

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	BAN	Project Title:	Senior Loan to BRAC Bank for Sustainable Projects
Lending/ Financing Modality:	FI	Department/Division:	PSOD/PSFI

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

ADB will provide a senior unsecured loan of up to \$50 million with a tenor of between three to five years to BRAC Bank in Bangladesh to finance socially sustainable projects, i.e. construction or expansion of textile plants that meet the high standard of fire safety and structural integrity as specified by the Accord on Fire and Building Safety in Bangladesh or the Alliance for Bangladesh Worker Safety; improvement of existing plants to meet any of the above standard. The proposed ADB loan may also be used to support environmental sustainable projects of waste water (including effluent water) treatment plants in the industrial sector. It is noted that Bangladesh is the world's second largest exporter of textile and clothing and the sector accounted for 83% of its total merchandise exports in FY2014.¹ The sector employs 4.2 million workers, of which nearly 80% are women.²

ADB's Mid-Term Review of Strategy 2020 aims to strengthen its support for the finance sector by supporting the development of financial infrastructure, institutions, and products and services.³ The project supports three priorities identified by the mid-term review of Strategy 2020, i.e. poverty reduction and inclusive economic growth; environment and climate change; private sector development and operations. The investment is in line with the country partnership strategy (CPS) for Bangladesh (2011-2015) which requires environmental consideration to be integrated into sector interventions. CPS for Bangladesh also called for the prioritization of private sector development to accelerate growth by developing the finance sector with an emphasis on clean energy, infrastructure finance and credit for small and medium-sized enterprises.

B. Targeting Classification

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The proposed investment is expected to have strong development impacts of (i) improved health and safety of textile workers in Bangladesh; (ii) reduced environmental costs of economic development; and (iii) financial sector development, including access to longer tenor finance.

¹ Bangladesh Bank. 2014. *Quarterly Report April – June 2014*. Dhaka.

² IFC. 2014 *Transforming Bangladesh's Garment Sector*. Washington. Statistics on female workers are estimates from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

³ ADB. 2012. *Mid-Term Review Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The textile and clothing sector has always played an important role in the Bangladesh economy. Its importance has grown in the last few years, with the sector growing at an annual compound annual growth rate (CAGR) of 12.7% since FY2006 while the overall manufacturing sector grew by 10.8% during the same period. It now accounts for nearly 20% of the GDP of the country. While the principal polluting industries are textile (dyeing and printing), tanneries and paper and pulp. It is a legal requirement in Bangladesh for all red category factories (textile dyeing and tanning) to establish Effluent Treatment Plants (ETPs). However, because existing laws are poorly enforced, many factories still operating without any ETP, and some are just window dressing as the ETPs are either not operated or not operated as they should be due to lack of technical expertise. Also, there is an acute shortage of generating capacity in the energy sector in Bangladesh. According to the Sixth Five-Year Plan, FY2011–FY2015 of the government, about 12,567 MW of generation capacity additions are required to eliminate the supply–demand gap and to increase the population having access to electricity from 50% to 68%.. The primary beneficiaries of the project are the BRAC Bank, employees especially the female workers in textile factories and sustainable projects who will generally benefit during proposed investment operation.

2. Impact channels and expected systemic changes. The loans will catalyze bank financing for sustainable projects. There is a vast funding need for upgrading the textile factories in Bangladesh, which call for joint actions from multilateral and bilateral development banks, commercial banks, multinational companies and domestic textile companies. The proposed ADB loan is expected to have a catalytic effect and will encourage other financial institutions to step up their financing support to this important initiative. The proposed loan will also support and catalyze more finance for environmental sustainable projects to reduce water pollution and greenhouse gas emission.

3. Focus of (and resources allocated in) the PPTA or due diligence. ADB adds considerable value by providing longer term than currently available from commercial lenders. Currently, international lenders can only provide short term trade finance of up to 1 year to local banks in Bangladesh. The medium/long term finance from ADB will fill market gap and help the bank improve its asset liability profile. The project will be in compliance with local laws and regulations as well as the requirements of ADB's SPS and other social dimensions on gender and core labor standards.

4. Specific analysis for policy-based lending. N/A

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Effective gender mainstreaming (EGM) is anticipated during proposed investment operation. Advancing gender can be initiated through a large proportion of female workers in the textile factories and other possibilities which will be discussed further with the client and included in a gender action plan (GAP) which will be agreed, implemented and monitored by the client.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? The proposed investment is anticipated to provide gender profile tracking system for bank staff and

also training for female workers on fire and building safety. Opportunities for women employment at the textile factories may be relevant and will be further discussed with the client.

Yes No Please explain. If yes, a gender action plan should be prepared during PPTA or due diligence.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? The proposed investment is not expected to cause any specific cultural or social impact upon or exclude any socioeconomic group, including women, from benefiting from the investment.

Yes No Please explain If yes, actions and measures should be prepared during PPTA or due diligence.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. Potential stakeholders include bank staff and their borrowers, national and local government, regulatory agencies, and the project beneficiaries (employees of textile factories, sustainable projects, including women). The participation of stakeholders and beneficiaries will be included in the updated ESMS satisfactory to ADB's SPS and adopted by client prior to the first disbursement.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded? Consultation meetings will be conducted by the bank with the relevant stakeholders, including the poor and vulnerable groups at the factories and surrounding communities.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design? The Accord on Fire and Building in Bangladesh and the Alliance for Bangladesh Worker Safety are two active organizations in the project area. The level of civil society organization participation in the project design is on the information sharing and consultation at the factory level.

H Information generation and sharing H Consultation L Collaboration N/A
 Partnership

Indicate in each box the level of participation by marking high (H), medium (M), low (L), or not applicable (N) based on definitions in the ADB's Guide to Participation.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No Please explain.

Details of the consultation and participation activities and grievance and dispute resolution will be included in the updated ESMS.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The proposed ADB funded sub-loans of BRAC Bank will support mainly the construction or expansion of textile plants and improvement of existing plants to meet standard of fire and building safety which are likely to have minor impacts on involuntary resettlement. Sub-loans classified as categories A for IR will be disqualified for financing.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? The client will be requested to do screening on involuntary resettlement in compliance with ADB's SPS (2009) and its ESMS.

- Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No The project is not expected to entail any significant impact on indigenous peoples.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No The project will not have significant impacts on Indigenous Peoples. Sub-loans classified as categories A for IP will be disqualified for financing

3. Will the project require broad community support of affected indigenous communities? Yes No Please explain.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? The client will be requested to do screening on indigenous peoples in compliance with ADB's SPS (2009) and its ESMS.

- Indigenous peoples plan Indigenous peoples planning framework Social Impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

H Creating decent jobs retrenchment H Adhering to core labor standards Labor

Spread of communicable Increase in human trafficking Affordability

diseases, including HIV/AIDS

- Increase in unplanned Migration
 Increase in vulnerability to natural disasters
 Creating political instability
 Creating internal social conflicts
 Others, please specify _____

Indicate high (H), medium (M), low (L) for selected boxes

2. How are these additional social issues and risks going to be addressed in the project design? Number of women employees in textile plants will be receiving better working conditions of the upgraded facilities and it is an indicator of the GAP.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes
 No If no, please explain why. There is no PPTA under private sector project but the client will mobilize competent staff trained by the State Bank' green banking policy to cover social safeguards and other social dimension issues.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis and participation plan during the PPTA or due diligence? Due diligence will be undertaken by staff.