



## Technical Assistance Report

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Project Number: 54336-001  
Transaction Technical Assistance (TRTA)  
October 2021

# People's Republic of Bangladesh: Capacity Development for Post-COVID-19 Small-Scale Employment Creation

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 7 October 2021)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.0117
\$1.00	=	Tk85.7867

## ABBREVIATIONS

ADB	–	Asian Development Bank
CMSE	–	cottage, micro, and small enterprise
COVID-19	–	coronavirus disease
PFI	–	participating financial institution
TA	–	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, “\$” refers to United States dollars.

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## I. THE PROPOSED PROJECT

1. The proposed project is a financial intermediation loan for a line of credit of up to \$150 million from the ordinary capital resources of the Asian Development Bank (ADB) to the Government of Bangladesh. The fund will be relent to Bangladesh Bank, the central bank, for onlending to participating financial institutions (PFIs). The PFIs will onlend the funds to micro and small enterprises started or operated by targeted vulnerable groups—unemployed youth, returning migrant workers, and rural entrepreneurs—with a focus on women entrepreneurs. The attached transaction technical assistance (TA) totaling \$900,000 will help strengthen the institutional capacity of Bangladesh Bank and PFIs and will support the project implementation. The project is included in ADB's Bangladesh country operations business plan, 2021–2023.<sup>1</sup> The project's impact is rapid recovery from coronavirus disease (COVID-19) pandemic to restore employment, income, and economic activities.<sup>2</sup> The project will have the following outcome: adverse economic effects of COVID-19 on migrants, youth, and rural entrepreneurs mitigated. The project's outputs are (i) financial support to enterprises started or operated by migrants, rural enterprises, and youth from the formal banking sector increased; (ii) capacity of employment-supporting institutions strengthened; and (iii) action plan for promoting formal banking sector support for cottage, micro, and small enterprises (CMSEs) developed.

## II. THE TECHNICAL ASSISTANCE

### A. Justification

2. Despite the economic progress made, the country still faces challenges in providing jobs for its growing population. The COVID-19 pandemic and the resulting economic downturn have exacerbated the employment problem. Millions of jobs are under threat, especially in the export, tourism, and service industries. With the absence of any large-scale unemployment protection schemes, people who are unemployed will fall into poverty. Workers in the informal sector are particularly exposed, as the sector bears the brunt of the shutdown measures. While the impact of the pandemic is broad and deep, a few vulnerable groups—particularly youth, women, and returning migrants—have emerged as severely affected and are among the worst prepared.

3. Recognizing this issue, the government has requested \$150 million from ADB to establish the post-COVID-19 small-scale employment creation fund, which will facilitate access to finance for unemployed or underemployed youth, returning migrants, and entrepreneurs in the rural areas. This fund will be administered by Bangladesh Bank and channeled through PFIs, with a special focus on PFIs that have special targeted programs for youth, returnee migrants, and rural enterprises.

4. Supporting CMSEs is one of the most direct, effective, and sustainable approaches to retaining and creating employment. But it also poses significant challenges for the banking sectors in areas of risk management, business processes, and corporate strategy. Capacity development and implementation of best practices are needed to enable the banks to effectively reach out and finance these marginal borrowers on a sustainable basis. The targeted groups also require additional supports beyond just financing, in areas of training for technical knowhows and financial literacy as well as business development support. Furthermore, to develop an overall enabling environment to improve financing inclusion of these marginal groups, a sector-wide action plan

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<sup>1</sup> ADB. 2020. [Country Operations Business Plan: Bangladesh, 2021–2023](#). Manila.

<sup>2</sup> Government of Bangladesh, Planning Commission. 2020. [Perspective Plan of Bangladesh 2021–2041](#). Dhaka.

will be necessary to tackle some of the long-standing challenges such high operational costs and lack of risk mitigations.

