A. Country and Sector Background

Bangladesh has experienced strong economic growth and achieved significant and rapid gains in human development in recent years. However, the distribution of gains from economic growth and poverty reduction has been uneven. Stark income and human development disparities persist between occupational groups and genders, as well as across regions. Particularly acute poverty is found in the so-called *monga*-prone districts of Rangpur Division, in the northern administrative region of Bangladesh that is targeted by the proposed project. These areas suffer from seasonal famine-like conditions or *monga*. Women in *monga*-prone areas form a particularly vulnerable group, as they face exclusion and suffer from lack of resources, opportunities, and voice.

Mitigating the effects of *monga* is a key challenge that the Government faces in the promotion of a “pro-poor growth” development strategy. To this end, two critical objectives have been put forward by the Government: (i) linking the lagging northern region of the country to growth poles; and (ii) increasing the contribution of women to the labor force, as their participation rate
today is one of the lowest in the world (26 percent) whereas the male participation rate is 87 percent.

The garment sector offers the Government an opportunity to both pursue its “pro-poor growth” development strategy and innovatively address the poverty trap related to monga. The industry generates over 80 percent of export earnings, employs 3.1 million workers (90 percent of them women), and is growing at a rate of 15-20 percent per year. The garment sector has been especially important in changing the role and status of women. It has generated the first substantial opportunities for women to participate in formal employment, provided an alternative to early marriage, contributed to reductions in fertility, and improved health outcomes. It has also enhanced women’s prestige, control over income, and decision-making.

However, female participation in the garment industry remains hazardous, typified by low wages, poor working conditions, and weak bargaining power. Living conditions may be precarious and violence and crime are major concerns. Garment workers are an especially vulnerable group: poor, young, illiterate, migrant, rural, unskilled and female. They are often removed from their support networks and are largely on their own, further increasing their vulnerability.

In this environment, the poorest and most vulnerable women either refrain from joining the garment industry, or they are likely to be unsuccessful in their migration. Academics and other experts estimate that approximately five percent of the workers are from the northern monga-prone areas—far below what it could be. This low number is due to a lack of information on job opportunities, the absence of social networks in the growth poles, and the lack of adequate training, preparation, and support in making the transition to garment factories in urban settings.

The continued expansion of the garment industry, despite the global economic crisis, requires an additional workforce that could include those from poor communities in the northern areas who are trying to escape the poverty trap of monga. Such migration would link the lagging regions to the growth poles. At the same time, the jobs available in this industry are most attractive to poor women and offer a unique chance for their economic empowerment. Providing more support for women to participate in the garment sector would contribute to increasing the rate of female participation in the labor force.

In this context, the Government has asked the Bank to assist in the design and financing of a pilot project that would develop a managed system to support poor and vulnerable women from the monga-prone districts of the northern areas who are willing to migrate to work in garment factories in selected Export Processing Zones (EPZs), but who currently lack the social, economic, and knowledge resources required to make their transition successful.

Accordingly, the proposed Northern Areas Reduction of Poverty Initiative (NARI) project—*nari* means ‘women’ in Bengali—has been developed, keeping in mind the potential for it to be scaled-up and extended to other poor areas of Bangladesh as part of the Government’s long-term efforts to reduce regional and gender inequalities in development opportunities and outcomes. The project has been designed to complement existing, *in situ*, interventions that address the monga issue in the northern areas.
B. Objectives

The overall goal of the project is to support the Government and Bank strategic objectives to (i) promote “pro-poor” inclusive economic growth; (ii) reduce poverty in lagging regions; and (iii) encourage the empowerment of women.

The specific project development objective is to facilitate access to employment opportunities in the garment sector for poor and vulnerable women from lagging areas of Bangladesh by providing information, technical and life skills training, transitional housing, and other support to adjust to urban life and formal sector employment.

C. Rationale for Bank Involvement

The NARI project responds to the Government’s request for Bank assistance, builds on the original project concept of BEPZA, and has high-level support and endorsement from the Government. Through its focus on strengthening women’s economic empowerment, NARI will help achieve the objectives of the Country Assistance Strategy for the period FY11-14 and is in line with the recommendations of the Bank’s key analytical work including the latest Bangladesh Country Gender Assessment and Country Poverty Assessment.

