



# Private Sector Engagement Through Development Co-operation in Bangladesh

## Report Highlights

This document is based on the summary report prepared by Shannon Kindornay, Zeki Kocaata and Thomas Boehler from the OECD Joint Support Team. The report informs inclusive policy dialogue and guidelines for effective private sector engagement through development co-operation, a key output of the Global Partnership under its current 2017-2018 Work Programme.

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**The purpose of the Private Sector Engagement through Development Co-operation in Bangladesh report is to identify the opportunities and challenges of private sector engagement (PSE) through development co-operation in Bangladesh.** It generates unique country-specific evidence: through a mapping of 240 PSE projects,<sup>1</sup> a review of existing literature, interviews with various stakeholders and a multi-stakeholder workshop held in February 2018.

**Private investment is recognised as an important tool to reach development priorities in Bangladesh.** The business community is vibrant and the government has proactively invested in public-private partnerships (PPPs) since the late 1990s. Public-private dialogue platforms also exist.

**Small- and medium-sized enterprises (SMEs) play a crucial role in the country's economy.** SMEs account for over 99% of industrial establishments and provide employment to 70-80% of workers outside the agricultural sector. Yet, national business associations tend to be populated by larger companies with little representation from SMEs.

**Challenges persist in improving the business enabling environment, including through better regulatory frameworks, access to finance and infrastructure.** The country also has high levels of informality in the private sector and does not have a legal framework for corporate social responsibility (CSR), despite the existence of a wide range of these activities supported by development partners.

The full report offers an in-depth review of the PSE projects in the country and a wide range of recommendations for development co-operation stakeholders. Here, you will find the key findings and recommendations arising from this case study.

## Key findings<sup>2</sup>

**PSE mobilised through development co-operation in Bangladesh largely comes from Development Assistance Committee (DAC) donors (37%) and their implementing agencies.** Based on a review of 240 PSE projects, DAC donors are followed by multilateral development finance institutions (DFIs, 33%) and bilateral DFIs (25%).

**Activities supported by PSE projects tend to focus on private sector development (PSD).** They include improving access to finance for SMEs and/or specific sector, technology or research related interventions on agriculture, and financing company operations, including expansion activities and upgrades.

**Finance, in particular debt financing, is the main modality of focus of PSE projects.** It underpins 71% of the projects examined with debt financing supporting 42% of projects overall. Other non-financial modalities of PSE, including policy dialogue, knowledge sharing, capacity development and research, are equally important and require further attention.

**SMEs are important beneficiaries of PSE projects in Bangladesh.** They receive support in terms of access to finance, capacity development, value chain development and efforts to improve environmental, social and governance (ESG) standards. However, SMEs need additional support to engage in business associations and opportunities for public-private dialogue. They also require special attention in terms of awareness of opportunities in development co-operation.

**A limited number of the examined PSE projects (12%) explicitly target the poor or people living in underserved or rural locations and only 4% explicitly target women.** While other examined projects may still benefit those left behind and women, these findings suggest that PSE projects do not sufficiently purposefully target the most marginalised. There is an opportunity for the government and development partners to make greater use of PSE through development co-operation to address social challenges.

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<sup>1</sup> For more details on the mapping exercise, see:

[http://www.oecd.org/dac/effectiveness/Bangladesh\\_Country\\_Report\\_draft.pdf](http://www.oecd.org/dac/effectiveness/Bangladesh_Country_Report_draft.pdf).

<sup>2</sup> For a more detailed list of findings, see:

[http://www.oecd.org/dac/effectiveness/Bangladesh\\_Country\\_Report\\_draft.pdf](http://www.oecd.org/dac/effectiveness/Bangladesh_Country_Report_draft.pdf).

**There is limited information in terms of results and evaluations of individual PSE projects.** Therefore, it is not possible based on the project mapping to make an assessment of the key development results and factors for promoting successful PSE projects. Likewise, the absence of information on private sector contributions makes it impossible to provide full figures on the total size of public or private contributions for the PSE projects.

## Key recommendations<sup>3</sup>

### All actors should:

- ✓ **Allocate greater resources to capacity development for PSE** including through programmes that sensitise stakeholders on the opportunities for PSE through development co-operation and build the necessary skills to access resources and establish and maintain partnerships;
- ✓ **Allocate part of PSE financing to quantitative and qualitative monitoring and evaluation**, making them obligatory, while considering the reporting burden to be carried by the development partners, notably implementing agencies and in particular SMEs;
- ✓ **Collect evidence on the impact of different modalities of PSE through development co-operation**, on people left furthest behind, SMEs, and scalability. Compile best practices and resources on PSE in Bangladesh to promote greater understanding of PSE and examples others can replicate;
- ✓ **Make publicly available basic information on PSE projects.** This includes information on project duration, monitoring, results frameworks, results and evaluations.

### The national government should:

- ✓ **Promote greater awareness and country ownership of the SDGs through more structured public-private dialogue** that engages all relevant actors for mutual learning and to drive meaningful partnership action that engages the business sector more systematically, including SMEs;
- ✓ **Establish a national CEO Caucus on PSE through development co-operation** to provide momentum on SDG implementation, including through the promotion of best practice and results-based efforts by the private sector and development partners that support the SDGs and work to leave no one behind. This should build on existing efforts of the Prime Minister's Office and include representatives from SMEs;
- ✓ **In consultation with stakeholders, develop national legal and policy frameworks to promote PSE**, including national guidelines for PSE and a legal framework for CSR that clearly defines CSR and articulates expectations for businesses, government institutions, development partners and other stakeholders with reference to supporting CSR.

### The national parliament should:

- ✓ **Establish a non-partisan caucus on PSE**, taking advantage of the existing composition of MPs which includes a majority of members with experience from the private sector.

### Development partners should:

- ✓ **Invest more in capacity development for government, civil society, trade unions, parliamentarians and others to participate in PSE** and to ensure sustainability and availability of necessary skills and resources to scale successes;

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<sup>3</sup> For the complete set of policy recommendations, see:  
[http://www.oecd.org/dac/effectiveness/Bangladesh\\_Country\\_Report\\_draft.pdf](http://www.oecd.org/dac/effectiveness/Bangladesh_Country_Report_draft.pdf).

- ✓ **Provide awareness raising and capacity support for stakeholders to engage in PSE** and on broader enabling environment issues;
- ✓ **Work in a more systematic manner with the government** to fully align efforts and support them in providing an enabling, well-regulated business environment and championing private partners;
- ✓ **Act as interlocutors to foster multi-stakeholder partnerships across sectors** building on their capacity to finance and convene development co-operation actors. This role requires building capacity in terms of knowing the local context and key players that can contribute through PSE.

**Private sector should:**

- ✓ **Comply with national and international standards to ensure that business operations minimise negative impacts on people and the environment**, and where possible, maximise benefits;
- ✓ **Strengthen the organisational capacity of private sector coordination bodies** for effective engagement with local and national governments, development partners and other stakeholders.

## About the Global Partnership

The Global Partnership for Effective Development Cooperation is a multi-stakeholder platform which aims at facilitating policy dialogue about challenges and opportunities to make private sector engagement (PSE) through development co-operation more effective. By the end of 2019, it aims to produce agreement on guidelines for such engagement and help development actors scale up public-private initiatives leveraged through development co-operation to reach the Sustainable Development Goals (SDGs).