

Japanese ODA Loan

Ex-Ante Evaluation(for Japanese ODA Loan)

South Asia Division 4, South Asia Department

Japan International Cooperation Agency

1. Name of the Programme

(1) Country: The People's Republic of Bangladesh

(2) Programme: Emergency Support Loan for Enhancing Economic Resilience and Stable Energy Supply

(3) Programme Site / Target Area: Throughout the country

Loan Agreement: June 9, 2026

2. Background and Necessity of the Programme

(1) Current State and Issues of Economic Management and the Energy Sector in Bangladesh

The situation in the Middle East and the de facto blockade of the Strait of Hormuz have led to soaring energy prices and supply uncertainties, which are having a significant impact on the economy of Bangladesh. Natural gas accounts for 49% of primary energy supply and 66% of electricity supply in Bangladesh (International Energy Agency (IEA), 2023), and the country relies on imported LNG for 29% of its total natural gas supply (Petrobangla, 2025). Due to heightened security risks surrounding the Strait of Hormuz, there have been suspensions and delays in supplies under long-term LNG contracts with Qatar, which accounts for approximately 70% of the country's imported LNG, forcing the government to procure gas on the higher-priced spot market. As a result, restrictions on industrial gas supplies and reduced utilization rates of power generation capacity have emerged, and the impact on the real economy including the garment industry, which is a major export sector, is becoming apparent. Furthermore, soaring energy import prices are rapidly increasing the burden on foreign exchange reserves and fiscal management. The impact of the Middle East situation is projected to worsen the current account balance by 1% of GDP and increase subsidy spending by 0.8% of GDP (World Bank, 2026). In particular, Bangladesh's tax revenue as a percentage of GDP is approximately 7% (IMF, 2026), which is low even compared to neighboring countries, and its fragile fiscal foundation limits the scope for policy response.

Furthermore, according to the Finance Division of the Ministry of Finance of Bangladesh, the prolonged Middle East situation and the resulting global surge

in energy prices have caused crude oil prices to skyrocket, LNG prices to nearly double, and fertilizer (urea) prices to rise significantly, leading to a sharp increase in the cost of oil-fired power generation. In response to these soaring energy and fertilizer import costs, the government is implementing measures such as increasing subsidy spending.

In response to these pressing macroeconomic challenges, the Government of Bangladesh aims to secure support from international financial institutions and others in the short term. In the medium term, it intends to promote fiscal stability, improve the investment environment, and strengthen trade policies and logistics through structural reforms related to energy diversification—to reduce dependence on oil and natural gas from the Middle East—and the diversification of foreign exchange earnings.

“Emergency Support Loan for Enhancing Economic Resilience and Stable Energy Supply “ (hereinafter referred to as “the Programme”) is positioned as a timely and high-priority initiative aimed at mitigating the impact of the Middle East situation on the country’s macroeconomy, supporting the government’s efforts to strengthen economic and energy resilience, and coordinating with international organizations to address the urgent challenges facing the country. It will be implemented as a co-financing programme with the Asian Development Bank (hereinafter “ADB”).

Furthermore, as described below (3.(1)④), the policy matrix for the ADB’s Development Policy Loan—which is envisaged as the co-financing source for the programme—includes policy actions designed to consolidate the results of JICA’s past projects and promote an environment where foreign companies, including Japanese companies, can benefit from improvements in the investment climate. Additionally, JICA’s own policy matrix includes actions aimed at diversifying energy sources and promoting energy conservation in the country. With a population of approximately 170 million and a massive market, the number of Japanese companies operating in Bangladesh has doubled from 155 in 2012 to 330 in 2025 (JETRO, 2026). From the perspective of strengthening supply chains, the economic stabilization of Bangladesh directly benefits Japan, underscoring the significant importance of this programme.

(2) Japan’s and JICA’s Policy Cooperation Policy and Operations in the Economic Management and the Energy Sector

Japan’s Country Development Cooperation Policy for the People’s Republic of Bangladesh (February 2018) states that Japan will “strengthen government

functions and improve administrative services to enhance governance,” “improve the investment environment,” and “ensure a stable supply of electricity and energy.” Similarly, the JICA Country Analysis Paper for the People’s Republic of Bangladesh (March 2023) also indicates “strengthening governance,” “improving the business environment to promote investment,” and “enhancing the stable supply of electricity and energy” as priority areas. Furthermore, the “New Plan for a Free and Open Indo-Pacific (hereinafter “FOIP”)” announced by the Japanese government in March 2023 identifies fairness and the establishment of rules to prevent opaque and unfair practices; energy security as a means of addressing Indo-Pacific challenges; and the strengthening of multi-layered connectivity. This also contributes to the resilience of energy and critical goods supply chains, which is a priority area of the “Evolved FOIP” announced in May 2026. Furthermore, in April 2026, the Japanese government announced the launch of the “Partnership on Energy and Resources Resilience in Asia (POWER Asia)” in light of the potential impact of disruptions to energy and resource supplies transiting the Strait of Hormuz, committing to financial cooperation—including emergency measures such as financing to maintain supply chains. The Programme contributes to strengthening the fiscal foundation while also coordinating with ongoing JICA projects. It establishes policy actions to support the host government’s economic reforms (such as improving the investment environment and governance) and the enhancement of stable electricity and energy supply, aligning with these policies and analyses.