5. The attached TA of \$900,000 will help Bangladesh Bank to strengthen the banking industry's support for employment creation through (i) developing a strategy to guide the banking industry to increase lending in the targeted segment, which may include credit enhancement measures, modernizing loan monitoring processes and systems, fintech, and other best practices aimed at improving operational efficiency and managing credit risks; and (ii) conducting outreach and training for the beneficiaries (especially women and returning migrants), with a focus on financial literacy and business development. The TA will also aim to strengthen PFIs and potential PFIs that are important for supporting employment creation, through institutional capacity development and the promotion of best practices in CMSE banking.

## B. Outputs and Activities

6. The major outputs and activities are summarized in Table 1.

**Table 1: Summary of Major Outputs and Activities**

Major Outputs	Delivery Dates	Key Activities with Milestones
<b>1. Capacity of employment-supporting institutions strengthened</b>		
1a. At least two financial institutions are supported in the enhancement of the policy framework and risk management area (including corporate strategy, credit guidelines, risk management, and anti-money laundering policies) (2021 baseline: not applicable)	By December 2023	<ul style="list-style-type: none"> <li>• Consultant recruitment</li> <li>• Conduct evaluation of the financial institutions to identify capacity building areas with the aim of making them eligible for the funding program of this project or meeting the requirements of increased operational volumes</li> <li>• Review product offerings and financing modules and develop enhancements including mobile financing and value chain financing.</li> <li>• Develop a gender-responsive corporate and inclusive finance strategy for the banks to support the targeted population, that encompasses sustainable financing for climate change, as requested</li> <li>• Develop credit risk management guidelines for PFIs, and provide workshops and training needed for implementation, as requested</li> <li>• Develop gender-responsive guidelines for establishing a separate credit risk management department and various committees (e.g., credit, risk management, audit committee and internal control committee) as requested</li> <li>• Conduct a gender-responsive needs assessment of the current job market and skills for both local and foreign employment opportunities for identified groups</li> <li>• Review and enhance AML policies for the banks as requested</li> </ul>
1b. At least 100 staff of PFIs (40% female) are trained in best practices for supporting cottage, micro and small enterprises (2021 baseline: not applicable)	By December 2023	<ul style="list-style-type: none"> <li>• Conduct five capacity building events</li> </ul>
<b>2. Action plan for promoting formal banking sector support for cottage, micro and small enterprises</b>		

Major Outputs developed	Delivery Dates	Key Activities with Milestones
2a. An action plan for enhancing access to finance through the banking sector developed by Bangladesh Bank (2021 baseline: not developed)	By December 2024	<ul style="list-style-type: none"> <li>Review issues, challenges, and best practices in the banking industry to support microenterprises, with a focus on risk mitigation, operational efficiency, and financial literacy</li> <li>Review emerging areas including risk mitigation mechanisms, value chain financing and sustainable financing to tackle climate risks</li> <li>Based on the above review, develop an action plan for enhancing the enabling environment for CMSE financing and discuss with targeted groups (particularly women), financial institutions, Bangladesh Bank, the MOF, and related agencies</li> </ul>
2b. At least 400 returning migrants (including at least 150 women) are trained in accessing financial services (2021 baseline: 0)	By December 2024	<ul style="list-style-type: none"> <li>Identify the targeted group through government sources, NGOs, and other development partners</li> <li>Provide financial literacy and enterprise development training for the targeted groups (particularly females and returnee migrants)</li> </ul>
2c. Internet-based training platform for small enterprises established (2021 baseline: not applicable)	By December 2023	<ul style="list-style-type: none"> <li>Develop online training modules and conduct internet-based outreach</li> </ul>
2d. At least 200 women entrepreneurs are provided with support for business development programs (2021 baseline: 0)	By December 2024	<ul style="list-style-type: none"> <li>Identify and partner with incubation centers and business development services</li> <li>Identify the targeted groups by working with PFIs, and conduct outreach and facilitate training for them</li> </ul>

AML = anti-money laundering; CMSE = cottage, micro, and small enterprise; MOF = Ministry of Finance; NGO = nongovernment organization; PFI = participating financial institution.

Source: Asian Development Bank estimates.

