



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 29-Oct-2018 | Report No: PIDA25295



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Bangladesh	P167190	Bangladesh Jobs Programmatic DPC (P167190)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
SOUTH ASIA	29-Nov-2018	Social Protection & Labor	Development Policy Financing
Borrower(s)	Implementing Agency		
Ministry of Finance	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

Total Financing	250.00
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DETAILS

Total World Bank Group Financing	250.00
World Bank Lending	250.00

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. 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 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 2031 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* 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 agriculture / rural development.

While risks remain, Bangladesh's macroeconomic environment is relatively robust and adequate for the proposed operation. GDP growth is expected to remain at around 7 percent over the next two years, driven by strong growth in industry and services. Exports are projected to grow faster with the recovery in global trade, and the remittances turnaround is expected to be sustained, as GCC economies benefit from firming oil prices. Investment is expected to remain steady, induced by growing confidence in infrastructure development prospects, strong domestic demand, and robust global markets. Despite an increasing fiscal deficit in FY18, the budget deficit target of 5 percent of GDP is consistent with debt sustainability. Inflation is projected to increase as rising global commodity prices combine with possible supply as well as demand shocks in the run up to elections. Excessive private credit growth fueled by expansionary monetary policy raises concerns over credit quality. Overall macroeconomic risks can be managed with progress on structural reforms, including actions to expand fiscal space, improve the investment climate, enhance the quality of infrastructure, and implement governance reforms.

Relationship to CPF

The proposed 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 more than 40 ongoing or recently completed jobs-related 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.

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



C. 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.

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) 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 is expected to strengthen worker protections and build resilience as measured by: (i) increased access by pensioners to e-payments; (ii) institutional readiness to oversee a comprehensive private pensions program; and (iii) 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) increased number of child daycare centers licensed under a national regulatory regime.

D. Project Description

The design of the proposed jobs programmatic DPC reflects 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 supports the implementation of regulatory reforms to unlock sustainable private investment, with an emphasis on export-oriented activities in labor-intensive sectors. Prior Action 1 supports enactment of the One-Stop-Shop (OSS) Act 2018, followed in the second and third year of the program with actions to ensure its effective implementation, along with implementation of a new Companies Act. Prior Action 2 supports submission to Parliament of the Customs Act 2018, followed in the second and third year of the program with enactment of implementing regulations, support for implementation of the national single window program, and support to ensure effective implementation of a risk-based management approach to customs. Prior Action 3 supports steps taken by NBR to increase transparency and access to information on bonded warehouse licensing, particularly for firms outside the RMG sector, followed in the second and third year of the program with measures to improve the efficiency of the bonded warehousing program. Prior Action 4 supports measures to mitigate and adapt to climate change and to help Bangladesh industry meet global environmental standards. This includes as prior actions launch of a comprehensive Climate Budget Report and Cabinet approval of the National Environment Policy 2018, followed in the second and third year of the program with measures to improve environmental and social compliance in key export-oriented sectors.

Pillar B focuses on building resilience and expanding protection of Bangladeshi workers. This pillar supports job quality through targeted reforms and enhanced implementation of existing laws and standards. Prior Action 5 supports measures to improve the efficiency of current civil service pension scheme, including centralized account management and launch of electronic payments. This is followed in the second and third year of the program with steps to prepare the country to launch a comprehensive national pension program, including approval of a national pensions strategy and establishment of a pension regulator. Prior Action 6 supports enactment of the Labor Act (Amendment) 2018, followed



in the second and third year of the program with actions to strengthen the capacity for enforcement of labor and safety regulation, and steps to establish a national employment injury insurance scheme.

Pillar C focuses on increasing the employment opportunities for vulnerable populations by strengthening existing programs and institutions that support youth, women, and overseas migrants. Prior Action 7 supports enactment of the Wage Earners Welfare Board Act 2018 to facilitate expanded services to overseas migrants, followed in the second and third year of the program with measures to address the current legal gaps in the migration management system that raise the costs for Bangladeshi migrants. Prior Action 8 supports enactment of the National Skills Development Authority Act 2018, followed in the second and third year of the program with actions to implement the act and ensure improved coordination, private sector participation, and relevance of skills development initiatives. Prior Action 9 supports efforts to improve women's access to labor markets through preparation of the draft Child Daycare Act, followed in the second and third year of the program with actions to put in place the institutional capacity to regulate the public and private daycare market.

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, the Ministry of Commerce, 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. Ongoing technical assistance is in place from the WBG and development partners to support implementation of the program across all actions. 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 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, 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. However, these actions may also have indirect effects on the costs and perceived benefits of wage employment. EII and 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. An assessment of the likely impact shows virtually no impact on employment and only a small impact on wages, which is offset by the direct benefits of the action.

Environmental Aspects

89. The policy reforms supported by this DPC 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.

G. Risks and Mitigation

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

- **Political and governance risk.** While a repeat of the instability experienced before elections in 2014 cannot be ruled out, to date the environment has been benign, and the economy has proven relatively resilient to political upheavals in the past. The influx of Rohingya refugees into Bangladesh represents an ongoing risk. In this context, a combination of policy measures and improvements in safety net programs, improved capacity of civil administration, and the strength of the country's renowned NGOs can help mitigate risks.
- **Institutional capacity risks.** Risks stem from fragmentation across the ministerial bureaucracy. 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, most notably in addressing compliance shortfalls in the leather sector.
- **Stakeholder risks.** The program touches on a large number of stakeholders, some of which have significant influence and past history of slowing reforms. 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.

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APPROVAL

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Approved By

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