

Ex-Ante Evaluation (for Japanese ODA Loan)

1. Name of the Program

Country: The People's Republic of Bangladesh

Project: COVID-19 Crisis Response Emergency Support Loan

Loan Agreement: 5 August, 2020

2. Background and Necessity of the Program

(1) Current Status and Issues with COVID-19 Response in Bangladesh and Positioning of the Program

Since the first infection in the People's Republic of Bangladesh was identified on March 8, 2020 amid the expanding worldwide pandemic of novel coronavirus (COVID-19), the country has seen its number of cases explode to 204,525 with fatalities numbering 2,459 as of July 20. In attempts to control the infection rates, the Government of Bangladesh (hereinafter referred to as "GoB") issued stay-at-home orders and halted governmental agency operations from March 26 to May 30, after which time governmental agency work and public transportation have resumed on a limited basis. However, given the country's high population density (1,240 ppl/km²) and a weak healthcare system due to insufficient public health expenditure (about 2.4% of GDP) and medical personnel, there are concerns that infections will spread yet further.

Bangladesh has maintained a GDP growth rate of 7-8% in recent years, with the growth supported by export-oriented industries and remittances made by foreign-based Bangladeshi workers. However, the COVID-19 pandemic is weakening the Bangladesh economy, including export revenues for March 2020 down by 18.3% (approximately US\$2.7 billion) compared with March 2019 (Bangladesh Export Promotion Bureau, 2020). Textile manufacturing, which accounts for approximately 11% of the Bangladesh GDP and 80% of exports, has been particularly damaged, with exports worth approximately US\$6 billion either canceled or postponed as of the end of April 2020. The ensuing delays in wages and layoffs have affected approximately 2.3 million factory workers (Bangladesh Garment Manufacturers and Exporters Association, 2020). Several Japanese apparel manufacturers have production centers in Bangladesh, with increasingly more Japanese firms moving into the country in recent years due to their abundant labor force. Thus, a prolonged COVID-19 epidemic in Bangladesh would also have a negative impact on the economic activity of these Japanese firms. In addition, remittances by foreign-based Bangladeshi workers, which account for approximately 5% of the country's GDP, decreased by approximately 11% in March 2020 compared to the figure in March 2019, and further declines are expected due to economic downturn in countries where Bangladeshi workers are employed, such as the Gulf countries (International Monetary Fund (IMF), 2020). Furthermore, with a downturn of activity in Bangladesh's 8 million SMEs, which account for 20-25%

of the national GDP, capital shortages could result in widespread unemployment. In addition, approximately 85% of Bangladeshi workers (of whom 68.9% are women) are engaging in informal sectors with no legal assurances. This leaves them extremely vulnerable to the effects of economic slowdowns caused by lockdown and other factors. Agricultural workers accounting for about 40% of the workforce (25 million), the largest number among every sector, are at high risk of falling further into poverty given lower average wages, compounded by limited means of securing agricultural income with the lockdown restrictions. Under the circumstances, Bangladesh tax revenues for Fiscal 2019/20 are expected to decrease by approximately US\$6.8 billion, or equivalently 10.8% of the national budget for the previous year (Asian Development Bank (ADB), 2020). GDP growth is also expected to fall from 7.9% in 2018/19 to 3.8% in 2019/20 (ADB, 2020). Taking no action could cause dire consequences, including a significant increase in unemployment, serious poverty, and a worsening of public safety.

In addition to the stoppages in economic activity and lockdown restrictions described above, the GoB put forth the National Preparedness and Response Plan for COVID-19 in March 2020 in an effort to limit the spread of the epidemic, including infection prevention measures and enhancement of surveillance. In order to minimize the social and economic impacts of the COVID-19 epidemic, the GoB is also putting out an economic stimulus package worth approximately US\$12.1 billion (1.3 trillion yen, or 4.4% of GDP), including provisions for enhanced social securities, employment protection, and low-interest financing. The GoB plans to fill the demand for financing using US\$7 billion of its own funds, borrowing the remaining US\$5.1 billion from foreign sources. However, as of June 9, they have reached agreements to borrow approximately US\$1.9 billion, leaving a funding gap of approximately US\$3.2 billion (including loans still under negotiation). Thus, there is a pressing need to secure the funds necessary to fight COVID-19.

