Result Area 3: Resilience for people living in poverty through improved environmental management and basic services.**

Today the private sector actors has significant negative impacts on environment. For example, responding to a dramatic increase in demand for bricks and sand for the booming construction

industry, local private firms extract sands from the river beds, without worrying about the grave potential danger they create for disaster resilience.

Another example is that brick fields are not allowed to use fire woods to burn the bricks, instead they must use coal. Also the height of the chimney of the kilns must be above a certain height so that the hazardous smoke emitted does not affect the inhabitants. But in reality the brick field owners - often they are influential local actors - pay little attention to maintain the environmental standards, and opt for cutting down green trees as a cheaper fuel for burning raw bricks. They also care very little to abide by the laws regarding location of the brick fields and use of clay.

The RMG sector, particularly the dyeing units also contribute to create hazards for the environment. Most of the dying industries did not have adequate waste water treatment facilities and connected their used water outlet with the open water bodies. As a result the rivers, canals and open water bodies were contaminated with hazardous chemicals used for dyeing yarns. According to Bangladesh Factories Act, it is mandatory, that the industries concerned must have established necessary waste treatment and safe disposal facilities at the factory premise to obtain certification from the Department of Environment. The industries paid little attention to comply; rather they were used to adopt unfair means to get the certification from the Department of Environment. The situation has now changed significantly due to imposition of strict compliance clauses from the buyers end. Almost all the relocated big factories now have established modern waste treatment and disposal facilities. It is necessary to make the private sector actors aware of the disastrous impacts to the nature and environment for not complying with the environmental rules and regulations.

Water resources management in Bangladesh, particularly in vulnerable areas, is often in a critical state. Water bodies at the suburbs and rural areas are mainly under the control of the local power brokers. Unplanned extraction of ground water ultimately would affect the environment as a whole and obviously affect the disadvantaged groups of people among them women with small children. Private sector actors have specific responsibilities so that the people living in poverty have easy access to sustainable and resilient water supply.

#### **Result Area 4: Productive employment, as well as socially and environmentally sustainable business practices that primarily benefits women.**

Bangladesh is recognised for having pioneered micro finance institutions in creation of socially and environmentally sustainable business practices benefiting women in particular. In rural Bangladesh most women are today engaged in business activities in some way or other. Just like the women RMG workers, many are no longer dependents, but are cash contributor to their families. The MFIs are not only facilitating the development of micro business enterprises throughout the country but also creating employment opportunities for a considerable number of educated youths, both male and female.

Enhancing the preconditions for women's productive employment and economic empowerment is primarily driven by the private sector actors employing women, while MFIs are playing a facilitating role. Economic empowerment of the women has tremendous impact on society, as it creates security as well as increases their value both in the family and in the society. Moreover it contributes to self-respect.

In traditional agriculture women always had a bigger role in production than was usually admitted. The women's contributions were not generally recognised in spite of the their significant contributions. Creation of visible working opportunities for women brought in a positive change, but there is still a long way to go to achieve equality. Regular dialogue and improved communication between the employer and the employees contributes substantially.

A problem today is the inadequate labour representation. In the RMG sector, trade unions were not allowed at all. It had a devastating impact on the overall law and order situation at the RMG sector. Labour unrest was common at the factories, particularly during the peak seasons. Most of those incidents were organised by external people in the name of labour organisations. In Bangladesh almost all the labour unions/organisations are affiliated with political parties and lead by non-worker professional trade union leaders. This has negative effects and works to limit workers in their ability to establish effective bargain with the factory owners for their interests.

The recently enacted rules for establishment of workers' organisation is likely to have positive contribution for the industry as a whole, probably beneficial for both parties. The private sector actors will have the opportunity of regular dialogue with the real members of the workers community and act accordingly to avoid undesired situations at the production places. To have effective workers' organisation factory managements need to be pro-active and should initiate the process. The workers should be encouraged to be organised and to express their opinions, and the representatives should be able to convey these to the management through regular dialogue.

### III Scope for private sector actors<sup>3</sup> to make a greater contribution to the achievement of the results

#### Sustainable business propositions

Sida's policy is that PSC-projects should relate directly to a firm's core business operations. The ambition in this assignment has thus been to look for genuine and sustainable commercial business ventures that are in the core of the company's business. Sometimes an investment will appear as profitable only in the long run. If for instance a company like H&M invests in courses in anti-violence or corruption for its staff, this may not appear to be profitable in the short run. However, in the long run, because of potential market effects due to customer expectations, it may turn out profitable. Investing in such a course can therefore be seen as part of H&M's core business strategy, because it will in fact influence the company's market share and sales. It is therefore a good business venture for the company.

Several on-going collaborations with the private sector, e.g. in the RMG sector, have been based on factory owners realizing that investments designed to enhance workers health will decrease the absentee rate, and provide return on investment. Thus a so-called social investment will become good business. Furthermore, factory owners may realize that investing in skills training for the workers will raise their productivity, and thus be profitable for the company - often within a very short time. It can be noted that the labour productivity of the RMG factories in e.g. Vietnam is reportedly twice as high as in Bangladesh, which means that there is still massive gains in productivity to conquer for factory owners.

#### Modes of collaboration - the Sida instruments

Sweden aims to work with the private sector both *directly* and *indirectly*. The two main (*direct*) modes for Sida to collaborate with the private sector that are *Public Private Development Partnerships (PPDPs)* and *Guarantees*, while for smaller investments also *Challenge funds* may be used.

In a **PPDP** an implementing not for profit partner (such as an NGO or a multilateral) carries out a development intervention together with one or several companies. The private actor is expected to fund at least 50 % of the total budget, and Sweden (on its own or together with other donors) the rest. The letter D in the acronym marks that the PPP is to be connected to the country's development plan, which is manifested by the government being on-board as one of the partners. Sida funds will not finance investments of private actors directly, but current costs that occur before and around such investments. They can also be used to pay for planning and for ideas which were not included in the regular business budget of the firm.

Sida provides 5 to 6 yearlong loan **guarantees**. In Bangladesh Sida cooperates with USAID in creating guarantee schemes with local banks. Irrespective of the Embassy's current plans for PSC interventions, Sida plans to establish a guarantee fund in Bangladesh<sup>4</sup> because it is mandated in Sida's instruction letter from the government (Regleringsbrev) that such guarantee facilities shall be used in the partner countries.

<sup>3</sup> In a document from May 2014 Sida lists 22 different PSCs that have been created to date in all of Sida's development partner countries. Half a dozen of them concern Asia of which three are in Bangladesh. One is with Swedish Tetrapak, another with H&M.

<sup>4</sup> This information was provided in an interview with Sida's Loan and Guarantees Unit in April 2014.

The Embassy considers that its country frame today is insufficient to start up new PSCs, and therefore, in the beginning, would like to work with guarantees to the largest extent possible<sup>5</sup>, because then less funds will be required.

Sida also foresees that it can support private sector involvement in the development cooperation in less ambitious ways, by so called "indirect" modes e.g. by

- interacting with private sector through stakeholder dialogue
- including business firms in steering groups or working groups
- working with business actors to improve markets and business conduct
- funding and carrying out components together with business firms, resembling the PPDPs mentioned above.

Presumably there may be cases where Sida starts off with "lesser forms" of collaborations, which may with time mature into PPDPs other formal collaboration agreements.

As stated in the introduction the collaboration schemes presented in this Chapter III are such that they can - depending on the circumstances and the preferences of actors at the relevant time - be the object of either direct or indirect modes of collaboration. The fact that a scheme was identified having a PPDP-collaboration in mind, in no way rules out that the same scheme can offer ways of indirect collaboration

This also explains why we have not chosen to group the actors listed in Chapter IV according to what mode of cooperation (direct or indirect) they might seem suitable for, because we do not see some actors as being appropriate/suitable for either direct or indirect modes of cooperation. All the actors have been selected on the basis that they appear to be **relevant** partners for one or more of the PSC-schemes presented, and the question of which mode of collaboration Sida will opt for will be determined by other circumstances. In some cases Sida may opt for a PPDP in others - perhaps because a PPDP appears to be difficult and time-consuming to produce - Sida may instead opt for an indirect way of collaborating, which may or may not later evolve into a more formalized cooperation like PPDP or Guarantees.

Regarding the different modes of PSC there is a hierarchy in terms of how difficult and with what time and diligence it must be prepared. While a PPDP must be carefully analysed and negotiated and contracted, there need not be such far-reaching or formal arrangements/ preparations with respect to "lesser" indirect forms of cooperation with the private sector. Given that PPDP is the mode of cooperation which is the most far-reaching and which requires the most preparations on part of Sida, many of the general comments given in Chapter III, will therefore refer to PPDPs. But the reader is cautioned that this in no way means that the respective scheme presented is limited to PPDP collaboration.

While the so called *indirect modes* of collaboration may become important alternatives in the practical work ahead, we see them essentially as different forms and degrees of *dialogue* between the embassy and the private sector. The exact nature of such dialogue will be developed as each situation arises, and we therefore see little reason to expand on them or discuss them in this report.

## Domestic or Foreign Firms as Partners

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<sup>5</sup> Sida's portfolio for Bangladesh is today somewhat squeezed. The country frame is MSEK 220 while Sida believes 300 would be needed given that its program in Bangladesh is now so broad. One Sida officer noted that both the lack of senior private sector expertise and the lack of budget funds will contribute to preventing the new program of PSC from being implemented.

Ideally most of Sida PSCs should be with Bangladeshi firms, because that would have the greatest impact on the local economy. However, the Swedish Embassy - like most other embassies – has had limited contact with and therefore knows relatively little about Bangladeshi business companies. One way for the Embassy to overcome this could perhaps be to - at least in the beginning - focus its collaboration on Swedish firms, because through them it would be possible to begin engaging with Bangladeshi firms. According to some industry observers interviewed, it is today somewhat difficult to attract Swedish companies to come and work in Bangladesh.

However there are a few large Bangladeshi firms which are well known also to Sida, among them Grameenphone, which also happens to be an important actor with respect to Sida's result areas. Also, it should be noted that the Embassy can make frequent use of consultants or the networks of other like-minded donors to identify appropriate firms and prepare a short list for the Embassy to interview and study.

It is important to point out that the Swedish Embassy is prepared to partner with foreign firms of any country, not just Swedish firms. Nevertheless the examples of suitable foreign firms given in chapter IV below are mainly Swedish ones. The scope of this assignment has not allowed us to identify and to sufficiently analyse firms of other nationalities in order to determine whether they might be suitable partners for Sida. We foresee that given the characteristics of the Swedish firms presented, and based on the criteria for selecting these firms, when the Embassy goes ahead to implement a scheme, it will be possible to search for and to identify also firms from other nationalities fitting the criteria. This process could be facilitated by cooperating with other bilateral donors.

### Small or Large firms

Partnering with a large firm in large PSC-ventures will obviously have a bigger *direct* impact on development than partnering with smaller firms. However, one must also consider Sida's ambition to support innovative companies, and such companies are often quite small. And if a partnership in a very innovative project turns out successful, its impact - through scalability and demonstration effect - can be just as big as that of a bigger company.

Another consideration is the time of due diligence and other preparations before Sida can realize a PSC. Every potential PSC will take a long time to analyse and design, and to find the appropriate firm to partner with. The time and analytic depth needed do not really differ between a small or a large company. The only difference would be that in the case of a small company, the amount of investment would be smaller and Sida could then presumably afford to be more risk-taking.