The Bank has a comparative advantage in facilitating south-south learning in preparing women for formal employment and is positioned to create useful synergies with other in-country Bank Group activities. The Bank also has the convening power to bring the necessary resources, knowledge, and partners together to make the project possible. The project has received strong endorsement from a wide range of stakeholders during consultations to refine the project concept, including private sector organizations, non-governmental organizations (NGOs), employers, workers, donors, and potential beneficiaries.

Finally, the Bank can support eventual scaling up of the NARI project informed by rigorous impact evaluation, learning from experience, and providing financing for a follow-on project.

D. Description

The proposed NARI project will offer a managed system of transition to employment opportunities in the garment industry for poor and vulnerable women from the monga-prone districts of northern Bangladesh, which ensures fairness, efficiency, and safety along the entire labor supply chain. Fairness addresses the lack of resources and opportunities (from information to training to social networks) that poor and vulnerable women from lagging regions face—the project levels the playing field. Efficiency speaks to the need to solve the “common good” issue of training in the industry—the project develops the best mechanisms to match supply of and demand for skilled labor. Safety responds to the social vulnerabilities that these women face when left alone in their migration—the project provides the necessary instruments for risk mitigation and empowerment. The project is divided into four components: three substantive components and an integrated administrative component, each with several sub-components:
**Component 1: Raising awareness and selecting candidates in the monga-prone districts of northern Bangladesh.** This component aims to share information about the project with the people of the five *monga*-prone districts of northern Bangladesh—namely, Gaibandha, Kurigram, Lalmonirhat, Nilphamari, and Rangpur—and select beneficiaries from among these populations. Component 1 is made up of four sub-components, in sequence: (1A) an Information Education and Communication (IEC) campaign in the five districts; (1B) the targeting of poor and vulnerable women and screening of applicants to the project; (1C) an orientation program for the candidates that concludes the selection of project beneficiaries; and (1D) the transportation of the beneficiaries from the source areas (the *monga*-prone districts of northern Bangladesh) to the receiving areas (the EPZs in Dhaka, Ishwardi, and Karnaphuli).

**Component 2: Establishing training centers with dormitories in the EPZs located in Dhaka, Ishwardi, and Karnaphuli.** This component will support the establishment of the project’s training centers and transitional accommodation facilities. Component 2 includes two sub-components: (2A) the construction of the facilities on the three project sites and (2B) the provision of furniture, equipment, and management services for the facilities. The project will focus on the three EPZs located in Dhaka, Ishwardi, and Karnaphuli during this pilot phase.

The three EPZ sites have been chosen for several reasons. First, BEPZA owns the land at the three locations thus removing land acquisition as a potential obstacle or delay to implementation of the project. Second, the three EPZs to be included in the project have a high potential for employing women trained in the project. Conservative estimates by independent market analysts project the demand for female garment workers to be 70,000 in the next four years in these three zones. Third, factories in the EPZs are subject to strict compliance with international labor standards—especially on worker pay, health, and safety—imposed by BEPZA and international buyers. This ensures better conditions and security for the project beneficiaries.

**Component 3: Providing initial training and on-going support to beneficiaries.** This component will finance initial training and on-going support to project beneficiaries in their transition to formal employment in the garment factories and life in the areas surrounding the EPZs. Four sub-components are proposed: (3A) the delivery of a technical training curriculum for garment industry work; (3B) the delivery of a life skills curriculum to adapt to the factory and the city; (3C) placement services for on-the-job training and employment in EPZ garment factories; and (3D) self-help and counseling services for trainees and graduates. Training and support will start after the first year of project implementation once the facilities are operational. The training of each cohort will last for three months. After three months, the trainees will graduate and be given a certificate that attests to their skills. About 10,800 women will enter the training program over the duration of the project: 300 per cohort, with a new cohort every three months, for three years, in three EPZs (300 beneficiaries/cohort x 4 cohorts/year x 3 years x 3 training centers). Following graduation, graduates will benefit from the assistance of placement services to find a job and sign a contract. They will also be entitled to access counseling services and a sponsored graduate self-help group.