(3) Other Donors’ Activities

Due to the impact of the situation in the Middle East, the Ministry of Finance of Bangladesh has requested emergency financial assistance from the ADB, the World Bank (hereinafter referred to as “WB”), and the Asian Infrastructure Investment Bank (hereinafter referred to as “AIIB”). The ADB has approved a total of \$1 billion programme in May 2026 with disbursement scheduled by the end of June 2026, which consists of \$250 million under Sub-programme 2 of the Second Strengthening Social Resilience Programme (hereinafter referred to as “SSSRP”) and \$750 million under Sub-programme 2 of the Strengthening Economic Management and Governance Programme (hereinafter referred to as “SEMGP”). For the Programme, co-financing with the ADB’s SEMGP is under consideration; however, that programme is a development policy loan aimed at strengthening the country’s fiscal management and governance. Furthermore, regarding SEMGP Sub-programme 1, which was approved in December 2024, a

development policy loan approved in May 2025 for economic reform and enhancing resilience to climate change is providing co-financing.

In December 2024, the World Bank approved a \$500 million Development Policy Loan in the climate change sector titled “Second Bangladesh Green and Climate Resilient Development Credit.” In December 2025, it provided an additional \$150 million in financing for the RAISE (Recovery and Advancement of Informal Sector Employment) project.

The IMF approved a total of \$4.7 billion in financial support through the Extended Credit Facility (ECF), Extended Fund Facility (EFF), and Resilience and Sustainability Facility (RSF) in January 2023. At the IMF Executive Board meeting in June 2025, the results of the Third and Fourth Integrated Reviews were approved, and \$1.33 billion was disbursed (a six-month extension of the programme and an \$800 million increase were also decided).

The AIIB is considering providing \$250 million in support through a co-financing arrangement with the ADB’s SEMGP.

3. Programme Description

(1) Programme Description

① Programme Objective

The objective of the Programme is to mitigate and curb the socioeconomic impact of the situation in the Middle East, promote economic reforms, and strengthen the stable supply of energy, by supporting the Government of the People’s Republic of Bangladesh in implementing various policy actions related to socioeconomic and energy measures, thereby contributing to socio-economic stabilisation and development.

② Programme Components

The Programme provides support to the Government of Bangladesh based on the policy matrix which mainly consists of strengthening fiscal management, enhancing the governance of state-owned enterprises and improving the investment environment, strengthening trade policy and logistics, and ensuring a stable energy supply. The Programme will be implemented by sharing selected policy actions with the ADB under co-financing arrangement. In addition, regarding the area of ensuring a stable energy supply, JICA established policy actions in consultation with the Government of the People’s Republic of Bangladesh.

③ Programme Beneficiaries (Target Group)

Citizens of Bangladesh (Population: approximately 165 million (World Bank,

2022))

(2) Estimated Programme Cost

50,000 million Yen

(3) Schedule

The Programme will commence at the time of L/A signing. The target date for achievement of policy actions is by May 2026. The Programme is considered complete once all policy actions have been achieved, and loan execution has been completed.

(4) Programme 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 (FD)

(5) Collaboration and Sharing of Roles with Other Donors

1) Japan's Activity: Out of the policy actions outlined in the policy matrix (see attachment), policy actions that were set by JICA aims to expand and consolidate the effectiveness of JICA's existing cooperation in the energy sector.

2) Other Donors' Activity: The programme is conducted co-financing with the ADB, sharing certain policy actions, and monitor the joint actions. For the development outcomes expected from the co-financing, refer to the shared quantitative performance indicators (4.(1)1).

(6) Environmental and Social Consideration

① Category: C

② Reason for Categorization: The Programme is likely to have minimal adverse impact on the environment and society (January 2022).

(7) Cross-Sectoral Issues: Since the Programme includes comprehensive non-tax revenue (NTR) policies that incorporate climate considerations into the ADB's policy actions, it contributes to climate change measures (mitigation and adaptation).