### The Choice of Implementing Partner

When entering a PSC Sida will provide grant funds to an implementing partner, which could be a multilateral institution (like e.g. the IFC, UNIDO or ILO), an NGO or a private management consultant<sup>6</sup>. The nature of the PSC will determine which of those alternatives would seem to be the most appropriate.

Apart from the private sector partner, often there will also be a government agency or ministry participating in order for the PSC to have political backing. This could of course pose a risk of making the PSC more bureaucratic and less flexible. But the government can be "invited on board" with the understanding that it will be a silent partner. When the implementing partner is a UN agency it is considered that there is automatically a backing by the government. Especially this is true for ILO with its explicit tripartite constitution.

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<sup>6</sup> The use of private consulting companies as implementing agents is not very common, but has been and is reportedly used both by DFID and GIZ.

A typical PPDP could thus consist of the following partners:

- a. Sida grant funds
- b. IFC as implementing agency
- c. a private firm whose (core) business idea is to be implemented, and
- d. an appropriate government agency or ministry

In cases where there are these four partners there should be a tight agreement between IFC and the private company on how the funds are to be spent. And around it one could have a general agreement signed by all the four parties.

An opinion expressed by ILO is that, if a project contains only service delivery, an international management consultant company would probably have more flexibility and speed of implementing and attaining project targets. However, to the extent that the project also contains policy and governance issues, then probably ILO has an advantage.

A further consideration is that also an NGO as implementer will need all the necessary permits and registrations from the government, and comparing them as alternative project implementers with ILO, one can conclude that it is easier for ILO to get permits and go-aheads from the government. If Sida has its own PSC with a private Swedish - or Bangladeshi private company - such a PSC must also register with and get approval from the government.

### **Demonstration Effect**

An impression that came across strongly in interviews as well as through the review of documents, is that PSC donors currently operating in Bangladesh - beside the concrete and direct economic effect - are quite aware of and interested in the demonstration effect that their PSC may have. This perhaps explains why a high profile actor like H&M has become involved in at least half a dozen different collaborations with donor agencies in recent years.

For Sida this means that entering into a PSC, which has the intention of being innovative, scalable and replicable, it may be a good idea - whenever appropriate - to partner up with well-known actors with good reputation. In chapter three below examples of such partnerships will be given.

### **Additionality and entry barriers: raison d'être for Sida grant to participate in PSC**

The predicament of the Swedish embassy in Bangladesh is to identify commercial ventures, where the private firm itself takes a business risk and makes an investment, while at the same time Sida provides grant funds in a way which is not market disturbing and also additional. The reason for a donor to use its grant funds to support a commercial business investment is that there are perceived barriers preventing a private sector actor to go ahead with the investment. Much of the research and evaluation on the subject highlights the following reasons why markets do not function effectively for the poor:

- lack of trust and transparency in relationships
- no quality standards or poor application of formal rules
- cultural norms that foster behaviours that counter better performances
- misaligned incentives
- poor infrastructure
- lack of access of credit
- poor or inappropriate flows of information

A donor entering a PSC wants its innovation to be *additional*. The following eight criteria<sup>7</sup> have been advanced to ensure additionality:

- the company cannot self-finance the project
- it does not have the knowledge to implement the project alone
- it is unwilling because of perceived lack of profitability
- it cannot access equivalent support from a commercial provider.
- the project is unlikely to displace other companies already operating or ready to enter the market
- the project would not duplicate other donor-funded support
- helps leverage other forms of investment
- conditions for support are likely to benefit business activities or on the business environment

These are thus the criteria that have been used when identifying opportunities for private sector collaboration in this assignment.

### **Identified Venture Where There is Scope for Private Sector Involvement: Opportunities for a Sida PSD**

Overall, our guidelines for the selection of the 15 PSC-opportunities listed below have been the following:

- (1) It shall have the potential of substantially affecting one or more of the Sida result areas.
- (2) it must contain a clear and profitable *business opportunity* for a private sector actor to explore<sup>8</sup>.
- (3) it must be a case where Sida grant funds would genuinely make a difference in the sense that without it, the private actor would not move to exploit a business venture which is deemed profitable in the long run
- (4) the idea behind the PSC should be innovative.
- (5) it must be realistic to design, to find suitable partners and to implement.

These five factors have been the overwhelming focus of both interviews and document search in this assignment, and have led to the identification of the 15 PSC opportunities presented below. While some of the concrete business propositions have not so far been considered as objects of possible private sector collaboration, most of them have at one time or other either been discussed or - in some cases - implemented (on pilot basis) in various forms and by various actors. Some are being planned today.

In several of the cases it would seem that it is precisely the absence of support from grant funds that have impeded the private actor from going ahead with a business proposition that is seen to be profitable in the long run, implying that a donor could play a catalytic role by e.g. removing some of the risk faced by private sector actor.

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<sup>7</sup> DCED: Demonstrating additionality in private sector development initiatives: *Eight criteria for assessing additionality*

<sup>8</sup> With respect to *indirect* modes of cooperation one may foresee that the requirement of profitable business proposition can be relaxed.

In several of the project ideas there may be an option for Sweden to either set up its own PSC initiative or to cooperate/ co-finance with an existing initiative already on-going by another donor. At any rate Sida may opt for starting a dialogue with the concerned parties and this will show whether it is a case where new competitive or complementary projects are in order, or whether the nature of the business proposition is such that it still needs to be developed and where a joint effort is preferable. Several of the donors interviewed, having started or currently contemplating PSCs, have stated that they welcome other donors to take part indicating opportunity for Sida to collaborate with likeminded donors.

## Results Area 1

The mapping above concluded that there is today little direct involvement by private sector actors, which has any effect on result area 1, dealing with *good governance, democracy and human rights*. However, based on the many detailed and far-reaching analyses of women's' empowerment and other gender aspects, which have been carried out in recent years, it is nevertheless possible to imagine a number of business propositions which are seen as having a potential to positively affect result area 1. The following 5 (tentative) proposals have emerged based on interviews with donors, NGOs as well as business representatives:

### **1. RMG salaries paid out to employee bank account and not in cash**

Among the many barriers to women's empowerment is that even the women who work in formal employment with a salary are not able to exercise control over their own incomes. Almost all factories in Bangladesh today pay their employees' wages in cash. When e.g. the young women working in RMG plants bring this cash home the husbands or the fathers take control over it. Therefore, one should test the introduction of wages to be paid out on bank account in the name of each employee.

The connection to Sida's result area no 1 of such a reform we can picture in the following way:

*Firstly*, when some women benefit from such a reform others will take note of the freedom and self-confidence this has brought with it, and the women themselves will, through their example become agents of change, which can in the long run be expected to affect their status in terms of democratic rights and exposition to corruption and violence.

*Secondly*, NGOs and other institutions, normally acting as agents of change in this area, will be encouraged to work for this and similar reforms in the future.

The banks ought to be interested as they would be expanding their cash and credit resources. So at least in the long run it is most likely a good business proposition - as the women become bank clients and use other of the bank's services. Women would probably be willing to pay a small percentage of their salary in order to have this solution. An important obstacle may be that in general the public confidence in the banking system in Bangladesh is low

The reform of paying women's wages into bank accounts rather than dispensing them by cash is included as one of ten components of a large program proposed by IFC<sup>9</sup> on mobile banking. This project, which is described below, includes many other financial services than just digital handling of wages.

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<sup>9</sup> Bangladesh Textile Competitiveness Program Strengthening the overall sustainability of the RMG sector and improving workers' safety: Overview of Proposed IFC Program 2014 – 2017, April 2014

## **2. Computer-based mobile phone financial services for the poor**

Women's ability to independently manage their finances is a key factor in their economic empowerment and can therefore be seen as an intervention, which addresses result area 1, much in the same way as proposition 1 above. With the explosion of mobile phone usage by the poor - today some 80 million Bangladeshis are estimated to use mobile phones - there has been increased realization of how it can be used to enhance the financial services available to the poor. Several donors are already involved in preparing such projects, notably IFC which is implementing the USED 5,2 million Textile Competitiveness program due to start in July 2014. The IFC reports that:

*“RMG workers live in a highly informal, cash-based economy and have high levels of financial insecurity. Mobile banking services are already available in Bangladesh and are increasingly being targeted at unbanked populations that are largely low-income and low-literate/numerate. However, a service tailored to RMG workers does not exist. There are significant needs and opportunities to provide a range of financial services to RMG workers - a "shopping basket" of competitively-priced, easily-accessible products that enable them to manage their money, to improve financial safety and security, to remit money to families back home, and to save for short and long term financial needs”.*

GrameenPhone has taken initiatives with respect to various mobile financial services, through its *Mobile Wallet* project. Much of their ideas build on the enormous success of similar programmes supported by e.g. DFID in East Africa. The field of opportunity for private sector collaboration, could potentially be significant. As experience shows from the rest of the world, business opportunities can be found in many different financial services - many of which may be applicable to the poor in Bangladesh. Banks and other private sector actors should be interested in PSCs in this area. Even if the fees that can today be charged by banks for financial services are relatively low, the fact that there is a hitherto untapped market of tens of millions people will be compelling reason for banks to participate.

If Sida were interested in this field, it could presumably cooperate with established actors such as GrameenPhone but also with innovative Swedish companies working in this area such as Ericsson. It could also connect to the activities planned today by IFC.

## **3. Mobile solutions for education and training**

Reaching the poorest groups in the countryside with computer- and mobile phone-based education is an idea which has so far only been tested to a limited degree, but which shows significant potential. Given that 60 million of the country's inhabitants live in rural areas where it is not always feasible to introduce education by traditional methods, it is an idea which seems to offer an attractive enough potential and should therefore be tested.

If poor groups in the countryside, hitherto not exposed to education and training, can enhance their knowledge and understanding of society, as well as improving their job prospects, it is clear that such a project would be working towards attaining objectives of result area 1, namely by empowering them in terms of human rights and democratic development.

It has not been clarified exactly how businesses would find this area profitable for investments, but the idea deserves to be analysed and appraised. Grameenphone has engaged in a small Pilot Online School starting in August 2011 with 80 Students, and has at present five Online Schools in different locations of the country. It is likely that applications such as these are contingent on a viable business for providing voice and data traffic to rural traffic.

If Sida were interested to explore opportunities for PSC in this field which seems to offer vast potential benefits, just like in the case above, an obvious partner to start talking to would be Grameenphone.

#### **4. Alarm button connected to mobile phone for women as a means of protection against violence**

Protecting women against violence in the homes as well as elsewhere is an issue which directly addresses women's human rights and security, and is thus worth exploring with regards to the opportunities for Sida PSC. The technology to achieve this is available and the issue is discussed by some NGOs, but to our knowledge it has not yet been tested. It may therefore be worthwhile to explore if this is a proposition where a private sector actor - supported by e.g. Sida grant funds - could find a commercially sustainable business idea.

#### **5. Information campaign against corruption, violence against women and empowerment in general**

This is an area in which it is difficult to see how a private firm (on its own) could find a commercial business interest. But it is an extremely important area, where only slow progress has been made over the years, in spite of a number of government programs. It would therefore seem justified for Sida to at least explore various possibilities of collaborating with the private sector.

The only private sector actors we could imagine within whose core business it would be to run campaigns against corruption and violence against women, would be business associations and Chambers of Commerce. Possibly they could - on behalf of the long run interests of the wider industry - see a commercial profitability of such a campaign, and therefore decide to put up, say, half the cost, while Sida would fund the remaining part.

