Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 06-May-2020 | Report No: PIDA27730
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>P168724</td>
<td>Bangladesh Second Programmatic Jobs Development Policy Credit (P168724)</td>
<td>P167190</td>
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<thead>
<tr>
<th>Region</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
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<tbody>
<tr>
<td>SOUTH ASIA</td>
<td>19-Jun-2020</td>
<td>Social Protection &amp; Jobs</td>
<td>Development Policy Financing</td>
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<tr>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tr>
<td>People's Republic of Bangladesh</td>
<td>Finance Division, Ministry of Finance</td>
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Proposed Development Objective(s)

The Bangladesh Jobs DPC supports the Government of Bangladesh's program of reforms to address the country's jobs challenges by: (i) modernizing the trade and investment environment; (ii) strengthening systems that protect workers and build resilience; and (iii) improving policies and programs that enhance access to jobs for vulnerable populations

Financing (in US$, Millions)

<table>
<thead>
<tr>
<th>SUMMARY</th>
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<tbody>
<tr>
<td>Total Financing</td>
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DETAILS

<table>
<thead>
<tr>
<th>Total World Bank Group Financing</th>
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<tbody>
<tr>
<td>World Bank Lending</td>
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Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

Despite Bangladesh's remarkable development progress, availability of good jobs remains a persistent challenge. Job quality is poor, with high levels of vulnerability, including unpaid, agricultural workers, day laborers, and overseas migrants; moreover, workers are at risk from lack of application of basic occupational health, safety, and environmental
standards. Gender disparities are acute, with just 36 percent of females in the labor force versus more than 80 percent of males; and one in three working women are engaged in unpaid work versus 5 percent of working men. While GDP growth exceeded 7 percent over the past three years, the pace of job creation slowed sharply, putting further pressure on labor markets, particularly for women and youth. Given Bangladesh’s vulnerability to climate change, the need to create alternative livelihoods for current and future climate migrants will exacerbate the existing jobs challenges. The Government’s Seventh Five Year Plan (2016-2020) and its Vision 2021 emphasize the creation of quality, inclusive jobs1 as a critical priority to speed up the journey toward upper middle-income status by 2021 and attain the Sustainable Development Goals by 2030. The Government’s agenda targets faster job creation, improved job quality, and access to jobs for vulnerable groups through reforms in several critical areas including trade and investment policy reforms, improved environmental standards and increased resilience to climate change, pension reforms, strengthened worker protection, expanded women’s labor market participation, enhanced support for overseas migrants, and improved coordination of skills development programs. The operation is motivated by the recent Bangladesh Jobs Diagnostic (2017) and complements a broad set of investment operations and technical assistance programs across the WBG and development partners supporting trade, private sector development, education, social protection, and urbanization.

Bangladesh’s structural challenges to creating good jobs are now aggravated by the increasing impact of the COVID-19 crisis. Jobs and income losses in both the informal and formal sectors have put livelihoods of several millions at risk in both rural areas and urban spaces. As of early April 2020, more than US$3 billion in existing RMG export orders had been cancelled and most large global buyers have suspended future orders. This has forced the closure of hundreds of large factories, putting a million or more jobs at risk in the RMG sector alone. Mobility restrictions and the collapse in domestic demand from the continued lockdown since late March is having even more widespread impacts. A rapid assessment survey carried out by BRAC and the Power Participation and Research Centre2 in the first half of April found that 71 percent informal workers have lost jobs and the income of those who still have work has dropped by 50 to 90 percent; earnings of almost 80 percent of the vulnerable non-poor have suffered contraction.