**Component 4: Supporting coordination, monitoring and evaluation, and program for expansion.** Component 4 aims to support implementation of project activities. As a pilot, this project requires special care and supervision and a strong emphasis on monitoring and evaluation
(M&E) activities. Component 4 is designed as an integrated administrative component with three specific sub-components: (i) the management and coordination of the project; (ii) the M&E of the project; and (iii) the preparation of an expansion program.

E. Financing

<table>
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<th>Source</th>
<th>US$ million</th>
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<td>Borrower/Recipient</td>
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<td>International Development Association</td>
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<tr>
<td>Others (Private sector and beneficiaries)</td>
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<td><strong>Total</strong></td>
<td><strong>39.79</strong></td>
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</table>

F. Implementation

The proposed project involves two government agencies:

- MOLE, assigned by the Government as the Sponsoring Ministry for this operation, will act as the **Coordinating Agency** for the project; and
- BEPZA will act as the **Implementing Agency** for the project.

BEPZA will set up a Project Implementation Unit (PIU) to oversee the development and management of Components 1, 2, and 3. The PIU, led by a project director appointed by BEPZA, will have a central project office located at the headquarters of BEPZA in Dhaka. In addition to the central unit in Dhaka, four Field Offices (FO) will be set up, each headed by a Management Advisor recruited by the project. The FOs will be located in each of the four main project sites: Dhaka EPZ, Ishwardi EPZ, Karnaphuli EPZ and one in the source region.

MOLE will create a Project Coordination Unit (PCU) whose purpose will be the implementation of Component 4, the integrated administrative component, under the leadership of a coordinating director assigned by MOLE. Three core functions will be the responsibility of the PCU: (i) the overall management and coordination of the project; (ii) the M&E of the project; and (iii) the preparation of an expansion program beyond the pilot project. The PCU will be located in office space rented by the ministry and the space is already available. It will house the Monitoring and Evaluation Cell (M&E Cell) of the project.

In addition, the Secretary of MOLE will chair a multi-stakeholder Steering Committee, comprising of key stakeholders to provide strategic, high-level oversight to the project with an eye to future expansion.

The execution of most of the project activities will be outsourced to reputable and experienced private sector companies and/or non-profit organizations following the best practices in procurement. Procurement will be centralized in the PIU where a procurement specialist will be recruited by the project.
Provision has been made for the project to support MOLE through outsourcing of technical assistance for areas where capacity improvements are required, e.g., M&E activities. The role of the PIU and the PCU is therefore largely to contract competent organizations, to carefully supervise their performance, to enable them to perform efficiently, to learn from them (in M&E for example) and to ensure transparent, honest, and regular reporting.

G. Sustainability

There is high-level political commitment to the project. BEPZA prepared the original project concept and initial design, and it continues to assert a strong sense of ownership of the project; the project has strong champions in both the Minister of Labor and the Prime Minister (who has requested regular updates and accelerated preparation). In addition, the Government is contributing US$7.0 million in land and in kind to the project, which is almost 20 percent of the total project cost.

A critical aspect of the sustainability of the project is the recurring cost of operating the training centers and the dormitories. Employers, who are the indirect beneficiaries of the project, will have to contribute to the operating costs of the project to make sure that the training continues to run when the Bank disengages financially. Therefore a portion of the Corporate Social Responsibility (CSR) Fund (established within BEPZA by the *EPZ Workers Welfare and Industrial Relations Act*, 2010, to gather contributions from employers for social services in the EPZs) will be earmarked to cover project costs in the short term. The financial support from the CSR Fund will cover one third of the operating costs of the facilities over the life span of the project, but its contribution will increase progressively: 0 percent of operating costs in the first two years, 50 percent in the third year, and 75 percent in the fourth and final year. BEPZA has committed to cover 100 percent of the operating costs of the project through this CSR mechanism after the end of the project to ensure financial sustainability. This provision has been written into the Operations Policy of the CSR Fund for the implementation of the EPZ Act 2010 that is expected to be approved by the concerned Inter-Ministerial Committee. In the event that the Operations Policy of the CSR Fund has not been formally approved by July 1, 2013, BEPZA has agreed to contribute the necessary resources. Over the longer term, a combination of an earmarked amount from the CSR Fund and a sponsorship fee from employers would be optimal, supplemented where possible with contributions from international buyers.