## **Results Area 2**

In result area 2, dealing with *Maternal mortality and child mortality, including access to SRHR*, today there is only limited activity on part of the private sector. Nevertheless, it is an area where it is not difficult to imagine and identify a potential role for private business, especially if such business can come about with donor support through suitable PSC.

Below we have listed four areas for potential PSC, which are today discussed among donors, and some of which have already been tested on pilot basis.

#### **6. Health insurance for low-income people based inter alia on mobile phone claim settlement**

While many would consider that launching a commercial medical insurance for the poorer strata of the population is unrealistic, the fact is that one of the country's major insurance companies has made feasibility studies showing that this could actually be a profitable business proposition. According to their calculations they could offer a policy, with up to 60,000 BDT coverage with perhaps 20 % deductible, for an annual premium of between 1000 to 2000 Taka. According to knowledgeable observers this is an amount which even poorer persons could be capable of and also want to pay.

The question as to why the company has not already gone ahead on its own and launched such a product, was answered that there are still some "barriers to overcome" before the poor are a viable consumer group for an insurance product. If this is the case it would seem to be a case for a possible

PSC, where Sida would provide grant funds to ease the barriers, while the insurance company would invest a similar amount in trying to develop the product.

Alternatively, Sida could choose to focus on a health insurance specifically aimed at maternal health care. To our knowledge it has not been studied whether it would also be financially feasible for a private insurance company to focus or limit such insurance coverage specifically to the area of maternal health care. This is a project worth exploring as it would more directly respond to the Sida result area no 2 than a general health insurance.

The idea of a health insurance for the poor is not new in itself. For example in 2006 ILO worked on a scheme in Bangladesh, targeting a family of 4 persons with a premium of 1000 taka in a project funded by the Bill and Linda Gates foundation. Two other Bangladeshi insurance companies are reportedly working on similar schemes, one of them supported by the Swiss Embassy and involving several NGOs, while the Health ministry is working on a project supported by GIZ.

Also GrameenPhone is currently working on micro health-insurance, where one of the innovations would be to use the mobile phone system to handle claims and to do consultations etc.

Even though the health insurance market is obviously not yet developed in Bangladesh, the annual value of the total premiums collected in health insurance is 100 Crore taka divided mainly among the country's three big insurance companies. In general one can say that there are 3 or 4 categories of medical insurance products in the country today. These could typically be:

1. lower income - premium of 3000 Taka
2. middle income - premium of 6000 Taka
3. higher income - premium of 10000 Taka a year.

A typical health insurance in Bangladesh will cover everything - either treatment in the hospital or at the patients' home.

### ***Barriers to a low-income commercial health insurance***

#### *1. Collecting the premiums*

Today it would be a challenge to collect insurance premiums as the vast majority of the poor are unbanked and therefore can only pay in cash, and that requires a rural network to be established. Possibly one could rely on NGOs who are present locally to provide some of the required service. The optimal cash-less solution however will be when there is a mobile banking system (for the poor) in place. (See project 2 above)

#### *2. Claims monitoring*

One of the barriers to introducing health insurance for the rural population is the challenge to handle claims promptly due to the physical distances involved and inadequate communications. Handling claims promptly - within 24 hours - is very important for a health insurance company. Today insurance companies work with a 24 hour radius.

Insurance companies will have to develop a network to service remote areas in order to monitor claims so that the health provider does not make false claims. A significant issue in Bangladesh is that the health provider e.g. a hospital claims to have treated a patient and collects the fee from the insurance company even though they have actually not treated the patient. A solution to this could

be to use mobile services, so that the claims could at least partly be handled by mobile phone or computer. This is something which still needs to be developed.

### *3. Lack of re-insurers/ risk-sharing*

Currently it is possible to find risk-sharing partners/ reinsurers for life insurance, but not for health because it is considered not *monitorable* in Bangladesh. Also here possibly the situation could change for the better with the development of telemedicine schemes (See project 7 below)

### *4. Lack of competition in the insurance industry*

Another important reason why companies do not move ahead in this area could be the fact that the health insurance companies in Bangladesh are already earning large profits on their other products. Given the oligopolistic nature of this market there is therefore little competitive pressure to develop new, innovative products. If there were a healthy competition in the countries insurance sector the companies could perhaps not afford to sit idle. That is reportedly the way it happened in e.g. India.

### *5. Consumers are not ready*

It is not difficult to understand that poor people, especially in rural areas, would not be ready to accept a product they have never seen or heard of before. An important factor in this distrust is however the very low trust that the population reportedly has for all finance institutions including both banks and insurance companies.

All of these reasons suggest that launching a health insurance for the poor would be a losing proposition at least for the first few years, and can therefore motivate a donor like Sida to contribute to removing the barriers through a PSC.

## ***7. Internet based health services for remote villages - telemedicine***

GrameenPhone has developed an application whereby health service workers can walk around in the villages with an i-pad offering the persons on-line medical consultation, charging taka 100 for such consultation. The objective of this project is to enhance the quality of life of vulnerable and underserved community of peri-urban/urban slum and rural Bangladesh. The Ministry of Information and Communication Technology is the key partner for the development of a policy framework in order to standardize the telemedicine system.

So far app. 4,500 patients have received consultation services from three pilot sites through the Grameenphone initiative, and there are plans to add 20 new rural sites to the program and also 20 *Service Delivery Points* on smart phones/tablets in hard-to-reach communities.

This is an innovative project where, at this stage, it is difficult to define a clear business proposition for commercial actors. But given its seemingly vast potential to reach out to the remotest villages offering medical consultation, and given the fact that there are some 80 million mobile phone users, including many in remote and poor areas, it is a project worthwhile to study closer with a view of creating a PSC. For the same reason as in the health insurance project above, it would be interesting to analyse whether such a project could also be feasible if it focused just on maternal health care instead on general health services.

## ***8. Testing quality of milk and other foods in rural Bangladesh with ViolaVitalis/Miris equipment***

Engaging private companies in the delivery of safe food, e.g. non-contaminated milk, to vulnerable groups will in a general way work towards attaining objectives of result area 2.A new project with parts of the same content as the recently launched one between Sida, Unido, PRAN and Tetrapak for sustainable milk production, could therefore be contemplated. The country's needs in this respect are huge, and - based on the experience of the Tetrapak project over the next few years - up-scaling or replication would be in order. Alternatively the embassy could launch a new competing PSC-project.

Central to the business activity of such a new project would be to market innovative and reportedly unique digital testing equipment which has been developed in Sweden and which is now marketed by a research-based Bangladeshi medical company.

### Results Area 3

The result area 3, *Resilience for people living in poverty through improved environmental management and basic services*, is one where it is recognized that private sector actors could play an increasing role.

A report<sup>10</sup> commissioned by IFC in 2010 concluded that "frequent natural disasters, high population density, poor infrastructure and low resilience to economic shocks, makes Bangladesh especially vulnerable to climatic risks. The high incidence of poverty and heavy reliance of poor people on agriculture and natural resources increases their vulnerability to climate change.." it pointed out the following important investment opportunities: adaptation in water resources, agriculture and environmental services. In agriculture, investment may be needed for developing irrigation equipment and technologies as well as fertilizers. Provision of clean water is another opportunity, requiring investment in water purification and treatment technologies such as desalination, and wastewater treatment technologies. Environmental services such as weather derivatives are also a possible area for investment.

Regarding the role of the private sector the study found that the private sector should also be seen as a supplier of innovative goods and services as it has particular competencies which can make a unique contribution to adaptation, through innovative technology, design of resilient infrastructure, development and implementation of improved information systems and the management of major projects.

"The greater involvement of the private sector is critical if Bangladesh is to prepare itself for both the challenges and opportunities of climate change. Relatively few companies in Bangladesh have yet considered both the impact of climate change on their existing activities, and perhaps as importantly, the new commercial opportunities that will emerge both domestically and globally. In Bangladesh, corporate Climate Change is perceived to be either an irrelevance or at best an extension of their Corporate Social Responsibility (CSR)..... finding ways of rewarding private sector actions which enhance adaptation will be necessary to massively upscale private sector engagement."

We can conclude from this authoritative report that in Sida's result area 3, there is wide scope of opportunity for private sector collaboration. We will provide six different project ideas, all emanating from and based on lengthy discussions with donors as well as other actors.

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<sup>10</sup> A Strategy to Engage the Private Sector in Climate Change Adaptation in Bangladesh.  
Prepared by Asian Tiger Capital Partners for the International Finance Corporation, IFC, September, 2010

### **9. Arsenic-free drinking water for rural children and mothers**

The discovery a quarter century ago that millions of Bangladeshis were drinking arsenic - contaminated water came as a shock and constituted an acute disaster situation. To this day the problem has not been solved and it is still a daily disaster for the many millions who are forced to drink the contaminated water for lack of alternatives.

As often seems to be the case, it is the most vulnerable who suffer most. This is for two reasons: *Firstly*, research has shown that people who otherwise eat a nutritious diet of food, will be affected much less from arsenic poisoning. Thus it is the poorest that presumably do not have very nutritious intake of food, who will be hit hardest. *Secondly*, the more well off a family is, the greater the chance to avail of arsenic-free water from other sources than the contaminated deep tube wells. Again, it is the poorest who are hit hardest.

A Swedish research-based company has invented and developed a method that can remove not only arsenic but also bacteria and saline content, and it has produced several prototypes that have been tested. From what can be understood from documentation - including independent sources - this is a unique method, based on membrane technology, to produce clean water, which has not been doubted nor contested. What has so far prevented it from being successfully marketed is apparently the question of how cheaply it can be produced.

A key question is whether it may be possible to develop a low-cost model which would be affordable for individual family units to purchase, or will the focus be on bigger units that can be purchased at community level? This question is currently being investigated in a research project at the Royal Institute of Technology (KTH) in Stockholm, part-financed by a Sida research grant.

Also Grameen Shakti (a subsidiary of the Grameen Bank), participates in this study, having expressed its interest to market the equipment in the future. Their business idea is to develop community size equipment that would produce biogas and fertilizer from manure and other biomass. The biogas would be used to run an engine, which runs a generator to make electricity. The coolant from the engine runs a membrane distillation module which produces arsenic free water.

If the KTH research proves that it is possible to run the distillation membrane equipment by relying entirely on excess heat produced by the engine running the generator, this would make the running costs very low, and therefore possibly make it a commercially viable product.

Based on a finding that in water treatment, the investment cost is typically only 20 % of the total lifetime cost, while the operation, user and maintenance costs account for as much as 80%, the NGO *Wateraid* has come forward with a call to the private sector to develop more efficient water purification equipment. *Wateraid* points out that also rainwater is an important drinking source for which one needs to develop catchment devices. However, rainwater can serve people only for the three to four months while it is raining. It is still not known for how long rainwater can safely be stored. Denmark has recently started a large project which will use surface water for drinking instead of groundwater from tube wells.

This area would seem to be very attractive to explore for a possible Sida PSC, as it contains not only the production of arsenic-free water, but also development and commercial marketing of affordable biomass digesters and/or inexpensive solar heaters to run the engines producing electricity as well as to produce excess heat for the water purification process. In terms of potentially responding to the Sida result area 3 regarding improved access to drinking water and sanitation for vulnerable groups, this project seems to be a particularly strong candidate for a Sida PSC.

## **10. Waste disposal**

In most Bangladeshi urban areas, lack of sanitation installations and waste management severely affect the health of the population. The worst off are the poorest, because they live closest to the illegal garbage dumps, coupled with the fact that they are unable to avail themselves of sanitation services.

