



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 23-Oct-2020 | Report No: PIDC30414



**BASIC INFORMATION**

**A. Basic Project Data**

Country Bangladesh	Project ID P168725	Project Name Bangladesh Third Programmatic Jobs Development Policy Credit (P168725)	Parent Project ID (if any) P168724
Region SOUTH ASIA	Estimated Board Date Mar 30, 2021	Practice Area (Lead) Social Protection & Jobs	Financing Instrument Development Policy Financing
Borrower(s) People's Republic of Bangladesh	Implementing Agency Finance Division/Ministry of Finance		

**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)**

**SUMMARY**

<b>Total Financing</b>	250.00
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**DETAILS**

<b>Total World Bank Group Financing</b>	250.00
World Bank Lending	250.00

**Decision**

The review did authorize the preparation to continue

**B. Introduction and Context**

**Country Context**

Despite Bangladesh's remarkable development progress, availability of good jobs remains a persistent challenge and the COVID-19 crisis is expected to further exacerbate the issue. 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. The pace of job creation slowed sharply in recent years despite rising real GDP growth to above 7 percent, 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 COVID-19 crisis is expected to have significant labor market impacts, particularly on the poor and vulnerable. The Government's Seventh Five Year Plan (2016-2020) and its Vision 2021 emphasize the creation of quality, inclusive jobs<sup>1</sup> as a critical priority to speed up the journey toward upper middle-income status by 2021 and attain the Sustainable Development Goals by 2030.

This operation is the third in a series of three Development Policy Credit (DPC) operations supporting the Government's agenda to target 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 DPC builds on the reforms initiated through the first two operations in the series, and deepens these reforms by supporting their operationalization. It also contributes to the Government's efforts to respond to the COVID-19 crisis by providing fiscal space for short-term relief measures, while accelerating critical reforms that will be needed to support recovery and build resilience of the economy, and of workers, to future shocks. The Jobs DPC series 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 agriculture/rural development.

While the economic outlook has deteriorated substantially, the macroeconomic policy framework remains adequate for development policy financing. An extended national shutdown, a sharp decline in exports, and lower private investment reduced real GDP growth to an estimated 2.0 percent in FY20. GDP growth is expected to slow to 1.6 in FY21, with a contraction in industry and deceleration in services on the supply side, and by a decline in exports and weak private consumption growth on the demand side. Private consumption growth is expected to decelerate as a projected decline in remittance inflows reduces household income. The global recession is expected to dampen demand for readymade garment exports in Europe and the United States, while lower oil prices will weaken demand for overseas workers in the Middle East. In the medium term, a gradual recovery in export demand, remittance inflows, and higher public spending will lead to a recovery of overall growth. The fiscal deficit is projected to reach 8.8 percent of GDP in FY21, moderating in the medium term as Bangladesh recovers from the COVID-19 crisis. While downside risks are significant, Bangladesh has a record of sustaining macroeconomic stability over the past three decades through various global crises, internal political instability and natural calamities, providing additional assurance of its capacity to handle the emerging macroeconomic risks in the near and medium-term. Bangladesh's low debt to GDP ratio provides a significant buffer and despite the increase in spending to deal with the pandemic, the country continues to be at low risk of debt distress. Overall macroeconomic risks can be managed with progress on structural reforms, including actions to manage the COVID-19 economic and health response, expand fiscal space, improve the investment climate, and implement governance reforms. However, close monitoring of downside risks will be required in the context of these unprecedented economic challenges.

#### Relationship to CPF

The proposed third 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 (The current CPF has been extended up to the end of FY22 by the Senior Management's decision in June to extend current CPFs ending in FY20 and FY21 to defer the development of new CPFs until the return of more steady conditions). This also aligns with the GoB 7<sup>th</sup> Plan in

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



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 more than 40 ongoing or recently completed operations in Bangladesh, as well 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. Through its strong support for women, youth, and rural-urban migrants, the program can be expected to improve earnings of the poor and contribute to improving shared prosperity.

### **C. Proposed Development Objective(s)**

The Bangladesh third 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

#### **Key Results**

Pillar A will support large-scale job creation in diversified manufacturing sectors through substantial improvements in the trade and investment environment, as measured by: (i) Reduced time and cost to establish and operationalize new investments; (ii) Increased rate of new business registrations; (iii) Reduced rate of physical inspection of imports and reduced time to clear imports; (iv) Increased access to the bonded warehouse regime by non-RMG firms; and, (v) full compliance to environmental standards under the National Environment Policy 2018 of key export-oriented industries. Pillar B will support formal and informal sector workers affected by the COVID-19 crisis, strengthen worker protections and build resilience as measured by: (i) number of individual workers supported by new measures to mitigate the COVID-19 impacts; and (ii) increased number of labor and safety complaints addressed by the national factory inspectorate. Pillar C will 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) establishment of a licensing and regulatory framework for child daycare centers.

### **D. Concept Description**

The design of the proposed third operation in the DPC series continues to reflect the GoB's priorities as articulated in the current Five-Year Plan as well as recent initiatives to support trade and investment, social inclusion, climate resilience, and improved governance and efficiency through digital transformation. It is built around three pillars.