Relationship to CPF

The proposed second operation in the Jobs DPC series directly supports the World Bank CPF FY 16-20 objective of delivering ‘more and better’ jobs, with relevance across all three focus areas; this also aligns with the GoB 7th Plan in emphasizing the need to continue to deliver large-scale job creation to absorb the growing youth population and climate induced rural-urban migration, create opportunities for women to benefit from economic growth, and generate earnings opportunities to lift more Bangladeshis out of poverty. It complements and is supported by a large portfolio of technical assistance and analytics that support reforms to the business environment, promote diversified, export-oriented investment, support development of Bangladesh’s social protection systems, and facilitate economic opportunities for women and youth. Results from the program are expected to contribute to increased investment in labor-intensive activities, improving the quality of employment and strengthening resilience to shocks, and helping ensure job opportunities are particularly accessible to women, youth, and migrants. Given that increased labor income, particularly through wage employment for women, has been central to Bangladesh’s poverty reduction story over the past two decades, the program has a clear link to supporting poverty reduction.

C. Proposed Development Objective(s)

The Bangladesh Jobs DPC supports the Government of Bangladesh’s program of reforms to address the country’s jobs

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1 The Seventh Five-Year Plan targets creating 13.2 million jobs between 2016 and 2020.

2 For more details, see https://bigd.bracu.ac.bd/event/livelihoods-coping-and-support-during-covid-19-crisis/
challenges by: (i) modernizing the trade and investment environment; (ii) strengthening systems that protect workers and build resilience; and (iii) improving policies and programs that enhance access to jobs for vulnerable populations.

**Key Results**

Pillar A is expected to ensure an improved and more sustainable trade and investment environment as measured by: (i): Reduced time and cost to establish and operationalize new investments; (ii) Reduced rate of physical inspection of imports and reduced time to clear imports; (iii) Increased access to the bonded warehouse regime by non-RMG firms; and, (iv) full compliance to environmental standards under the National Environment Policy 2018 of key export-oriented industries. Pillar B is expected to strengthen worker protections and build resilience as measured by: (i) increased number of workers supported by new safety net programs; and (ii) increased number of labor and safety complaints addressed by the national factory inspectorate. Pillar C is expected to enhance access to jobs by vulnerable populations as measured by: (i) reduced costs for migration through formal channels; (ii) increased allocation of budget to support protection of expatriate workers, in particular females; (iii) increased training of workers in partnership with private industries; (iv) increased use of competency standards for training; and, (v) licensing of daycare centers licensed under the new regulatory framework.

**D. Project Description**

The proposed second operation in the DPC series build on the progress of the first operation in the series, which reflects the Government’s priorities as articulated in the 7th Five-Year Plan. However, the program has also been adapted to support Bangladesh’s capacity to respond to and recover from the COVID-19 crisis. It is built around three pillars.

Pillar A seeks to unlock short-to-medium term job creation and accelerate recovery from COVID-19 by improving the overall environment for private investment and exports. While Bangladesh has had huge success with integration in the RMG GVC, it has become far too reliant on the sector, which accounts for around 85 percent of all exports. With job growth in RMG slowing rapidly, the GoB is seeking alternative sources of large-scale waged employment accessible to women and to absorb the large number of workers migrating from rural to urban areas. The COVID-19 crisis has highlighted the risk of relying on a single sector, with RMG manufacturers caught first by the supply shock from China and then later the demand shock from European and American buyers. Diversifying will require a significant increase in both FDI and domestic investment. Ensuring this growth is sustainable will also require greater attention to meeting environmental and social standards, to safeguard competitiveness in global markets, safety in the workplace, and protection of labor rights, and to mitigate the risks of climate change and environmental degradation. Pillar A builds on the reforms initiated in DPC1 and supports rapid recovery from the COVID-19 crisis by strengthening the environment for job-creating private investment and promoting exports, while helping mitigate environmental and climate change impacts of industrial expansion. The actions in this pillar will be especially important to help Bangladesh recover quickly from the COVID-19 crisis when global demand picks up. Specifically, the operation: (i) follows on from the enactment of the One Stop Service (OSS) Act in DPC1 to implement a more conducive environment for investment facilitation, while progressing on reforms that support more efficient business entry and exit; (ii) supports customs modernization by enacting key regulations and building the institutional capacity for implementing risk management in customs; (iii) builds on the initial steps taken in DPC1 to put in place new policies and procedures to facilitate expanded use of bonded warehouses outside the RMG sector; and (iv) promotes environmental and social standards compliance in emerging manufacturing sectors.