Waste disposals as well as sanitation investments are areas where Public Private Partnerships have been functioning successfully for many years all over the world, and there is no reason to assume that Bangladesh would be any different. A factor making it bit of a challenge in Bangladesh to stimulate or create market demand for such services is, however, the fact that, due to insufficient enforcement, people are able to dispose of their waste for free.

As a potential area for the Embassy to develop PSC interventions this presents a promising area. The benefits are closely connected to Sida's result area 3, and it appears relatively easy to identify commercially viable business propositions.

A related area is the toxic sludge produced by many factories, including those of the wet processing textile plants. In Bangladesh there is no legislation on how to handle toxic sludge allowing individual plants to manage this as they see fit. A common approach is to they put the sludge in bags or other containers and store them wherever adequate space can be found.

## **11. Water Recycling in RMG plants**

Today, reportedly, none the water used in most wet processing plants of the RMG industry is recycled. According to law every firm must clean its effluent water before discharging it out into nature, but the law does not say that the water must be recycled. Hence factories just dig a deep tube well and keep pumping up fresh water, which makes the groundwater level sink even lower from already dangerously low levels. The groundwater level in Dhaka, which hosts most of the textile industry, is already at a red-alert level. In 2011, among others, H&M was involved in a study on the groundwater in Dhaka, which found that with the current usage, there would be no groundwater left in Dhaka by 2050. Other predictions have been even more pessimistic.

If the groundwater becomes contaminated in the Dhaka area this will be a catastrophe for all. And as often times we can predict that the ones who will suffer the most will be the poorest and most vulnerable, because they will not be able to find alternative sources of drinking water - e.g. buying bottled water. Therefore the proposition to recycle the water used in industry is directly connected to the health status of Sida's target group, poor women and young children. Thereby it also becomes a suitable candidate for a Sida PSC.

The main reason factory owners do not recycle the water is the fact that water is today significantly under-priced. Typically factories just bore a hole on their own ground and take the water up without making any form of payment. Society's economic cost of the water is so much higher than the *financial* cost paid by the factory owners.

To recycle the water is in the interest of the entire textile industry. However little is done, which can perhaps be partly explained by the fact that, according to a recent survey, 60 % of all members of congress are also owners of textile plants, and therefore apparently reluctant to institute effective legislation regarding e.g. recycling of water, safety measures, minimum salaries etc. Furthermore, in Bangladesh, government, factory owners and labour unions are tightly linked together.

Bangladesh is estimated to have about 1700 wet processing textile companies, the vast majority of which are sub-contractors of the *Tier One* garment manufacturers. H&M and other brands normally have a relationship only with the first tier supplier, which must source materials and fabrics from a short list of approved mills. For many buyers however, the second tier suppliers, including dye-houses - where most water is consumed - are not unknown, nor is there a direct procurement relationship. Buyer leverage to influence sustainability at second tier suppliers is therefore weaker, and the dyers are not exposed to the direct influence of the buyers. The 1700 wet processing plants use up about 1,500 billion litres of groundwater annually<sup>11</sup>

A large buyer could exercise influence over such things as investments in water recycling. If environmentalists in Europe and elsewhere will discover and focus on the current failure to recycle water, then there will be commercial pressure on H&M and others not to source from such plants. Therefore one may conclude that it is a good commercial business investment to do something about the water recycling. Today if a plant wants to deliver RMG to Swedish or other brands they must be good on compliance. Otherwise the brands will be afraid to buy from them.

In 2013 IFC launched a new program<sup>12</sup>, supported by Netherlands with USD 5, 6 million and the brands with USD 4, 4 million, addressed specifically to the water situation in the textile industry. In this project participating factories will pay for some of the benefits themselves. Among the stakeholders are banks, government as well as 15 RMG buyers, among them H&M. This project focuses on introducing water saving methods in the production, but does not include investing in water recycling equipment. The project document states that

"... initial results, in particular awareness and growing motivation, will act as stepping stone to investment by factory owners in technologies that are needed to further reduce water consumption, improve wastewater quality and return sustainable groundwater and surface water balances." The IFC program will also introduce the technique of *Water Footprint Assessment, WFA*, into the RMG industry.

If Sida were to explore the idea of a PSC in water recycling in the RMG industry, it would obviously be a good idea to somehow connect to this IFC program.

## **12. Solar Energy**

Apart from being a potentially good investment in itself, developing solar energy particularly for people living in regions threatened by climate change, has been defined as an important way to increase peoples resilience. It is also an area where one can easily imagine commercial actors identifying good business opportunities. Therefore it appears to be a useful target for Sida PSC-initiatives. Today Sida, through its environmental budget, together with DFID, supports a World Bank<sup>13</sup> trust fund with 65 MSEK to finance a solar energy program through GPOBA (global partnership for output based aid). The philosophy behind the GPOBA-projects it is Sida "buys a result for it aid funds".

The solar energy equipment is produced and sold by IDCOL and co-financed with various microfinance institutions. IDCOL gets paid - from aid funds - for every solar unit which functions and is commissioned. IDCOL also sells other solar heaters to consumers that can pay for them, so the Sida

<sup>11</sup> New Age 27 May 2014

<sup>12</sup> IFC: Bangladesh Water PaCT - Partnership for cleaner Textile. Program document, final 28 October 2012, 91 pages

<sup>13</sup> Report: Surge in Solar Powered homes- experience in off-grid Bangladesh. By the development research group of the world bank, April 2014, 65 pages

funds enable also poorer people to buy these units, while IDCOL keeps its business operation regarding other solar units, where there is a commercial market. The program is also inviting new bilateral donors to support it.

This project is thought to be very successful. Maybe it would be worthwhile for Sida to explore if it is possible to develop a PSC which would somehow connect to this program.

### **13. Disaster insurance**

In recent years the idea has been discussed to involve the insurance and financial markets into the area of disasters. Today the main impact of a disaster has to be borne by the persons having been affected, as well as by the budget funds of the concerned communities. Involving the insurance industry into this area could mean a change for the better.

Through a system of premiums, paid by the beneficiaries themselves but potentially perhaps subsidised through aid funding, and through appropriate re-insurance schemes, the hope is to reach a situation where every natural disaster does not automatically have to lead to personal disasters for the families affected. It would be a transfer of risk retention to a formal risk carrier (the insurer), which will facilitate disaster management and risk preparedness.

Oxfam<sup>14</sup> has been discussing such a project for some time with various partners - NGOs and Insurance companies. Also Sida has been approached. Oxfam wants to develop an insurance against catastrophes - either at the level of individual families and/or community level. Oxfam believes that the private sector could play a big role in disaster management, believing that if donors could allocate some money to pay for premiums for small farmers, then the insurance market would take on responsibility to indemnify people after each disaster. This would be in the form of micro level insurance.

A possible idea for a PSC in this area could be for Sida - together with Oxfam - to partner with a private company, which can benefit from the value-chain analysis which Oxfam has done, in order to develop a commercial business.

### **14. Improving cooking stoves**

Improved cooking stoves save lives. Women who cook over traditional stoves and their children are exposed to high levels of toxins for between 3 and 7 hours a day. WHO has estimated that 46,000 women and children in Bangladesh die each year as a direct result of exposure to indoor air pollution. While millions more suffer from respiratory diseases. 70 % of the victims of indoor air pollution are children in the category 5 years or younger age!

The most effective way to immediately address this urgent problem is to rapidly introduce improved cooking stoves. GIZ, which is supporting a program in the Ministry of Power on cooking stove improvement, believes that experience around the world has shown that a commercial approach is the most successful and sustainable way of promoting improved cooking stoves, if the design is acceptable locally and systems for marketing and maintenance of the improved stoves are developed.

This project, with its very strong potential of attaining objectives of Sida's result area 3, appears to be a promising opportunity for a Sida PSC - perhaps together with GIZ - to partner with a firm that produces and markets modern stoves. The market is enormous.

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<sup>14</sup> IFMR (with Oxfam) (undated document): Catastrophe FloodMeso-Insurance in Bangladesh: Feasibility Draft report

## Results Area 4

Result area 4 regarding productive employment can, and is often, seen to be at least partly cross-cutting. This means that several of the schemes presented above under other the respective result area where it is mainly expected to have effects, can equally well serve to satisfy the objectives under result area 4. Examples could be the following:

*Mobile solutions for education and training*, listed under result area 1, which deals with empowerment, can equally well serve to enhance various aspects regarding women's productive employment.

Furthermore, in several of the schemes involving a big private sector actor, e.g. H&M, Sida can opt to exercise its leverage, given by the grant funds it puts in, to introduce enhancements with respect to employment aspects.

One of the criteria for identifying PSC opportunities is of course that it is a commercial activity and also that it reflects the firm's *core* business. With this limitation the private sector partners available would be mainly firms whose business it is to offer training thus enhancing e.g. women's employability.

Private commercial companies are naturally focused on carrying out their business ideas at the least cost in terms of employing the optimal combination of capital and labour - given the reigning relative cost of the production factors, and of course, given the requirement posed by labour and industrial laws. Thus firms will often not be interested in discussing and engaging in innovative [social] use of labour in the same way that e.g. NGOs would be.

In result area 4 we can suggest the following additional PSC-scheme:

### ***15. Vocational training for making women employable and enhancing their labour conditions***

With a view to enhancing different aspects of women's employability as well as the conditions under which women work, Sida could partner with a market-based vocational training institute. Presumably this could be a private firm just as it could be an NGO, given that its training is sold in the market.

Suitable implementing partners in such a PSC could be ILO, IFC or UNIDO, who are today all involved in different PSCs dealing with vocational training.

The nature and contents of a possible Sida PSC in the area of vocational training would obviously be based on analysing the experiences gained from the other now on-going projects.

## Partnering with other Donors in PSC

This study has concluded that there are good opportunities for dialogue as well as co-financing arrangements with other bilateral donors. Several of them have for many years been focusing on involving the private sector in development work - besides also having been actively involved in various private sector development projects for many years. In three or four cases these donors expressed willingness to work with the Swedish embassy in the field of PSC, and invited such cooperation.

One of the most active donors when it comes to working with Public Private Partnerships is the GIZ, which globally has carried out some 3000 partnerships with private sector in the last 20 years. Among

the areas identified above as opportunities for Sida PSC, GIZ is active in trying to involve the private sector i health insurance and this perhaps constitutes an area where a dialogue with the German embassy is in order.

DFID has held a high profile with its policy of involving the private sector into its objectives of reaching the poorest segments of the population, and its stance therefore resembles Sweden's. Given DFID's significant presence and experience in Bangladesh, a dialogue and perhaps other forms of cooperation with DFID would seem to be useful steps to take for the Swedish Embassy.

USAID, with which Sweden is already cooperating with regard to challenge funds and loan guarantees, has been active in PSC for many years. It was one of the donor agencies which expressed hope of co-financing with Sida. The Netherlands Embassy, the Swiss Development agency, SDC as well as Canadian CIDA also belongs to the donors in Dhaka which are today actively involved in cooperating with the private sector.

## IV. Suitable actors for Sweden to partner with in private sector collaboration

### Possible Partners for Sida PSC Opportunities

The actors listed in this chapter are the ones that have been identified as potential feasible partners for Sida in the specific schemes analysed and identified in Chapter III.

As stated previously in the report, in each of these schemes or projects, Sida will be able to cooperate with the actors in different ways - by way of PPDP, guarantees or in indirect ways. We have thus not prejudged which mode of PSC Sida should choose in each respective scheme. This approach is in accordance with the instructions given, namely that the assignment would not discuss or analyse the different modes of cooperation, or select the one that would seem to be the most appropriate in each respective case.