The COVID-19 Crisis Response Emergency Support Loan (hereinafter referred to as "the Program") will address the urgent need facing Bangladesh. In order to reduce the socio-economic impacts of COVID-19, the Program will provide the GoB with financial support, co-financed with ADB's COVID-19 Active Response and Expenditure Support Program (hereinafter referred to as "the CARES Program"), so as to support the implementation of the GoB's economic measures and social security policies for vulnerable groups.

(2) Japan and JICA's Policy and Operations in the Development of the COVID-19

The JICA Country Analysis Paper of Bangladesh (March 2019) states that the private sector development program will help in developing the industrial human resources needed for Japanese firms to enter the Bangladeshi market, as well as develop industry and strengthen the competitiveness of SMEs bolstering the supporting industry of manufacturing. The Country Assistance Policy for Bangladesh (February 2018) sets forth the major objective of "accelerating sustainable economic growth with

equity and bringing people out of poverty towards Bangladesh becoming a middle-income country," and is designed to assist Bangladesh in efforts to vitalize its economy and overcome social vulnerabilities. The Program is consistent with these analyses and policies. The Program will also be conducted under an international support framework and will contribute to SDGs 1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 5 (gender equality), 8 (decent work and economic growth) and 10 (reduced inequalities). Additionally, in terms of supporting countermeasures against the worldwide impacts of COVID-19, the Program is positioned to help ensure peace and stability within the Free and Open Indo-Pacific (FOIP) Strategy.

(3) Other Donors' Activity

The IMF has approved approximately US\$732 million in emergency assistance through its Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI). Also, the World Bank has approved the COVID-19 Strategic Preparedness and Response Program (approximately US\$100 million) to provide surveillance of the infected, enhanced inspection capabilities, and the necessary supplies and equipment to combat COVID-19. The World Bank is also considering financial assistance through an ongoing program loan, the Jobs Development Policy Credit (approximately US\$250 million), and additional financial assistance of approximately US\$800 million. ADB is providing medical equipment and supplies needed to treat and curb outbreaks, and strengthening the capacity of medical personnel through its COVID-19 Response Emergency Assistance Project (US\$100 million). ADB has also approved the US\$500 million CARES Program, which is co-financed with the Program, under the Countercyclical Support Facility. In addition, ADB has provided approximately US\$350,000 in emergency grant aid for procuring medical supplies and equipment. Similar to JICA, the Asia Infrastructure Investment Bank (AIIB) has approved financial assistance (US\$250 million), co-financed with ADB's CARES Program. Other than the above, the US Agency for International Development (USAID) and the UK Department for International Development (DFID) are providing approximately US\$173 million and US\$20 million in aid, respectively, going toward procurement of medical supplies and equipment, infection preventive education, and other initiatives.

3. Program Description

(1) Program Objective(s)

The objective of the Program is to mitigate the negative social and economic impact of the COVID-19 pandemic through concessional financing to the GoB which implements the economic policy and expansion of the social welfare for the vulnerable population, thereby contributing to promote the country's social and economic stabilization and development efforts.

(2) Program Site/Target Area

Throughout the country

(3) Program Component(s)

- 1) Employment protection (payroll support and low-interest loans for export companies, the service industry, and SMEs)
- 2) Increased social security for vulnerable populations (benefit payments and food handouts for poor households, the elderly, and widows, as well as cash bonuses for healthcare workers fighting COVID-19, etc.)

(4) Estimated Program Cost (Loan Amount)

35,000 million Yen

(5) Schedule

The Program is to start in May 2020. As the expenditure program has been formulated and commenced as described above, the Program will be completed with loan disbursement (scheduled for August 2020).