Pillar B builds on DPC1 actions to increase protection of Bangladeshi workers and includes new actions to strengthen and expand of safety nets in response to the COVID-19 crisis. The actions to increase investment in Pillar A are expected to
contribute to more and higher quality (waged) jobs. However, even among those in better quality jobs, most employees in Bangladesh work in conditions of significant vulnerability, with few having access to written contracts, appropriate occupational health and safety standards, and social insurance. Bangladeshi workers in the informal sector – including non-formal wage workers, daily laborers, and low-income self-employed – face even greater vulnerability, with low productivity, poor working conditions, and highly volatile earnings. In the context of the COVID-19 crisis, there is an urgent need to protect the earnings of both formal and informal workers, particularly those who are not already covered by social safety nets. This pillar builds on the Bank’s broad engagement with the GoB in strengthening social protection and labor market systems. It supports improved job quality through new interventions and enhanced implementation of existing laws and standards, including: (i) protecting the earnings of workers in labor-intensive export sectors whose jobs are threatened by the COVID-19 crisis through low interest loans to employers, which are earmarked for wage payments; (ii) providing a cash transfer to low-income informal workers who have lost earnings due to the COVID-19 crisis, as an initial step in expanding access to safety nets in urban areas; and, (ii) building on DPC1 labor law reforms to expand protection of workers and strengthen capacity to enforce labor regulations.

Pillar C expands and supports implementation of DPC1 actions to strengthen programs and institutions that support youth, women, and overseas migrants to access current and emerging job opportunities. While the COVID-19 crisis may disrupt programs targeting women, youth, and migrants in the short term, it also makes it all the more important to improve their effectiveness to prepare for the recovery, as these target groups are likely to bear the brunt of the COVID-19 impact on labor markets. At present, many GoB and donor programs are in place to support these target groups but they are fragmented, poorly coordinated, and lack robust institutional support. Efforts to expand access to employment opportunities would help poor households diversify their sources of income and assist those impacted by the effects of climate change to find alternative livelihoods. Pillar C aims to strengthen existing institutions and programs, including: (i) expanding on DPC1 support to overseas migrants to address policy gaps contributing to high migration costs; and, (ii) following on from DPC1 support for the National Skills Development Authority (NSDA) Act to put in place implementing regulations and establish the NSDA institutional authority. The DPC series will also continue to support expanded access to employment for women and the development of the private daycare market by building capacity to establish and enforce quality standards for the provision of daycare services.

E. Implementation

Institutional and Implementation Arrangements

The Finance Division of the Ministry of Finance will be responsible for coordinating and reporting to the WBG on the progress of implementing the DPC policy programs with the GoB authorities responsible for program implementation, including: BIDA, NBR, MoC, MoDMR (or Ministry of Social Welfare, depending on who is implementing new urban safety net programs), MoLE, MoEWOE, NSDA, and MoWCA. Throughout implementation, a multi-sector team from WBG will undertake supervision missions and provide technical assistance and policy advice to support implementation and monitor the DPC-supported program. The proposed results indicators will be monitored to evaluate the impact of the DPC program in supporting Bangladesh to address jobs challenges. Monitoring and evaluation of results indicators will be based on data available from GoB implementing authorities and verified by the WBG through DPC supervision. Given the cross-cutting nature of the program, the GoB will establish an inter-ministerial program monitoring committee, led by the Finance Division, to oversee implementation.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects
Poverty and Social Impacts

The reform program supported by the multi-year DPC programmatic series is expected to have overall positive effects on economic and social welfare, primarily through its support for increased job creation and improved access to jobs by women and other vulnerable populations. Actions to expand safety nets during the COVID-19 crisis could have a significant impact on workers and households that are vulnerable to falling into poverty. It is important that these programs are delivered in a way that mitigates risks to women, who may be less likely to be in a position to control wages coming through electronic and mobile money channels. Actions to strengthen enforcement of labor and safety regulations, along with other measures resulting from enactment of the Labour Law amendments, will have positive direct impacts on workers. However, these actions may also have indirect effects on the costs and perceived benefits of wage employment. For example, stronger enforcement of labor regulations could encourage employers to hire less and workers to engage in more job search as wage employment becomes more attractive compared to self-employment. This could have downward pressure on wages. However, an assessment of likely impacts shows virtually no impact on employment and only a small impact on wages, which is offset by the direct benefits of such actions.