Also, it should be pointed out that the actors listed represent *examples* of feasible/ suitable partners for Sida. For each example given, it will be Sida's prerogative to find other alternative actors, which are judged to match the criteria.

Among the four different categories - private firms, implementing agencies, NGOs and other institutions, donor agencies and IFIs - only those have been included which were visited and interviewed. Apart from the actors listed below there are obviously many more in each category. And depending on the nature of the PSC that the embassy will wish to pursue, additional selection processes will have to be made.

### List of PSC interventions for Sida to consider: Possible partners for Sida PSC opportunities

Opportunities of PSC	Suitable partners for Sida
<b>RESULT AREA 1</b>	
1. RMG salaries paid out to employee bank account and not in cash	H&M, a number of factories (tiers one and two); IFC/UNIDO
2. Computer-based mobile phone financial services for the poor	GrameenPhone, Swedish mobile company; IFC
3. Mobile solutions for education and training	Ministry of Education; GrameenPhone; Oxfam
4. Alarm button connected to mobile phone for women as a means of protection against violence	
5. Information/ campaign against corruption, violence against women and empowerment in general	Commercial PR companies; possibly also one from Sweden <i>Implementing partner</i> : Suitable NGO Care, Oxfam?
<b>RESULT AREA 2</b>	
6. Health insurance for low-income people - based inter alia on mobile phone claim settlement	A major Bangladeshi health insurance company
7. Internet based health services for remote villages – telemedicine	GrameenPhone
8. Testing quality of milk and other foods in rural	ViolaVitalis/Miris; CARE; Milkvita

Bangladesh with ViolaVitalis/Miris equipment	
RESULT AREA 3	
9. Arsenic-free drinking water for rural children and mothers	IFC/ Wateraid; HVR
10. Waste disposal	Wastecare
11. Water Recycling in RMG plants	IFC; H&M; HVR
12. Solar energy	WB
13. Disaster insurance	OXFAM; Pragati
14. Improving cooking stoves	GIZ
RESULT AREA 4	
15. Enhancing women's employability and labour conditions	Market-based vocational training institute; IFC, ILO

## Brief description of Potential Partners

### 1 - Private Firms:

#### 1.1 Milkvita

Milkvita is a limited company owned by 2000 cooperatives. Its objective is to support participating milk-producing cooperatives. The company provides 5% loans and free vaccine distribution to farmers. Milkvita is owned/controlled by the government. The firm has 2200 employees in the whole country with 160 administrative staff. It has a milk pasteurization plant in Dhaka. It is currently engaged in a school milk feeding program with FAO support. Today 4000 children are in the program. The children who are in the program have grown by 5 cm because of the milk.

#### 1.2 Brummer and Partners

Swedish *Venture Capital* company in Dhaka - registered in Bangladesh, with a full time team of 10 to 15 persons in its office looking for worthwhile investments in mainly RMG and food retail sectors. Its business idea is to buy control of companies, build them up to profitability and thereafter divest in order to make a profit for its fund-owners.

Bummer created its first equity fund - Frontier - in Bangladesh in 2008. Among the investors in this fund is IFC. One company the fund has invested in is a denim producer which delivers to H&M and Gap. In the food retail sector the company has invested in the Agora chain food stores. The company founder Patrik Brummer visits Bangladesh about 4 times a year to look after the investments.

A private venture capital company today does not appear to be a likely partner for a Sida PSC - at least not in an advanced form of cooperation as PPDP or Guarantees. However, given the unique understanding of and ability to identify business opportunities that a venture capitalist has - a capability which neither the Swedish embassy nor any other embassy can match - it might be a good idea for Sida to try to cooperate, perhaps, in *indirect* ways. The simplest way to cooperate would perhaps be to commission Brummer to study and identify a number of business opportunities which match the objectives of Sida's result areas.

#### 1.3 Grameenphone Ltd.

The largest telecommunications service provider in Bangladesh. Started its service in March 1997 which has over 47 million subscribers. Grameenphone provides services to rural and urban

customers across Bangladesh. Mobile telephony is seen as a potentially very important instrument of socio-economic development and change. Norwegian Telenor AS holds 55 % of Grameenphone shares, Grameen Telecom Corporation 34 %, while the remaining 10% of the shares belong to general public and other institutions.

#### **1.4 Grameen Shakti**

Grameen Shakti has been very successful in introducing solar energy equipment in Bangladesh. In the scheme currently being researched at KTH (see project 9 above), Grameen Shakti, a daughter company of the Grameen bank, intends to procure the HVR's purifiers, as there is - in its opinion - no others which can compete. But no agreement has been signed in this regard. As for the digesters or the solar units these could be purchased from many different producers.

#### **1.5 H&M**

H&M was started in 1947 in Västerås in Sweden. It sells women ware, menswear, children's wear as well as home wear in its own stores. Today the company has some 2,400 shops in 43 countries. H&M does not own factories, but their 19 production offices in Asia and Europe work closely with the 700 suppliers which produce the products. In 2010 around 87,000 employees generated a turnover of 126 billion SEK which equates to about Euro 13, 9 billion. Germany is the biggest market followed by France and USA.

In Bangladesh H&M has a staff of 420 of which the sustainability department has 30 persons - all of them Bangladeshis. It produces an annual "Sustainability report" of about 100 pages, which - for its contents and quality - has become well known in the industry as well as with donors in Bangladesh. In general, when it comes to industry and labour questions in general and RMG in particular, H&M today has a much stronger voice than most donor agencies. By donors H&M is reputed to very results oriented and having a strong idea of what it wants to support.

H&M today buys from some 300 factories (represented by somewhat fewer companies). The share of the plants' production from which they source varies. Usually wants to buy a larger share in order to give leverage. H&M does not want to own the plants, because that would decrease flexibility and also give more responsibility. More important than the wages as criterion for location is today the price of the raw material, so company's profit margin is not very sensitive to higher salaries. In any case RMG production - even in Bangladesh - is today getting more and more mechanized and capital intensive.

Bangladesh today imports all of its input into RMG production. The main bottleneck in the industry is middle level engineers and skilled operators. Collaboration between brands is short-sighted. It is not always easy for competitors to agree on a 5 year program. There are in Bangladesh many brands that only procure through agents and they are not interested in sustainability. In a sense one could say that "they fly under the radar".

Approximately 20 % of the total export earnings of Bangladesh comes from Scandinavian companies of which H&M is the dominating firm. Directly and indirectly this group of firms employs one million people. The profit margins that H&M, Kapp-Ahl etc. are making in Bangladesh are higher than anywhere else in Asia. HM today has collaboration agreements with IFC, WB, ILO, Sida. Together with Sida, H&M has signed a global memorandum of understanding, which foresees that H&M and Sida will enter into various forms of PPP.

Sida, H&M together with ILO are running a skills development project, whose purpose it is to harmonize training structure and content, develop common skills level certification in order to satisfy

RMG need for skilled workers. Sida through ILO provides 51% of funding or 5 million SEK, HM gives 49 % or 5 MSEK. All money belongs to a common fund. For H&M this is a commercial investment. In H&M's opinion it took a very long time (18 months) to set up the PPP together with Sida.

H&M currently cooperates with donor development agencies in three large projects in Bangladesh regarding water

1. WWF, World Wildlife Fund
2. Clean production PACT with IFC
3. Zero discharge for hazardous chemicals - a large number of brands + NGOs

### 1.6 HVR

HVR's technology is claimed to be just as applicable in industrial cleaning of water as it is for producing drinking water in the villages. HVR and its associates have developed technology suitable for recycling water in the wet processes of the Bangladeshi textile industry. One important advantage of the proposed solution is that the running cost is very low compared to the capital cost. Therefore, once it is installed it is inexpensive to run.

Regarding *HVR* as well as *ViolaVitalis* (see 1.9 below) there are three different aspects which make these firms particularly interesting for Sida to cooperate with: *Firstly* they are both innovative, entirely research-based small companies. *Secondly*, their respective products are entirely geared towards the need of large segments of poor people in Bangladesh. And *thirdly*, they are all owned by or cooperating with Bangladeshi firms.

### 1.7 ViolaVitalis

VilovaVitalis is a Bangladeshi company incorporated and based in Dhaka. It is also based in Sweden where it participates in various research projects - at KTH as well at the Karolinska Institutet. It manufactures and distributes medical technology, methodology, nutraceuticals and nutritional supplements. It exports and markets milk testing equipment produced by the Swedish company Miris AB, located in Uppsala, which is by many considered to be the best and also the cheapest. Recently both PRAN and Milkvita have purchased the Miris milk testing equipment.

Its products are sold to individual customers, community based organization (CBO) and marketing efforts are made to governmental institutes and aid agencies, attempting to create a niche for large market through low cost production and marketing of proprietary nutraceuticals and dietary supplements. ViolaVitalis has also developed a system of mobile satellite clinics and is presently running one base clinic with five satellites. The base clinic is an ambulatory low cost unit.

### 1.8 BIMA

BIMA is a company belonging to the Swedish Kinnevik group which is developing systems for marketing and managing insurances by mobile phone technology. Its field of business operation includes Bangladesh, which it has visited. The company is included in this list because it could conceivably be a potential actor for Sida collaboration if it chooses to take on any of the two insurance projects described above (See projects 6 and 13 above)

### 1.9 Pragati Insurance Ltd, Bangladesh

Pragati is one of three major general insurance companies in Bangladesh. It is involved in insurance of all traditional lines of non-life insurance, namely fire and allied risks including flood, cyclone, earthquake, typhoon, malicious damage, burglary, riot, strike damage, house braking, industrial all risks, machinery

break down, personal accident, travel medical and medical insurance.

It is included in this list for its participation in the disaster insurance project (11 above) as well as for its potential involvement in a medical health insurance project.

### **1.10 STS-group**

The industrial group of STS is a conglomerate mainly active in the RMG sector, but also in a range of other commercial activities. It has also shown interest to invest in social sectors, manifested by its founding and running of the Apollo hospital in Dhaka. It is included here because it could be a useful dialogue partner - and perhaps beyond - regarding possible PSCs

## **2- Implementing Partners**

### **2.1 ILO**

ILO currently participates as implementing agency in a number of PSCs, the most recent among them the one with H&M and Sida on skills training<sup>15</sup> in the RMG industry, which is on pilot basis. The initiative for this project came from H&M and Sida, who developed the concept note and then discussed the project with ILO.

According to the project document “It is anticipated that Sida’s financial contribution will be focussed on training and institutional development, while H&M support would be on the infrastructure, centre management and inputs from a technical and material side”. It is anticipated that after an incubation period the centre will move towards being financially self-sustainable and mostly financed by the RMG industry, and the plan is to replicate it if successful. ILO charges 13% of the Sida contribution in implementation fee.

The project finance consists of a Sida of 5 million SEK and contributions from H&M of USD 763,000, but it is also expected that “the project will require additional funds during the project period from factory owners, industry associations, and government and donor agencies”. Furthermore the project intends to raise complementary funds and investment from the RMG industry. The project document presents a 12 page long LFA which - like often is the case in ILO - seems overworked and too complicated and detailed to become operational.

There are today 4.2 million working in the garment sector. At any given point in time there will be a shortage of 400,000 skilled workers. In the Sida-HM project the participating factories will earmark a corner of the factory premises where some of the factories on workers will receive the training. In this type of project ILO can offer an advantage because it can use its tripartite constitution to the benefit of the workers. In this case the workers will get a national certificate of skilled operator. This has been guaranteed by the government.