Over the longer term, employers could be persuaded to pay a sponsorship fee to fund the project in exchange for preferential access to recruiting project graduates. Ideally, by the end of the project, employers would see increasingly clear benefits from the project. At that point, the CSR contribution could be lowered and the fees increased as the project becomes independently viable as a business proposition.

Project beneficiaries will also contribute to the project costs by paying US$1.9 million for the cost of accommodation and meals, albeit at subsidized prices. Trainees will get a monthly stipend to cover these costs and save US$10 per month; graduates will pay these services out of their factory wages and save at least US$27 per month.

H. Lessons Learned from Past Operations in the Country/Sector
There have been some efforts by government, NGOs, donors, and the private sector to provide training to women entering garment factory employment. While none of these projects included the comprehensive range of support mechanisms that are incorporated in the proposed NARI project, they do provide some lessons. These experiences pointed to the need for upfront information to prevent misunderstanding, support mechanisms and networks, food and housing assistance, a means of preventing elite capture or political patronage in selecting project beneficiaries, training in life skills, and the creation of a program that would appeal to poor and vulnerable women and recruit the same through self-selection.

The project has been designed around recommendations from the participatory Socio-Economic Assessment (SEA) to Link Labor from Lagging Areas to the Urban Garment Sector. Its objective was to identify relevant operational interventions to increase labor supply from lagging regions to the garment industry while mitigating social risks and adverse impacts of such migration. The key recommendations for the design of the proposed project are summarized below.

- **Identifying the risks to women participating in the project is critical.** Given the mixed history of young women working in the garment sector, there is significant reputational risk to the Government and the Bank if women participating in the proposed project are harmed or exploited. Factories in the EPZs are subject to strict compliance with international labor standards, including on worker health and safety, and they have a much better record for corporate social responsibility than factories outside the EPZs. This was one of the main reasons to pilot the proposed project in the EPZs.

- **Prospective project beneficiaries and their families and communities need to be properly informed about the project from the beginning.** There is a great deal of suspicion about ulterior motives in recruiting young women to migrate for garment factory work. Therefore, during project preparation, an IEC campaign was designed to inform and educate all stakeholders about the NARI project, but especially the young women and their families and communities who are likely to influence decisions about participating in the project.

- **The mechanism for targeting and selecting project participants must be transparent and fair to prevent elite capture or any other form of corruption.** It must also balance the objective of reaching poor and vulnerable women with the need to select candidates who are most likely to successfully complete the training program and obtain employment in EPZ garment factories.

- **Project participants need significant support during their training, apprenticeship, and possibly during the first few months of employment.** In order to provide some stability and to reduce their vulnerability, meals and women-only housing will be provided to participants for six months at subsidized rates to help adjust to life working in the EPZ. This is intended to provide participants time to develop their own support networks, including a self-help network of training program graduates. In addition to the technical training, women will also receive life skills training, mentoring from experienced garment factory workers (including the previous cohorts), health care, and counseling.
services that are considered important for the transition process. They will receive support from employment placement services to help them find jobs after completing the training course.

- **Active participation by employers in the EPZ is essential for project success.** Employers and their associations have been extensively consulted during preparation of the project so that they have ownership of the project and will contribute to the successful implementation of the project by hosting trainees as apprentices, hiring graduates, and contributing to the costs of the training program.

I. **Safeguard Policies (including public consultation)**

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<td>Indigenous Peoples (OP/BP 4.10)</td>
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</tbody>
</table>

J. **List of Factual Technical Documents**

**Project Documents:**


**World Bank Documents:**

6. *Social Economic Assessment (SEA) for Project Design Linking Northern Areas to Garment Sector Jobs in Bangladesh* – August, 28 2010 – Dhaka: Maxwell Stamp Limited


Client Documents


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