(8) Gender Category: GI (S) (Integrated gender activity project)

<Details of Activities/Reason for Categorization> In tax administration, there is a lack of sufficiently organized gender-disaggregated data, which limits the ability to comprehensively understand the impact of tax systems on men and women and to conduct gender-based analysis and policy formulation. Additionally, there are challenges regarding the insufficient development of women's professional capabilities and their participation in institutional decision-making. To address these challenges, the Programme aims to collect and publish gender-

disaggregated data for tax analysis at the National Bureau of Revenue (NBR) and to promote policy-making in the tax sector from a gender perspective. Furthermore, the Programme plans to ensure the participation of female staff in all training programmes conducted by the NBR.

(9) Other Important Issues: N/A

4. Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator	Baseline (Actual)	Target (FY2029) [3 years after programme completion]
Increase in tax revenue as a share of GDP (%)	6.9% (FY2025)	8.6%
Increase in personal income tax revenue (%)	BDT 1,507 billion (FY2024)	Increase by 25% from the baseline
Increase in value-added tax (VAT) revenue (%)	BDT 1,256.5 billion (FY2024)	Increase by 30% from the baseline
Reduction in average implementation delay of public projects (months)*	24 (as of June 2024)	18
Reduction in cost overruns of public projects (million BDT)*	173.8 (as of June 2024)	Reduce by 33% from the baseline
Increase in the number of services digitally delivered in an integrated manner through the One-Stop Service (OSS) system	134 (FY2024)	170

<p>Improvement in average export-import (EXIM) cargo clearance time at Chattogram Port, Dhaka Airport and Benapole, Land port.</p>	<p>The average Customs procedure time, from Customs declaration to release, is as follows. For sea cargo (Chattogram Port): 8 days 0 hour 55 minutes For air cargo (Dhaka Airport): 2 days 11 hours 0 minute For land cargo (Benapole Land Port): 5 days 4 hours 30 minutes Source: TRS Study by NBR FY2022.</p>	<p>Improve at least 10% from the baseline</p>
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* Public projects under the jurisdiction of the Planning Commission (mainly those subject to the Ministry Appraisal Format [MAF] and Sector Appraisal Format [SAF]).

2) Impact

Through the implementation of policy actions under this loan, improvements in fiscal management capacity are expected, including an increase in the ratio of tax revenue to GDP (from 6.9% to 8.6%), growth in income tax and value-added tax revenue (up 25% and 30%, respectively), and a reduction in delays and cost overruns in public works projects. Furthermore, the expansion of the OSS and the reduction of customs clearance times will improve the business environment and trade efficiency, thereby stimulating private investment and enhancing export competitiveness. As medium- to long-term effects, these measures are expected to lead to sustainable economic growth and rising incomes through the strengthening of the fiscal foundation and private-sector-led growth.

(2) Qualitative Effects

Socioeconomic stability in difficult times, sound public financial management, improvement of the investment environment, trade facilitation, diversification of energy sources, and promotion of energy conservation

(3) Internal Rate of Return

IRR is not calculated as this is a programme loan.

5. External Factors and Risk Control

(1) Preconditions: N/A

(2) External Factors: N/A

6 . Lessons Learned from Past Programmes

Based on the ex-post evaluation of the yen loan to Mongolia titled “Emergency Support Yen Loan for Responding to the COVID-19 Crisis” (evaluation year: 2023), it has been learned that, with regard to emergency fiscal support, the following are critical: rapid response to requests for emergency loans and assessment of needs; understanding the loan process; formulation of a policy matrix and impact indicators that are easy to understand and realistic to achieve; and thorough monitoring.

Based on the above, the Programme enables rapid disbursement by implementing it as a co-financing arrangement with the ADB’s emergency fiscal support, thereby ensuring the establishment of a monitoring system to track progress.

7 . Evaluation Results

The Programme provides emergency fiscal support to the Government of Bangladesh, which is urgently responding to the situation in the Middle East, thereby mitigating and curbing the impact on the country’s economic and social activities and contributing to socio-economic stability. The Programme aligns with the country’s development challenges and policies, as well as Japan’s and JICA’s cooperation policies and analyses. It is expected to contribute to SDG Goals 7 (Affordable and clean energy), 8 (inclusive and sustainable economic growth), and 17 (partnership for the goals). Therefore, there is a strong need to support the implementation of this programme.

8 . Plan for Future Evaluation

(1) Indicators to be Used

As indicated in Sections 4.