Another ILO-project is on working conditions improvement in the RMG sector: 22.5 million USD by CIDA, Dutch, and DFID. This project includes productivity and labour relations. One component is called Better Work. The factories which receive the project services have to pay for them. The better work project is implemented by ILO but it is a partnership globally.

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<sup>15</sup> Sida, ILO and H&M partnership: Centre of Excellence for RMG to implement certified training within the national skills development framework of Bangladesh. Project length: 42 months: end 2013 to end 2016

ILO also operates a skills development project<sup>16</sup> in close partnership with the private sector, targeting five different sectors. It is the industry itself which will define what jobs and what skills levels should be the focus of the project. It is an industry-led training program. ILO has implemented a centre of excellence in the leather sector, of which the leather factories are members, and they pay for the services.

ILO has collaborated with the government to augment the number of inspectors for the RMG industry. So far 392 new inspectors have been established, and the figure is to grow up to 575.

## 2.2 IFC

IFC is the private sector investment arm of the World Bank group. Its Advisory Services in Dhaka has over 7 years of experience with projects related to the garment textile industry, focusing on productivity, social circumstance improvements, environmental compliance and improvements. IFC has invested over USD 170 million in the Bangladeshi private sector, and employs 66 people, including consultants,, of which some 20 are professional staff - divided between both investment and advisory department staff.

IFC's fee for implementing donor trust funds is 5 %. IFC does not just carry out donor projects, it will discuss proposals carefully and then - if they decide to go ahead - develop it together with the donor.

IFC has a new program with the government in textiles concerning safety standards, strengthening regulatory rules, labour standards and financing options. It also has advisory technical assistance going on in investment climate, access to finance, sustainable business, and supply chains. IFC has made two investments in the RMG sector. The partners are such as setting standards for the rest of the industry, and in its Loans and Investment activity presents conditionality in: Social standards including labour, Environmental and Corporate governance.

IFC is currently involved in preparing a project which is aimed at workers receiving their salaries on bank account instead of in cash, and has already made an investment into a firm called *bKash*, which will take its business to the RMG sector, and the development costs would be borne by donors. This project is to start in August 2104 and IFC has so far secured 50 % of the funds needed, and expressed its hope that also Sida would consider to participate.

IFC has provided advisory services in Bangladesh, developing key sectors such as agribusiness, infrastructure, financial markets and energy efficiency. In 2013, IFC invested US 774 million in 12 projects in Bangladesh , including<sup>17</sup>:

- *Cleaner Production and Environmental Assessment* conducted in partnership with international buyers. The project focuses on wet processing units of the RMG value chain, the second largest polluters in the country, with the objective of improving resource efficiency and reducing their environmental footprint ultimately contributing to productivity and competitiveness.

- *Partnership for Cleaner Textiles (PaCT)*: While the Cleaner Production initiative demonstrates the business case for cleaner production, the PaCT program is more comprehensive with an increased focus on water, community engagement, stakeholder awareness and OHS issues.

- *Bangladesh Textile Competitiveness Program: Strengthening the overall sustainability of the RMG sector and improving workers' safety*. The proposed start of this 3.5 yearlong project is July 2104, and

<sup>16</sup> Project title: Centre of Excellence for RMG (BGD/13/06/MUL)

<sup>17</sup> We here list only the RMG projects as they have tangency points with some of the PSC-opportunities presented in this report.

has a total budget of USED 5, 2 million. The program is designed to:

- Assist five local safety equipment manufacturers to upgrade their processes and equipment to meet international standards for safety equipment manufacturing and installation;
- Train 50 local building safety inspection providers to certified Lead auditor's level to provide service to the industry;
- Achieve 25% improvements in selected labour standards through the Better Work program, leading to improved safety and working conditions for 350,000 workers, including 280,000 women;
- Facilitate disbursement of \$60 million in supplier finance and \$10 million in loans to the RMG sector;
- Make Mobile-banking services available to 5,000 RMG workers, leading to an increase in accurate payment of wages, and
- Modify two regulations, enabling private sector provision of building and fire safety inspection services

The project aims to seek contributions from factories and international buyers for specific activities. In particular, fees are expected from service providers as well as the Accord and the Alliance for the training. The project document in an annex lists all the current projects donor-financed projects in the RMG-sector. In all there are about 24 of them.

### **2.3 Swedfund**

A possible option for Sida could be to commission Swedish Swedfund to engage in PSC schemes on its behalf. Today Swedfund's entire active search for investment opportunities is, however, entirely geared towards Africa. Swedfund has thus no active search or other initiatives directed at finding a portfolio investment in e.g. Asia or Latin America. However such investments could take place through their network of companies, i.e. that a company or someone else approaches Swedfund with a request.

Regarding Swedfund's normal activity to invest in portfolio investments, they always start with a strategic partner, who presents a business idea and who takes full responsibility for the investment being carried out. Swedfund scrutinizes the proposal and if they see a potential profit-making situation, they will invest in part of the equity capital.

### **2.4 United Nations Capacity Development Fund**

UNCDF is the only UN agency which has a capital mandate. Thus it is able to give loans, calling itself a "matchbox World Bank". It is not a financing agency, but brings in capital and guarantees. UNCDF has been in Bangladesh since 1977, housed in the UNDP office, working mainly with local development e.g. local governance, introducing participatory process in the countryside, and providing funds to support their budgets. UNCDF will not give grants to a private company making an infrastructure investment, but to the local government.

It also works with the Bangladesh Bank on how to bring financing to the non-bankable. The banking system in Bangladesh currently has a potentially available capital, but is reluctant to extend this money for loans to the small enterprises. UNCDF's target is to develop a pipeline of commercial products, in e.g. dairy and jute, develop market centres, and identify areas into which we can bring in women entrepreneurs.

*The Local Finance Initiative (LFI)* is an innovative global programme of the UN Capital Development Fund designed to mobilise private sector capital for the development of bankable infrastructure projects. The goal is to advance economic development at both the national and district levels,

engage private sector financial institutions, and stimulate the critical government functions that are needed for identification, development, and finance of projects.

*LoCAL (Local Climate Adaptive Living Facility)* is the UNCDF facility for investment in local level climate resilience. The facility channels global adaptation finance to local governments - who are at the frontline of dealing with the effect of climate change - and enables them to invest in building local resilience. The method for doing so is innovative.

Many local governments are responsible for sectors that deal with the practicalities of climate change adaptation – investing in and maintaining basic infrastructure, enforcing zoning laws, and managing disaster risk. But local governments lack the fiscal space to invest in ‘climate-proofing’ existing infrastructure or to undertake other forward-looking investments that help build resilience. The transfers can also be used for investments that promote food security – such as water catchment systems that help farmers manage droughts – or investments for climate-related disaster risk reduction and preparedness.

### 3 - Non Governmental Organisations

#### 3.1 CARE

Care is a confederation of members, and started in the UK, then branched out to US and France. In Bangladesh Care has been in the forefront of working with the private sector for the past seven years. Its work with the private sector has focussed on Inclusive business approach, but it does not work in finance. There is normally an advocacy element.

Care also works with market development, posing questions like ‘Where in the value chain will we find opportunities to work with the target groups, and how can we engage the private sector?’ Care strives to bring in innovations, e.g. dairy data testing, and helps poor people come together and produce.

In its own characterization “The Centre piece of CARE’s six decades of operations in Bangladesh has been the empowerment of the social and economically marginalized women”. It also states that “Involvement of the private sector is initially through social investment or philanthropic projects. But such partnerships evolve into engagements that are embedded into core business, and that is the goal we seek to attain.”

#### 3.2 Wateraid

Wateraid is a UK-based and registered NGO, which now also exists in the US, Sweden, Australia, Japan and Canada. It is today operating in 27 countries, mostly in Africa, and 7 in Asia. In Bangladesh Wateraid started in the early 1990s, and has a total staff of about 60 of which some 45 are professionals.

Altogether Wateraid has about 50 different projects under 6 major programs going on, among them a sanitation project in the slums of Dhaka, Chittagong and Khulna financed by Sida. It started in 2011 and consists of the components: 1. safe drinking water, 2. improved sanitation, and 3. personal hygiene. The total project amount is SEK 51 million of which Sida is providing 80 % over 5 years. In implementing Wateraid uses its specialized NGO-partners with which it has worked for many years. There is no commercial part, or any opportunities for private business within this project. But there is potential in the sector private sector activities.

Wateraid has been approached by a number of companies who demonstrated their equipment and asking Wateraid to test its equipment in the villages. If a private company can come with a technology of water purification which is suitable for rural Bangladesh, Wateraid can be useful in introducing such a water purifier at village level.

Based on the concrete knowledge and experience of Wateraid as well as on its good reputation this organisation could be a suitable partner for Sida to work with the private sector, e.g. in the project no 8 listed above.

### **3.3 OXFAM**

Oxfam is an international organisation involved with emergency response and development related work across 94 countries. Its work is focused on vital issues to tackle root causes of poverty ranging from life's basics - food, water, health and education - to complex questions around aid, climate change, gender empowerment and human rights. In Bangladesh Oxfam campaigns for sustainable rural livelihoods, runs humanitarian response, works on economic empowerment, climate adaption, livelihoods, leadership, right and services for marginalized people and supports indigenous people's development. All Oxfam activities are financed by grants. It conducts no income generating activity of its own.

Oxfam started collaborating with the private sector in 2011, and is today of the opinion that the private sector has a big role to play in Bangladesh, not least in the social sectors. One example is the opportunity for private sector to supply and sell water commercially.

### **3.4 Stockholm International Water Institute (SIWI)**

In 2010 the Stockholm International Water Institute started the Stockholm Water Initiative (STWI) as a network for Swedish brands and SIWI to understand water issues related to the textile industry. The group jointly developed and communicated its own guidelines for the sustainable use of water, energy and chemicals in textile and leather production processes.

The Brands communicated the guidelines and a self-assessment questionnaire to regional offices and suppliers and received feedback, which was used to upgrade the guidelines, resulting in a new version to be published in July 2014. It is expected to become the most comprehensive global guideline on water-use in textile processes. SIWI has also started SWAR, which is a collaborative pilot project between Indiska, KappAhl and Lindex and 35 suppliers and sub-suppliers in India, launched in Feb 2013. The project is co-financed by Sida and is implemented by SIWI and a consultancy in India.

### **3.5 Waste Concern**

Waste Concern was founded in 1995 with the motto "*Waste is a Resource*". Later Waste Concern Group was formed to contribute towards waste recycling, environmental improvement, renewable energy, poverty reduction through job creation, and sustainable development. It is a Social Business Enterprise (SBE) comprising both "For Profit" and "Not-for Profit" enterprises.

Its aims are to

- Improve the environment by promoting waste recycling activities in the country
- Conduct research and experiments regarding solid waste management, recycling, clinical and hazardous waste management, waste water treatment, as well as organic farming.
- Develop community--private sector--municipal partnerships towards the improvement of the

- urban environment, and
- Create job opportunities by promoting the recycling of waste.

Waste Concern is active in the following fields: - Solid Waste Management and Resource Recovery, - Clinical and Hazardous Waste Management, - Waste Water Treatment, - Community Based Environmental Improvement, - Urban Environmental Management, - Municipal Services Planning, - Environmental Impact Assessment Environmental Management System (ISO 14001), - Climate Change & Clean Development Mechanism, - Organic Farming, and Laboratory Testing Facility.

