



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 03-Apr-2019 | Report No: PIDC26902



**BASIC INFORMATION**

**A. Basic Project Data**

Country Bangladesh	Project ID P168724	Project Name Bangladesh Second Programmatic Jobs Development Policy Credit (P168724)	Parent Project ID (if any) P167190
Region SOUTH ASIA	Estimated Board Date Dec 19, 2019	Practice Area (Lead) Social Protection & Labor	Financing Instrument Development Policy Financing
Borrower(s) Ministry of Finance	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. 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 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 second in a planned 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 operation in the series, which introduced important reforms including enactment of several critical laws, including the One Stop Shop Act, the Labour Act (Amendment), the Wage Earners Welfare Board Act, and the National Skills Development Authority Act, as well as submission to Parliament of the new Customs Act, among other reform actions. The second and third operations in the series will deepen and embed these reforms by supporting their operationalization. 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 downside external risks have deepened and domestic risks are balanced, Bangladesh's macroeconomic environment is adequate for the proposed second operation. GDP growth is expected to remain above 7 percent over the next two years, driven by strong growth in industry and services on the demand side, and by exports and private consumption on the supply side. Following the peaceful conclusion of the national elections, the consequent improved outlook for political stability should unlock private investment and accelerate the implementation of mega public projects. Exports are projected to maintain healthy growth, and the remittances are expected to remain strong. The budget deficit is expected to remain within the target of 5 percent of GDP, and thus consistent with debt sustainability. Inflation is likely to remain high in the 6-6.5 percent range due to a widening output gap underpinned by strong domestic demand. Increases in non-performing loans could limit banks' ability to finance growth and undermine fiscal discipline. 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 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 7<sup>th</sup> 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

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



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 Second Programmatic 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 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 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) increased number of child daycare centers licensed under a national regulatory regime.

### **D. Concept Description**

The design of the proposed second 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, the second operation will support process simplification and implementation of critical actions to support simplified establishment and operationalization of new investments; it will also support enactment of a significantly amended Companies Act; (ii) Enactment of a new Customs Act, supported by implementing regulations for enable key reforms to have impact; (iii) Building on initial steps to increase transparency of the bonded warehouse licensing program, the second operation will take operational and policy-level steps to increase de facto access to the bonded warehouse program for firms in sectors outside of RMG; and (iv) To strengthen compliance of export-oriented



sectors, the second operation will support adoption of sector-specific environmental and social compliance standards.

Pillar B focuses on improving the quality of jobs for Bangladeshi workers by expanding pension coverage to the formal and informal private sector and strengthening the institutions that support better working conditions. Expanding formal sector jobs will contribute to higher quality employment, but more is needed. Even most waged employees work in conditions of significant vulnerability, with few having access to written contracts, safety nets, and appropriate occupational health and safety standards. Moreover, the large majority of Bangladeshis working outside the formal sector face even higher vulnerability. Pillar B aims to support increased job quality through targeted reforms and enhanced implementation of existing laws and standards, through the following actions: (i) building on initial steps to improve the efficiency of the current civil service pension scheme, the second operation will focus on approval by Cabinet of a comprehensive national pensions strategy; and, (ii) following passage of the Labor Act (Amendment) 2018, the second operation will focus on strengthening capacity for enforcement of labor and safety regulations, through roll-out of a Labor Inspection Management System (LIMA) including mechanisms for feedback from workers and employers.

Pillar C focuses on increasing the employment opportunities for vulnerable populations by strengthening existing programs and institutions that support youth, women, and overseas migrants. Facilitating access to jobs for women and youth is essential for poverty reduction in Bangladesh. But despite the historical disparities in opportunities faced by these groups, and the evidence that women and youth are bearing the brunt of weakening labor market conditions, there have been few comprehensive efforts aimed at supporting their access to jobs. Programs that are in place are fragmented and poorly coordinated. Similarly, access to overseas employment opportunities are unevenly distributed, and those that are fortunate enough to secure overseas employment face high transaction costs, limited protection, and no support for reintegration. Actions under Pillar C aim to strengthen existing institutions and programs that facilitate access to quality jobs for women, youth, and migrants, including: (i) adoption of key rules and regulations to close legal gaps in the migration management system in order to support accessible, safe, and lower cost migration; (ii) building on enactment of the National Skills Development Authority (NSDA) Act 2018, the second operation will actions to help operationalize the NSDA; and, (iii) Enactment of the Child Daycare Act to support efforts to improve women’s access to labor markets.

## **E. 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 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. 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 slightly dampen labor demand 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, a detailed assessment indicates virtually no impact on employment and only a small impact on wages, which is expected to be offset by the direct benefits of such actions. The latter includes 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.

### **Environmental Impacts**

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.

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**APPROVAL**

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**Approved By**

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