(6) Program Implementation Structure

- 1) Borrower: The Government of the People's Republic of Bangladesh
- 2) Guarantor: N/A
- 3) Executing Agency: Finance Division, Ministry of Finance

(7) Cooperation and Sharing of Roles with Other Donors

- 1) Japan's Activity: Leveraging ongoing technical cooperation to develop nursing personnel, combat Non-Communicable Diseases, and more, JICA is providing assistance to fight COVID-19, including the provision of materials and equipment for medical facilities.
- 2) Other Donors' Activity: The Program is co-financed with ADB and AIIB. Monitoring is coordinated together with each donor.

(8) Environmental and Social Consideration/Poverty Reduction/Social Development

1) Environmental and Social Consideration

① Category: A B C FI

② Reason for Categorization: The Program is likely to have minimal adverse impact on the environment under the JICA Guidelines for Environmental and Social Considerations (April 2010).

2) Cross-Cutting Issues

The Program will be implemented primarily to mitigate impacts on the poor and vulnerable.

3) Gender Category: [Gender Project] GI (S) (Gender Activities Integration Program)

Activity Component(s)/Reason for Categorization:

The GoB's policy to be supported by the Program includes cash payments for widows and support for healthcare workers, a high proportion of whom are women. In addition, many of the companies in the export industries eligible for payroll support are from textile manufacturing, and approximately 80% of the textile workers are women. Thus, payroll support can also help women in securing

income. Gender-specific data is collected and monitored.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

Performance Indicators (Operation and Effect Indicator)

Indicator	Baselines (Year)	Targets (Month, Year)
The percentage of the national poverty incidence	20.5% (2019)	20.5% (Maintained) (June 2022)
The number of poor and vulnerable people benefitted from at least one economic assistance program under the government's coronavirus disease (COVID-19) response plan	N/A	15 million people (At least 40% are women) (March 2021)
The number of workers in export-oriented industries benefitted from extended salary support through the program	N/A	1.5 million people (At least 50% are women) (September 2020)

Note: Using the same indicators as co-financier ADB for operation and effective indicators.

(2) Qualitative Effects

Preventing an increased number of unemployed and bankrupted companies, stabilizing the lives of vulnerable groups, and keeping public security from worsening. (Of the monitored indicators as set by co-financier ADB, the comprehensive qualitative effects are checked based on monitoring results on the number of employees at firms receiving low-interest loans for wage payment assistance, the number of firms receiving low-interest loans for affected industries, SMEs and micro enterprises, and the number of beneficiaries of cash payments through the new national program for the elderly.)

(3) Internal Rate of Return

IRR is not calculated as this is a program loan.

5. External Factors and Risk Control

(1) Preconditions: N/A

(2) External Conditions: N/A

6. Lessons Learned from Past Program

As learned from ex-post evaluation for the Emergency Budget Support Loan for the Philippines (evaluated in FY2011), if one of the objectives of the emergency financial assistance is to provide prompt financing to facilitate a rapid response to crisis, timing of the assistance is crucial. Also, the procedure to provide assistance should be as simplified as possible and the structure should be as flexible as possible. Specifically, given the objectives of emergency financial assistance, it is proposed to enable the provision of budget support upon confirmation of two conditions, i.e. a budget plan (financial requirement) and economic stimulus measures that address combating the crisis.

In light of the above, due to co-financing with ADB's emergency financial assistance, the Program can provide funds quickly by directly supporting the COVID-19 measures as developed and implemented by the GoB and ensuring that a monitoring system is in place to track progress, in spite of no policy matrix being made for the Program.

7. Evaluation Results

The Program is for providing financial assistance to the GoB to implement economic measures to combat COVID-19 and to expand social security for vulnerable groups, thereby mitigating and limiting the impacts to economic and social activity in Bangladesh and helping its economy to recover quickly. The Program will also be conducted under an international support framework, and is consistent with Bangladesh development issues and policy and with Japanese and JICA assistance policy and analysis. In addition, the Program will contribute to SDGs 1 (no poverty), 2 (zero hunger), 3 (good health and well-being), 5 (gender equality), 8 (decent work and economic growth) and 10 (reduced inequalities). Therefore, the necessity for JICA to support the Program is substantial.

8. Plan for Future Evaluation

(1) Indicators to be Used

As described in (1)-(3) of Section 4.

(2) Timing

Ex-post evaluation: Two years after the program completion.