### 3.6 HELVETAS Swiss Intercooperation

Is a member based specialized non-profit development association working in some 30 countries in Africa, Asia and Latin America, Central Asia and Eastern Europe. In Bangladesh Helvetas worked under the name of Intercooperation since 2000. Helvetas portfolio is constantly growing and includes today different projects in the areas of local governance, livelihood and food security, and value chain and market development.

In a recent report<sup>18</sup> Helvetas concluded that;

“Bangladesh is a pioneer country for financial inclusion of the poor and hosts some of the biggest micro-finance institutions of the world: Grameen, Brac etc. Together they serve about 16 million clients - which is 70 % of all microfinance by a total of 600 institutions.”

But, Nevertheless: *“the target groups of our projects, poor and extreme poor women and men in rural areas, have trouble in accessing financial products that are adapted to their needs and possibilities in terms of loan amount, guarantees and repayment schedules.”*

Using practical cases this document shows how financial inclusion, as a process of increasing skills and knowledge enables the poor and extreme poor to identify and prioritize products and services and negotiate with potential providers.

## 4 - Donor Agencies: Possible Partners for Co-Financing or For Dialogue<sup>19</sup>

### 4.1 DFID

DFID works with the private sector (through PSD and PSC), and focuses on assigning an important role for the private sector in its development work, just like Sida is today doing. Its outlook is stated in the document *The engine of development: The private sector and prosperity for poor people*:

“Our new approach to working with the private sector is about us doing more with and for private enterprise, extending this work in new areas, and doing it better. We want private sector thinking to become as much part of DFID’s DNA as our work with charities and governments. The new approach will deliver results for poor people: better job opportunities and incomes; more readily available and affordable finance for households and small businesses; and more accessible, better quality healthcare, schooling and basic services. ...we’ll strive to expand the business environment by

<sup>18</sup> Facilitating Sustainable Pro-poor Financial Inclusion: The experiences of Samriddhi in Bangladesh, CDC/ Helvetas January 2014

<sup>19</sup> Norway has a project together with ILO to enhance labour conditions. In general Norway would be a very suitable partner for Sida to dialogue with given that Norway has been very active with private companies as well as with PSD in Bangladesh for many years. However, recently Norway has dismantled most of its work and currently there is no Norad representative in Bangladesh.

stimulating private investment in places presently shunned by commercial investors.....Our development priorities will permeate all our work with the private sector. An absolute commitment to poverty reduction. Empowering girls and women. Fighting and coping with climate change. Helping recovery from conflict and natural disasters. Greater transparency. More use of evidence and independent evaluation”.

Globally DFID works with *Challenge funds*, in support of sustainable business solutions. In the fund being prepared for Bangladesh. The maximum amount for each application will be 150,000 to 450,000 pounds, but a firm can have more than one loan. Total volume is 4 million pounds. The fund will be housed in the central bank, as they need the backing of the regulator. The behaviour of the commercial banks will be influenced by the work of the challenge funds. They will learn that it could be good business to give credits also to smaller companies. DFID is looking for business ventures that cannot be financed by any other existing finance instrument. There will be exit clauses in the loan agreements.

When DFID analyses a challenge fund application it will also see if the model is replicable, and also on how the business venture may impact on the financial system - how easy would the market be replicated? The second and third time of similar venture the risk will be lower, and the cost of the challenge fund will be less British Challenge funds are open to all companies from any nation. It is untied aid.

The challenge fund planned to be started by DFID in August 2014 will be managed by an international management consultant company, which won an international tender for a 5-year framework agreement. The same consultancy company will operate the programs of challenge fund, guarantee scheme, as well as technical assistance. DFID expects mainly Bangladesh companies to apply for UK challenge funds.

DFID does not implement programs directly. Implementation is done by IFC, World Bank or Management consultant companies, but no NGOs.

## 4.2 GIZ

GIZ has a long and thorough experience of PSC, and believes it has a functioning model for partnering with private companies. It has an arm which can deal directly with the private sector companies, named the GIZ-IS. Since starting with PPP in the 1990s, GIZ has launched over 3000 partnerships<sup>20</sup> in 70 countries. Since 1999 the total investment in 1000 PPPs has been 300 million Euros of which some 40% was the public share. GIZ has introduced Output-based aid - OBA - which widens the scope for performance orientation within its PPP models. The inclusion of OBA in a PPP model sets additional incentives for private partners to provide high quality services and to attract an increasing number of people to use the output of the PPP.

GIZ has been, is currently involved in, or is planning, a number of interesting PSCs, some of which address Sida's result areas. So there is reason to dialogue with GIZ in developing Sweden's future PSC portfolio. In some cases one might foresee a co-financing or partnership. In others just dialogue could be valuable.

*Biomass project* more than 90% of all Bangladesh households cook with traditional bio-mass. However this material is becoming increasingly scarce and expensive, while there is a very large potential in Bangladesh for commercial biogas digesters. Over 60 private firms have already invested

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<sup>20</sup> GIZ May 2011: PPPs in the context of development cooperation - an overview and approach: Manual

money in power generation. There is a financial barrier because this being a new idea, banks and financial institutions are reluctant to extend credits. To help overcome this barrier GIZ has signed a memorandum of understanding with infrastructure development company Ltd - IDCOL, and the IFC which will provide financing for biogas plants.

*Solar energy.* GIZ has an important involvement in the energy sector, e.g. *solar home systems*, and has developed a solar energy machine for the home costing in the range of 10,000 taka, which could become feasible for a family in the countryside. A typical 50 watt solar home system which can power four to six energy efficient lights plus a socket for TV, radio, or battery charger and a mobile phone charging unit can cost around 25,000 taka (less than 250 Euros). This price is still without reach for millions of rural Bangladesh homes. The SED project supported by GIZ and ministry of power works together with private firms to develop cheaper technology. This could be a possible area for Sida PSC.

*Resilience* - climate change mitigation: The World Bank has identified Bangladesh as one of the country's most vulnerable to climate change, global warming etc. Relevant measures are to reduce the use of bio-mass and fossil fuels by introducing solar power and biomass digesters, energy saving cooking stoves, and improved par-boiled systems for rice.

*Health insurance* is one of three priority areas of cooperation between GIZ and Bangladesh Government. GIZ works at two levels - at the policy level and at the city level. GIZ ran a pilot project introducing insurance for rickshaw pullers, involving the city corporation and a private insurance company. GIZ and the city corporation opened a common account and created a joint project, where both put in one million Taka. The private company did not contribute funds, but supplied manpower. The rickshaw pullers paid an annual premium to receive health care. There was some deductible. This project has not yet been evaluated. This project led to new discussions with the ministry of health how it could possible expanded to the RMG sector. Also the ministries of Commerce and of Labour were also involved.

Together with shipbuilding companies GIZ has developed *health tools*. The project was to introduce a check list on how to enhance the work against occupational risks and hazards. Accidents came down from 3000 to only 30 or 40 per year. The actors in the ship building project are GIZ, Western Marine shipyard Ltd and Ministry of health. GIZ and the ministry of health have an implementation agreement. Between GIZ and WMS there is a MoU. With the shipbuilding project completed GIZ is now looking how it could be disseminated to other actors. WMS, today a year after the project ended, is still spending its own funds to implement reforms in construction methods. A question to study is whether this intervention will create a market. Will other construction firms in the sector in the future demand and be willing to pay for consultants and services in order to implement work hazard reforms?

In the **RMG sector** GIZ has worked for 12 years on how to improve working conditions. One example is to use solar light as much as possible instead of electricity. GIZ also works with the BGMEA, Bangladeshi Garment Manufacturers Exporters association, which accounts for some 80 % of the country's exports. GIZ started the project work with the ministry of commerce, then approached BGMEA and the factories after the government had approved the project. Things are now changing dramatically in the RMG sector. The factories themselves are doing a lot, because they realize that such reforms are good for their [long term] businesses.

GIZ has a **e-governance in municipal administration** pilot project from April 2011 to October 2012. Improving interactions with citizens, optimizing work flows in the city administrations. Together with DFID, GIZ co-finances 22 million euro in the project rehabilitating and reforming prisoners. With the SDC it cooperates in good governance. With the EU in the RMG sector. IKEA recently started a PPP

with German association for water, wastewater, and waste (DWA) and GIZ to develop 2 training courses etc.

### **4.3 Netherlands Embassy**

The dominating perspective of Dutch development cooperation in Bangladesh today is: "How can we use the private sector in development work?" In some programs the Dutch would want to find private actors as an exit strategy. In others it is entirely for development purposes. The Netherlands Embassy is a major financier of the IFC PACT program described above. It was the Dutch embassy which hatched the idea, whereupon IFC designed the scheme. The Brands also provide grants, while the factory owners will finance their own investments. Dutch are good at wastewater management.

### **4.4 USAID**

USAID has a long-standing tradition in working with the private sector and has through the years collected much valuable information about the private sector in general and also about individual business firms. USAID in our meeting pointed out its interest to work together with Sida e.g. through co-financing schemes. It should at this instance be noted however that USAID cannot and will not work with sexual and reproductive health for young women.

### **4.5 JICA**

JICA does *not* have the perspective of Sida which is currently to give a bigger role to the private sector in development. 99% of the funds go to cooperation with the government. An interesting perspective for Sida however could be the possibility to partner with Japanese firms, which are expected to become more and more interested to invest in Bangladesh.

There are today over 100,000 Japanese firms in China. But because of the bad and deteriorating relations between the two countries there is a long term trend for Japanese firms to move its production to other south east Asian countries, among them Bangladesh. Myanmar is even more interesting than Bangladesh in this respect - mainly because its labour is even cheaper than in Bangladesh. There are today some 200 Japanese companies in Bangladesh. In Thailand there are 2000 Japanese companies and many of them want to leave the country because of the high labour cost, which is 3 or 4 times higher than in Bangladesh. Another motive for leaving China is that also its labour costs are starting to go up.

Given the different development cooperation profiles of JICA and Sida respectively, JICA is not among the donors that Sweden would normally partner with. The reason for including JICA in this list of actors is that it could be a valuable contact for the Swedish Embassy if and when it became interested to get in contact with Japanese companies as possible candidates for PSC.

### **4.6 Swiss Embassy, SDC**

The Swiss development cooperation, although relatively small, is reputed to be somewhat of a pioneer with respect to PSD as well as PSC having been involved in many projects over the years. It can therefore be seen as an interesting potential dialogue or co-financing partner for Sida. As a longstanding donor of the rural market development project "Katalyst", SDC, together with DFID and other funding partners, has made important contributions to the "making markets work for the poor" approach (M4P).

## V - Quality Assessment of the PSC opportunities presented

We can attempt to assess the expected quality of the PSC opportunities identified in this report. This we will do by judging them against each of the main selection criteria we have used.

*Firstly*, the main requirement is that the PSC opportunity shall be positively affecting one or more of the Sida result areas. This we can call *Relevance*.

*Secondly*, it has to contain a clear commercial *business opportunity* for a private sector actor to exploit.

*Thirdly*, the idea behind the PSC should, preferably, be *innovative*.

*Fourthly*, we can assess how easy or realistic is it to design and implement a functioning PSC. This includes assessing how readily available are suitable actors and partners for this PSC. This we could call *Realism*.

Each criteria will be assessed using a scale 1 to 5, where 5 signifies that the requirement in question is completely fulfilled, while a 1 will signify that it is not at all. The reader will appreciate that the marks assigned will be very subjective and in some cases a kind of guess-work.