Environmental, Forests, and Other Natural Resource Aspects

The policy reforms supported by this programmatic series will help Bangladesh industry adopt enhanced pollution reduction practices to comply with Bangladeshi environmental standards and reduce pollution and its adverse impacts on the health of industrial workers, the general public, and critical ecosystems. Mitigation of the environmental risks of expansion manufacturing will require that the GoB put in place regulatory and budgetary measures to ensure compliance. In addition, the Department of Environment will need to adopt policy and institutional measures to better enforce environmental standards and facilitate public good investments in proper hazardous waste management, for industries both within and outside industrial estates.

G. Risks and Mitigation

The overall risk rating is assessed to be substantial. Following are the key risks identified:

- **Macroeconomic risk**: The economic impact of the COVID-19 crisis could translate into an increase in the fiscal and external deficits and could divert the GoB’s resources to deal with the evolving situation, potentially impeding the successful implementation of the reforms supported by the operation. Key mitigating factors include the steps already taken by the government to reduce the economic risk from COVID-19 and its efforts to mobilize concessional financing for a comprehensive economic support package. In addition, the government remains committed to maintaining macroeconomic stability. The country’s low debt to GDP ratio also provides a buffer and despite the increase in spending to deal with the pandemic, the country continues to be at low risk of debt distress.

- **Political and governance risk**: Risks are likely to be higher in the context of the COVID-19 crisis, mainly as the crisis could shift priorities away from structural reforms like those in this program. These risks can be mitigated somewhat through close dialogue between WBG and GoB, emphasizing the importance of the reforms in the program to the country’s crisis recovery and resilience efforts.

- **Institutional capacity risks**: Risks stem from fragmentation across the ministerial bureaucracy and from the increased demands on institutions during the COVID-19 crisis. The program aims to mitigate these risks by: (i) Limiting the number of ministries attached to the program; (ii) Focusing on reforms that have been publicly identified as high priority by the Prime Minister; and, (iii) Establishing a cross-ministerial working group, chaired by the Ministry of...
Finance, to coordinate implementation and monitoring of DPC reform actions.

- **Fiduciary risks.** Fungibility of funds raises risks that budgetary resources may be diverted or misused. The GoB, however, has a good record of allocating public spending to key development sectors. Auditing arrangements, financial management within ministries, and external oversight by the Comptroller and Auditor General’s office are also being strengthened. To enhance the safeguard framework, the Finance Division of the MoF is strengthening its financial management with support from a Multi-Donor Trust Fund currently being executed by the WBG.

- **Environmental and social risks.** The environmental assessment highlights the environmental risks of actions designed to increase investment and output in manufacturing. GoB will need to put in place regulatory and budgetary measures to mitigate these risks. In the context of COVID-19, implementation of reforms may also be impacted by public health concerns and mobility restrictions.

- **Stakeholder risks.** The program touches on a large number of stakeholders, some of which have significant influence and past history of slowing reforms. Priorities of many of these actors may well have changed as a result of the COVID-19 crisis. These risks are mitigated by the fact that the reforms outlined in this program are strongly owned by the GoB and have already gone through significant consultation with key stakeholders.

**CONTACT POINT**

**World Bank**
Thomas Farole
Lead Economist

**Borrower/Client/Recipient**
People's Republic of Bangladesh
Abdur Rouf Talukder
Finance Secretary
secretary@finance.gov.bd

**Implementing Agencies**
Finance Division, Ministry of Finance
Md. Azizul Alam
Additional Secretary
md.azizulalam@yahoo.com