Pillar A seeks to unlock short-to-medium term job creation, particularly in sectors outside of the traditional RMG sector by improving the overall environment for private investment. Bangladesh's integration into global value chains (GVCs) in the RMG sector led to the creation of 3 million waged jobs, mainly benefitting women, over the last two decades. Bangladesh can and must go beyond RMG, particularly with job growth in the sector slowing rapidly. This will require even more intensive engagement with international markets – including diversification of both products and markets – as envisioned in the 7th Five Year Plan. But investment and growth in other sectors is constrained by regulatory barriers



in the trade and investment environment. Pillar A supports implementation of long-delayed regulatory reforms to help unlock private investment, including an emphasis on exports and investment. The operation aims to catalyze effectiveness and underpin implementation through the following actions: (i) Building on the enactment of the One-Stop-Shop (OSS) Act 2018 and the amendments to the Companies Act, the third operation will support the streamlining of processes for at least 35 key regulatory services for starting and operating a business, as well as amendments to the Bankruptcy Act to introduce insolvency procedures; (ii) Enactment of the new Customs Act, through the adoption of legal provisions to operationalize the National Single Window; (iii) The revision to the Bonded Warehouse policy, to increase de facto access to the program for firms in sectors outside of RMG; and (iv) To strengthen compliance of export-oriented sectors, the second operation will support the revision of key impact assessment guidelines and processes, to ensure compliance with environmental and social standards. As they strengthen the investment climate, promote exports, and help mitigate environmental and climate change impacts of industrial expansion, the actions in this pillar will be especially important to help Bangladesh sustain recovery momentum as global demand picks up.

Pillar B focuses on actions that increase protection of Bangladeshi workers and strengthen safety nets in response to the COVID-19 crisis. Pillar A is expected to contribute to more and higher quality jobs. However, most employees in Bangladesh still work in conditions of significant vulnerability, with few having access to written contracts, appropriate occupational and safety standards, and social insurance. Bangladeshis working outside the formal sector face even greater vulnerability. In the context of the COVID-19 crisis, there is also a need to continue protecting the earnings of both formal and informal workers, particularly those who are not already covered by social safety nets. Pillar B aims to support increased job quality through targeted reforms and enhanced implementation of existing laws and standards, through: (i) interventions protecting the earnings of workers in labor-intensive export sectors in times of shocks, (ii) mechanisms to support informal workers affected by the COVID-19 crisis (through microcredit for micro-entrepreneurs), and (iii) strengthened Government capacity to enforce labor regulations and standards that expand workers protection. More generally, by increasing the capacity of the social protection system to respond to the current COVID-related shock, the various actions supported under this pillar will also contribute to building a more adaptive social protection system that efficiently responds to future shocks, including climate-related disasters, and strengthens social resilience to climate change.

Pillar C expands and supports the implementation of key policies adopted under DPC1 and DPC2, to strengthen programs and institutions that support youth, women, and overseas migrants to access current and emerging job opportunities. Facilitating access to jobs for women and youth is essential for poverty reduction in Bangladesh. 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. 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, building their resilience to future shocks. Under DPC3, Pillar C aims to: (i) expand the capacity of Government to provide key services to overseas migrants, both prior to departure and upon return; (ii) strengthen the relevance and coordination of skills development; and (iii) support expanded access to employment for women and the development of the private daycare market by putting in place the framework for licensing and regulation of daycare services.

## **E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects**

### **Poverty and Social Impacts**

The reform program supported by the DPC 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 strengthen enforcement of labor and safety regulations, along with other measures



resulting from enactment of the Labor Law amendments, will have positive direct impacts on workers: A detailed assessment indicates virtually no impact on employment and only a small impact on wages from the reforms' indirect effects on the costs and perceived benefits of wage employment. And this is expected to be offset by the direct benefits of such actions (including increased entry of new firms in labor intensive exports outside garments, improved availability of skills that will counteract the possible adverse impact of stronger enforcement of labor regulation, and easing of barriers to female labor participation). In addition, actions under Pillar B to strengthen safety nets are expected to have a significant positive effect in mitigating the potential increases in poverty as a result of the COVID-10 crisis (simulations suggest large income shocks, resulting the poverty rate rising between 13 and 31 percentage points for households engaged in the RMG sector).

#### 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, particularly in the leather sector. 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. In terms of climate change, multiple DPC-supported policy actions also contribute to adaptation (and to a lesser extent mitigation) efforts, by setting the foundations for Adaptive Social Protection mechanisms and promoting the resilience of poor and vulnerable households.

#### CONTACT POINT

##### World Bank

Aline Coudouel, Bernard James Haven  
Lead Economist

##### Borrower/Client/Recipient

People's Republic of Bangladesh

##### Implementing Agencies

Finance Division/Ministry of Finance  
Md Azizul Alam  
Additional Secretary  
md.azizulalam@yahoo.com



**FOR MORE INFORMATION CONTACT**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**APPROVAL**

Task Team Leader(s):	Aline Coudouel, Bernard James Haven
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**Approved By**

Country Director:	Mercy Miyang Tembon	22-Nov-2020
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