With respect to the last column "*Overall score*", it should be noted that it cannot strictly be used to rank the projects as there are no established relative weights for the four criteria used.

### Quality assessment of the PSC opportunities identified

Direct modes of PSC	Relevance	Business opportunity	Innovative	Realism	Overall Score
RESULTS AREA 1					
1. RMG salaries paid out to employee bank account and not in cash	4	4	3	5	16
2. Computer-based mobile phone financial services for the poor	4	3	4	4	15
3. Mobile solutions for education and training	3	2	5	3	13
4. Alarm button connected to mobile phone for women as a means of protection against violence	5	3	5	4	17
5. Information/ Propaganda campaign against corruption, violence against women and empowerment in general	5	3	3	5	16
RESULTS AREA 2					
6. Health insurance for low-income people - based inter alia on mobile phone claim settlement	5	4	4	4	17
7. Internet based health services for remote villages - telemedicine	5	4	4	3	16
8. Testing quality of milk and other foods in rural Bangladesh with ViolaVitalis/ Miris equipment	4	4	3	5	16
RESULTS AREA 3					

9. Arsenic-free drinking water for rural children and mothers	5	5	5	4	19
10. Waste disposal	5	4	3	5	17
11. Water Recycling in RMG plants	4	4	4	5	17
12. Solar energy	3	5	5	5	18
13. Disaster insurance	5	3	4	4	16
14. Improving cooking stoves	5	5	5	5	20
RESULTS AREA 4					
15. Enhancing women's employability and labour conditions	5	4	3	3	15

## VI Conclusions

Based on the findings of this assignment we could offer the following (tentative) conclusions:

1. There is today no systematic knowledge - either by way of statistical data or in terms of analytic or narrative reports - of the extent to which the involvement of the private sector today affects the four result areas targeted by Sida.
2. All relevant actors in Bangladesh - donor agencies, NGOs, private firms and not least government agencies - today agree that there is a very large and important role to fill for the private sector in the country's social and economic development.
3. Many of the actors have for several years been involved in collaboration with the private sector, and almost all currently have various projects in progress or being planned. Several of the actors - mainly donor agencies and NGOs, welcome cooperation with Sida in this area.
4. In general, there is no shortage of suitable opportunities for PSC which address one or more of the Sida result areas. Several of such opportunities however require further study and analysis in order to make them well adapted for Sida's objectives.
5. Finding suitable private sector business firms for Sida to partner with could be a time-consuming process, and each PSC opportunity will likely require extensive discussions with potential partners and/or dialogue with other donors.

## **ANNEX 1**

### **Terms-of-Reference**

#### **Terms of Reference for mapping the role of private sector in Sweden's new results strategy for Bangladesh and opportunities for Private Sector Collaboration (PSC)**

##### **Background**

In December 2013, Sida (the Swedish International Development Cooperation Agency) submitted a proposal on a new strategy for the Swedish development cooperation with Bangladesh. The new results strategy is expected to soon be decided upon by the Swedish government and will then guide Swedish development cooperation in Bangladesh 2014-2020. The proposal submitted by Sida consisted of four so called results areas with three specific results within each area. These are spelled out in appendix 1. The full proposal in Swedish is to be found in appendix 2.

Through all the four results areas, Sweden intends to work with the most relevant stakeholders and engage in interventions with cost-effective and innovative setups in order to achieve the best possible results. Private sector (local, international and Swedish) is envisaged to be one such relevant stakeholder whom Sweden wants to work with directly as well as indirectly. Directly, Sweden may set up so called Public Private Development Partnerships (PPDPs) where an implementing not for profit partner (such as an NGO or a multilateral) carries out a development intervention together with one or several companies. In such a PPDP, the private sector actor/s is/are expected to fund at least 50 % of the total budget while Sweden (on its own or together with other donors) may cover the rest of the costs. Sweden may also provide a bank guarantee to a company for carrying out a development project, meaning that a bank may issue an otherwise unattainable loan to the company knowing that Sweden will repay the loan, would the company default on it.

Indirectly, Sweden may support interventions that address or work with the private sector in many ways. The PSC in interventions could range from only interacting with private sector actors through stakeholder dialogue or including them in steering groups or working groups; to work with them in order to improve markets and business conduct; to funding and carrying out components together, resembling the PPDPs mentioned above. More information on Sweden's different ways of direct and indirect collaboration may be found on [www.sida.se/privatesector](http://www.sida.se/privatesector).

##### **Objectives and scope**

To find the most relevant ways of interacting with the private sector in line with the new results strategy, a study on the Bangladesh context is needed. The objective of the study is twofold: (i) identify the overall role of the private sector in the different results areas (i.e. how do – and how could - private sector actors influence the results Sweden wants to achieve); (ii) map feasible actors that Sweden may partner with in order to improve the results of Sweden's portfolio through private sector collaboration (i.e. private companies per se but also other organisations that share Sweden's view on PSC).

The mapping shall cover all four results areas mentioned in the strategy proposal Sida has suggested to the Swedish government. The results areas and specific results within each area are spelled out in appendix 1 and further described in appendix 2. In parallel with this study, another mapping study concerning the fourth proposed result area (productive employment and sustainable business practices) will be called off. It is foreseen that the two studies to some extent may address similar issues and make use of common material and sources. Hence, the two teams are expected to communicate and coordinate their work during the assignment.

##### **Identification of the role of the private sector**

Bangladesh is a burgeoning economy where formal and informal business plays a role in all parts of

the society. In this part of the study, a holistic analysis of which role companies and industry associations play or could play in each results area shall be carried out. For each results area, the following questions shall be answered:

- What *kind* of private sector actors influence the achievement of the results today?
- In what way? (Beneficial as well as detrimental effects)
- Is there scope for private sector actors to make a greater contribution to the achievement of the results?
- How may Sweden through its interventions counter the negative effects of private sector and reinforce the positive ones? (Either with or without private sector involvement)?

### **Actor mapping**

With the identified role of the private sector as a basis, specific actors that Sweden may engage with directly or indirectly shall be identified and described. The mapping shall only contain actors who may help Sweden increase its aid effectiveness and the report shall be limited to include a maximum of circa 20 actors/group of actors that have the highest potential for achieving key and/or large scale results. The following kind of actors/group of actors shall be included:

- Potential private sector partners for Sweden through PPDPs or guarantees.
- Potential private sector partners for our partners (i.e. what private sector actors could NGOs, multilaterals and GoB partner with to reach better results).
- Private sector actors that it would be beneficial to engage with in other ways than partnerships in various interventions to reach the best results.
- NGOs and other donors that share Sweden's view on PSC and thus would be suitable for Sweden to partner with.

For each actor/group of actors the following shall be presented:

- Short overview of what they do.
- What objectives do they have?
- What methods (relevant for Sweden and this assignment) do they use?
- Where do they operate?
- How could Sweden engage with them and what would the opportunities and risks be for such an engagement?

### **The assignment**

The assignment is assessed to encompass 35 working days in total. It shall be carried out in close dialogue with the Swedish Embassy in Dhaka with assistance from thematic support at Sida HQ and in coordination with another mapping study specialising on the fourth result area called off simultaneously. The deadline to deliver all outputs is **15 June 2014**.

### **Expected outputs**

- A report in English, maximum 40 pages.
- A presentation at the Embassy of Sweden to discuss the findings before finalising the report.

### **Required team competence**

- At least one of the consultants should have five years of experience in private sector collaboration in development cooperation (category 1 or 2).
- Familiarity with Sida, its methods and Swedish development priorities.
- Familiarity with Sida's PSC approach as well as recent development in PSC in the global development aid field.
- Knowledge of and prior experience of working in Bangladesh.
- At least one member with fluency in Bangla.

**The call-off answer must include**

- Short description of proposed methodology, risks and risk mitigation.
- Proposed timeframe, including appropriate time allocation for different components.
- Budget proposal.
- Full description of CVs of proposed team.

**ANNEX 2****Persons Interviewed***Apollo Hospitals Dhaka*

Md. Mahfuz Alam, Sr. Manager-Corporate Marketing  
 Dr. Shagufa Anwar, General Manager Business Development

*Brummer and Partners*

Tom Josephson  
 Anders Stendebakken

*CARE*

Jamie Terzi, Country Director

*Danish Embassy*

Anette Galskjøt, Commercial Counsellor

*DFID*

Anirban Bhowmik, Private Sector Development Advisor

*FICCI*

Rupali Chowdhury, President  
 Jamil Osman, Executive Director

*GIZ*

Md. Abu Yousuf

*Grameen Phone*

Debashis Roy, Head of Corporate Responsibility, Communications division

*Hemtex/ ICA*

Brunhilde Descamps, Chief Representative in Bangladesh

*H&M*

Johan Stellansson, Public Relation Responsible Bangladesh

*HVR*

Aapo Säask

*IFC*

Eleonore Richardson, Operations Officer, Sustainable Business Advisory  
 M. Masrur Reaz, Program Manager  
 John McKenzie, Head of SEDF Advisory Services in South Asia

*ILO*

Srinivas B. Reddy, Country Director

*JICA*

Yasuhiko Yuge, Private Sector Advisor

*Market Development Forum, MDF*

Zunad Rabbani, Executive Director

*Milkvita*

Muhammed Munir Chowdury, CEO

*Netherlands Embassy*

Henrick van Asch van Wijck, First Secretary-Political and Economic Affairs  
 Monnujan Khanam, Advisor Economic Affairs

*NCCI*

Hasan Fatheme, Executive Director

*Norway Embassy in Dhaka*

Sayed M. Bayzid, Program Manager Business Matchmaking  
 Imran Kabir, Economic Affairs and Trade Adviser

*Oxfam*

Md. Badi Akhter, Program Manager  
 Snehal V. Soneji, Country Director  
 Md. Norul Amin, Economic&Private Sector Coordinator

*Pragati Life Insurance company*

M M Monirul Alam (Tapan), Additional Managing Director

*Stockholm Chamber of Commerce*

Marianne Dott

*STS-Group*

R. Basil, CEO STS Holding Ltd.

Abu Taleb, CEO

*Swedfund,*

Anders Craft, director Investment Operations

*Swedish Embassy in Dhaka*

Christian Lannerbert

Karolina Hulterström

Ludvig Bontell

*Swedish International Development Cooperation Agency, Sida*

Elisabeth Montgomery, policy advisor in employment

Ola Möller, ENICT

Roger Garman

Samuel Hurtig

Elisabeth Ekelund

*Swisscontact*

Martin Dietschi, Project Manager

*Swiss Embassy, SDC*

Siroco Messerli, First Secretary, Deputy Director of Cooperation

Md. Fazle Razik, Senior Programme Manager

*Tetrapak (Bangladesh)*

Atul Pahwa, Country/Managing Director

*UNCDF*

Jesmul Hasan, Programme Analyst

Suresh Balakrishnan, Chief Technical Advisor

*USAID*

Beth A. Hain, Economic, Private Enterprise Officer, Economic Growth Office

Ramona M. El Hamzaoui, Director Economic Growth Office

M. Shahidur Rahman Bhuiyan, Ph.D, Food Security & Policy Advisor

*ViolaVitalis*

Dr. Abdul Kader, CEO

A.K.M Abdus Shakoor, Manager

Dr. Mad. A. Salam

*Wateraid*

Imrul Kayes Muniruzzaman, Director Resource Mobilization

*World Bank*

A.K.M. Abdullah, Financial Sector Specialist

Sharlin Hossain, Consultant South Asia Finance

### ANNEX 3

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