7. Because of the vulnerability of the targeted groups, financial literacy programs will be designed for the returning migrant workers (particularly women). The TA will also support women entrepreneurs to participate in business development and incubation programs. To maximize efficiency, and minimize the COVID-19 risk, internet-based outreach and training will be conducted, and this will create a sustainable platform for further expansion.

### C. Cost and Financing

8. The TA is estimated to cost \$900,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Appendix 1. The implementing agency will provide counterpart support in the form of counterpart staff, office accommodation, office supplies, and other in-kind contributions. The government was informed that approval of the TA does not commit ADB to finance any ensuing project.

### D. Implementation Arrangements

9. ADB will administer the TA in consultation with Bangladesh Bank. ADB's South Asia Department will select, supervise, and evaluate the consultants. The executing agency is the Finance Division of the Ministry of Finance. The implementing agency is Bangladesh Bank.

Disbursement will follow ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time). The TA will be implemented until June 2025.

10. The implementation arrangements are summarized in Table 2.

**Table 2: Implementation Arrangements**

Aspects	Arrangements		
Indicative implementation period	January 2022–June 2025		
Executing agency	Finance Division, Ministry of Finance		
Implementing agencies	Bangladesh Bank		
Consultants	To be selected and engaged by ADB		
	Firm: QCBS (90:10), BTP	(i) SME banking specialist and team leader (international, 6 person-months) (ii) SME credit risk management specialist (international, 4 person-months) (iii) SME banking specialist (national, 6 person-months) (iv) Credit risk management specialist (national, 4 person-months) (v) Small business training specialist (national, 8 person-months) (vi) Internet outreach specialist (national, 5 person-months) (vii) Environment and social safeguard specialist (national, 4 person-months) (viii) Financial inclusion specialist (national, 5 person-months) (ix) MIS specialist (national, 6 person-months) (x) Gender specialist (national, 8 person-months) (xi) Monitoring and evaluation specialist (national, 12 person-months)	\$539,000
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		
Asset turnover or disposal arrangement upon TA completion	The consultants will turn over any fixed assets to be purchased during the TA, such as office equipment, to Bangladesh Bank. ADB will encourage the consultants to rent or lease fixed assets where possible.		

ADB = Asian Development Bank, BTP = biodata technical proposal, MIS = management information system, QCBS = quality- and cost-based selection, SME = small and medium-sized enterprise, TA = technical assistance.  
Source: Asian Development Bank.

11. **Consulting services.** ADB will engage the consultants, and procure potential goods, following the ADB Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and/or Staff Instructions.<sup>3</sup>

12. The TA will require inputs from international and national experts, which include a total of 10 person-months of inputs from two international experts and 58 person-months of inputs from nine national experts. ADB will recruit a firm for two international consultants and nine national consultants, using the quality- and cost-based selection method with a quality-cost ratio of 90:10 because of the highly-specialized expertise needed.

<sup>3</sup> Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 2).

## COST ESTIMATES AND FINANCING PLAN

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Item	Amount
<b>Asian Development Bank<sup>a</sup></b>	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	210,800
ii. National consultants	328,200
b. Out-of-pocket expenditures	
i. International and local travel	46,700
ii. Surveys	10,000
iii. Reports and communications	5,000
2. Equipment and software <sup>b</sup>	65,000
3. Trainings, seminars, and conferences	140,000
4. Miscellaneous administration and support costs <sup>c</sup>	50,000
5. Contingencies	44,300
<b>Total</b>	<b>900,000</b>

Note: The technical assistance (TA) is estimated to cost \$900,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, and other in-kind contributions. The value of government contribution is estimated to account for 10% of the total TA cost.

<sup>a</sup> Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

<sup>b</sup> The equipment cost is budgeted for financing information and communication technology equipment and/or software for a monitoring and reporting system for Bangladesh Bank's financing scheme under the small-scale employment creation fund.

<sup>c</sup> Includes expenses to develop an audited statement of utilization of funds.

Source: Asian Development Bank estimates.



**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/LinkedDocs/?id=54336-001-TARreport>

1. Terms of Reference for Consultants