



# Program Information Document (PID)

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Concept Stage | Date Prepared/Updated: 30-Mar-2018 | Report No: PIDC24576



**BASIC INFORMATION**

**A. Basic Project Data**

Country Bangladesh	Project ID P167190	Project Name Bangladesh Jobs Programmatic DPC (P167190)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Board Date Nov 29, 2018	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 reforms to help the Government of Bangladesh: 1) improve the policy framework to support diversified, job-creating private investment; 2) strengthen national social protection systems to reduce vulnerability of workers; and 3) improve programs to 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**

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 remain acute, with just 36.2 percent of females in the labor force versus close to 80 percent of males; and one in three working women are engaged in unpaid work versus just 5 percent of working men. Finally, despite per capita economic growth rising to above 5 percent annually, the pace of job creation appears to have



slowed sharply in recent years, putting further pressure on labor markets, particularly for women and youth. 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 middle-income status 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, financial market deepening, pension reforms, strengthened worker protection, women's labor market participation, enhanced protection for overseas migrants, and improved coordination of skills development programs. The operation is motivated by issues identified in the recent Jobs Diagnostic and builds on analytical reports and ongoing technical assistance to the GoB.

Bangladesh's macroeconomic environment is relatively robust, although political risks are of some concern. Growth is projected to remain resilient at around 6.5 percent in FY18, driven by 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 likely to maintain the recent 8-9 percent annual growth rate, 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. The outlook and risks on inflation and the exchange rate are also relatively benign. However, in the run up to elections in late 2018, political risks must be considered. While the current outlook is positive, a repeat of the instability experienced before elections in 2014, cannot be ruled out. Economic activity could be negatively affected in the short term by eroding consumer confidence, a credit bubble, weakening revenue collection, and worsening inflation, along with short-term capital flight. However, the economy has proven relatively resilient to political upheavals in the past.

#### Relationship to CPF

The Country Partnership Framework (CPF) agreed between the WBG and GoB for FY2016-2020 places the creation of "more and better jobs" as its central channel to delivering on the twin goals. This operation targets critical reforms to unlock diversified job creation, improve the quality of jobs, and ensure access to jobs for vulnerable populations. It complements more than 40 ongoing jobs-related operations in Bangladesh, as well a large portfolio of ASA, 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, including through skills development and entrepreneurship.

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

The Bangladesh Jobs DPC supports reforms to help the Government of Bangladesh: 1) improve the policy framework to support diversified, job-creating private investment; 2) strengthen national social protection systems to reduce vulnerability of workers; and 3) improve programs to enhance access to jobs for vulnerable populations.

#### Key Results

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



The operation is expected to contribute to an improved environment for diversified investment, strengthened protections for workers in the formal and informal sectors, and improved programs that support access to economic opportunities for women, youth, and migrants. Specific results expected under Pillar 1 are: (i) Reduced time and cost to establish and operationalize new investments; (ii) Reduced time to export and import; (iii) Increased access to the bonded warehouse regime by non-RMG firms; (iv) increased lending to MSMEs and women-owned businesses not reliant on fixed asset collateral; (v) improved performance in the Doing Business Legal Rights Index; and, (vi) increased debt recovery through alternative dispute resolution. Specific results expected under Pillar 2 are: (i) Cost of pension delivery reduced; (ii) comprehensive pension system launched; (iii) increased number of workers covered by employment injury compensation schemes; (iv) increased number of national sectoral environmental and social standards adopted; (v) availability of labor inspection reports online; (vi) increased number of operational labor courts; and, (vii) increased share of labor inspection infringements resulting in fines or other punishments. Specific results expected under Pillar 3 are: (i) increased financial support for migrants disbursed through the WEWF; (ii) increased range of services provided to migrants across the migration lifecycle; (iii) increased training based on competency standards developed with employers; and, (iv) implementation of targeted programs supporting women's access to training, employment services, and finance.

#### D. Concept Description

Pillar 1 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<sup>2</sup> – 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 1 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. Specifically, it includes support for: (i) implementation of One-Stop-Services (OSS) investment facilitation; (ii) modernization of Customs; (iii) increased access and improved efficiency of the bonded warehouse regime; and, (iv) strengthening of credit infrastructure.

Pillar 2 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 2 aims to support increased job quality through targeted reforms and enhanced implementation of existing laws and standards, including support for: (i) the development of a comprehensive and financially-sustainable national pensions system; (ii) the establishment of an employment injury insurance scheme; and, (iii) the enforcement of labor standards. While it is recognized that improving the quality of jobs in Bangladesh is a generational project, this operation targets actions that can serve as foundations on which to build for the future.

Pillar 3 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

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<sup>2</sup> More than 80 percent of exports are in RMG, with almost all going to US and EU markets.



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 3 aim to strengthen existing institutions and programs that facilitate access to quality jobs for women, youth, and migrants, including: (i) improving service delivery to overseas migrants through the Wage Earners Welfare Board; (ii) improving coordination and relevance of skills development programs; and, (iii) developing and implementing an action plan for expanding job opportunities for women.

## **E. Poverty and Social Impacts and Environmental Aspects**

### Poverty and Social Impacts

Based on a very initial assessment, the policy reforms supported by this operation are likely to have a positive impact on the poor. Actions in pillar one will contribute to greater investment and trade. These can be expected to have overall positive benefits to the poor through the employment and wage channel, as well as through (trade-induced) lowering of prices. However, there may well be distributional impacts, which may result in some negative implications for the poor in certain sectors or occupations. Improved protection for employees through employment insurance and better enforcement of labor laws (Pillar 2) will also improve welfare for those employed. Reducing the cost of job search and employment for women will increase female labor force outcomes with beneficial effects on poverty and empowerment. Prior actions 2 and 6 are likely to require more in-depth assessment, given potential second-order and distributional effects.

### Environmental Impacts

Based on a very initial assessment, actions in Pillar 1 (prior actions 1-4) raise some potential environmental risks that will need to be mitigated. The risks stem not from any specific activities envisaged through the operation, but rather from the fact that these actions are expected to contribute to increased investment and increased trade, which may lead to increased environmental stresses, particularly in the existing environment of weak enforcement. These risks will be partly mitigated by Pillar 2 actions, which will serve to raise occupational safety, health, and environmental standards. More detailed analysis is required to assess these risks and potential mitigation.

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**APPROVAL**

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