(2) Future Evaluation Schedule

Ex-post evaluation: Three years after the Programme completion

Attachment:

Policy Matrix for “Emergency Support Loan for Enhancing Economic Resilience and Stable Energy Supply”

END

Policy Matrix for “Emergency Support Loan for Enhancing Economic Resilience and Stable Energy Supply”

Matrix 1 Strengthening Economic Management and Governance Programme (Co-finance with ADB)

Policy Area and Objectives	Ministry/Division/Agency	Policy Actions from ADB's SEMGP
Fiscal management strengthened	NBR	<p>The NBR (i) through its Finance Act 2025 and related measures, further (a) broadened the tax net and strengthened enforcement and compliance mechanisms for tax collections; and (b) reduced the income tax and VAT expenditures; and (ii) introduced audit of digital economy services.</p> <p>The NBR, (i) to reduce tax compliance burden and increase the effective tax net, implemented a comprehensive taxpayers' outreach strategy; and (ii) to enhance compliance risk management, (a) granted access to customs business intelligence data to all staff and launched Automated Risk Management System in customs, (b) conducted joint IT and VAT audit, and (c) selected at least 20% of tax audit (VAT and personal income tax) cases through the automated case selection method.</p> <p>To deepen efficiency, transparency of tax administration, NBR (i) approved a comprehensive digital transformation project, (ii) provided secure access to anonymized taxpayers' data for independent research purposes, and (iii) mandated electronic filing for personal income taxpayers, except in limited specified circumstances.</p> <p>The NBR (i) collected and published gender-disaggregated data for tax analysis; (ii) included female officials across all training programmes provided by the NBR.</p>
	FD	<p>To deepen the efficiency, transparency, and enhance mobilization of non-tax revenue, the Finance Division developed a comprehensive NTR policy, which includes climate considerations, for stakeholder consultations.</p>
	Planning Division	<p>The Planning Division commenced the implementation of the PIM Reform Program 2024–2028 by (a) forming a Programme Coordination Committee (PCC) to supervise the PIM reform activities, and (b) rolling out digital multi-year public investment programme (MYPIP) in at least 8 of the 15 economic sectors.</p> <p>To enhance finance plus value addition, efficiency, and accountability of project selection, execution, and evaluation, the Planning Division approved new Guidelines for Public Investment, Project Preparation, Processing, Approval, and Revision.</p>
SOE governance and Investment	BIDA	<p>To improve and modernize public services to businesses, BIDA (i) enhanced the OSS by integrating BIDA and RJSC services for issuance/renewal of licenses/clearances; (ii) expanded the issuance and renewal of trade licenses and licenses issued by Department of Inspection for Factories and Establishments; and (iii)</p>

Climate Improved		<p>established a BIDA helpdesk/support center for businesses.</p> <p>To provide a strategic blueprint for future investments, BIDA launched Bangladesh's FDI Heatmap, a data-driven framework to attract FDI, which focuses on 19 high-potential sectors, categorizing them based on market readiness and potential, input factors availability and strategic alignment with national goals.</p> <p>To strengthen its institutional framework, BIDA (i) approved a roadmap to consolidate all investment promotion agencies; and (ii) reorganized its institutional structure, including the establishment of research and investment promotion wings.</p>
Trade policy and logistics strengthened	Government	<p>The government approved a new NLP (2025) with a focus on (i) urban logistics infrastructure to ease congestion in big cities such as Dhaka and Chattogram; (ii) improving linkage between economic zones and export processing zones; and (iii) increasing the usage of Information Technology Enabled Services (ITES) to alleviate the congestion on highways.</p>
	NBR	<p>The NBR (i) rationalized customs tariffs, regulatory duties, and supplementary duties to align with WTO's regulatory framework; and (ii) launched the Customs Bond Management System (CBMS) and made its use mandatory for all bonded warehouse license-holding institutions.</p>

Matrix 2. Strengthening Energy Resilience

Policy Area and Objectives	Ministry/Division/Agency	Draft Policy Actions
Diversification of energy sources	Power Division Coal Power Generation Company Bangladesh Limited (CPGCBL)	<p><u>Stabilization of Energy Supply through the Establishment of a Sustainable Operational Framework for High-Efficiency Thermal Power Generation</u></p> <ul style="list-style-type: none"> Promote the stabilization of the electricity supply system by ensuring the safety of power generation facilities. <p><u>Diversification of Energy Sources through Strengthening of the Transmission Grid and Promotion of Renewable Energy</u></p> <ul style="list-style-type: none"> Review existing development plans related to transmission grid stability and prioritize development projects for transmission network enhancement in order to strengthen the power transmission system. Advance procedures for the rehabilitation and upgrading of existing hydropower facilities to promote diversification of electricity supply.
Promotion of Energy Conservation Policies	Energy and Mineral Resources Division	<p><u>Promotion of Energy Efficiency through Reduction of Methane Leakage</u></p> <ul style="list-style-type: none"> Institutionalize annual inspections for methane gas leakage in gas supply infrastructure in order to minimize the loss of valuable natural gas resources and promote sustainable resource utilization.
	Power Division Sustainable and Renewable Energy Development Authority (SREDA)	<p><u>Institutional Strengthening for the Promotion of Energy Efficiency</u></p> <ul style="list-style-type: none"> Formulate a certification and qualification framework to secure certified energy managers and energy auditors in order to promote energy efficiency.