

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Bangladesh	Project Title:	Senior Loan to BRAC Bank for Sustainable Projects
Lending/Financing Modality:	Loan	Department/Division:	Private Sector Operations Department Financial Institutions Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention

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

The Asian Development Bank (ADB) will provide a senior loan with a tenor of up to 5 years to BRAC Bank in Bangladesh to finance environmentally sustainable projects in the ready-made garment (RMG) industry. The ADB loan will be used for (i) construction or expansion of textile or garment factories that meet the high standard of fire safety and structural integrity as required by the Accord on Fire and Building Safety in Bangladesh or the Alliance for Bangladesh Worker Safety, and (ii) improvement of existing factories to meet any of the above standards. A portion of the funds may also be used to support environmentally sustainable projects of wastewater and effluent treatment plants in the industry sector.

Bangladesh is the world's second-largest exporter of textiles and clothing and the subsector accounted for 83% of the country's total merchandise exports in fiscal year (FY) 2014.^a The subsector employs 4.2 million workers, of which nearly 80% are women.^b The project supports three priorities identified by the midterm review of Strategy 2020: poverty reduction and inclusive economic growth, environment and climate change, and 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. The 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. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. The textile and clothing subsector has always played an important role in the Bangladesh economy. The subsector has expanded at a compound annual growth rate 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 gross domestic product of the country. While the principal polluting industries are textiles (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 are still operating without an ETP, and some ETPs are either not operated or not operated as they should be because of 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 megawatts of generation capacity additions are required to eliminate the supply–demand gap and to increase the proportion of the population having access to electricity from 50% to 68%.

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

3. Other social and poverty issues. The project is expected to generate jobs for local people during construction and/or structural changes in garment factories. With the project supporting construction or expansion of textile factories that meet the high standard of fire safety and structural integrity, workers will feel more secure and safe in their workplace. Safety trainings will also be provided to the workers.

4. Design features. BRAC Bank's current business in the RMG industry is with 24 clients under the accord and/or the alliance. BRAC Bank started financing the RMG industry in 2010 because it wanted to avoid reputational risks related to the RMG industry. Thus, ADB's funds will be limited to corrective action plan (CAP) implementation of the RMG clients and structural changes to and building of new factories.

3. Plan or other Actions. <input checked="" type="checkbox"/> Environmental and social management system arrangement
B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI
1. Key impacts. The proposed ADB-funded subloans of BRAC Bank will support mainly the construction or expansion of garment factories and improvement of existing factories to meet the fire and building safety standards, and these are likely to have minor impacts on indigenous peoples. Subloans classified as category A for indigenous peoples will be disqualified from financing. BRAC Bank will update its ESMS to be in compliance with ADB's Safeguard Policy Statement. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, briefly describe the process and outcomes of ascertaining that such support exists.
2. Strategy to address the impacts. The ESMS will include indigenous peoples policy principles and procedures to ensure that subloans using ADB funds are screened and, if the policy is triggered, indigenous peoples plans are prepared following the national laws of Bangladesh and in accordance with ADB's Safeguard Policy Statement Safeguard Requirement 3 on Indigenous Peoples.
3. Plan or other actions. <input checked="" type="checkbox"/> Environmental and social management system arrangement
V. ADDRESSING OTHER SOCIAL RISKS
A. Risks in the Labor Market
1. Relevance of the project for the country's or region's or sector's labor market. The project will maintain the level of employment opportunities for the local workers who are from surrounding communities. <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (L)
2. Labor market impact. Local people will be working in workplace safety and will not be concerned with structural and fire safety of the garment factories.
B. Affordability N/A
C. Communicable Diseases and Other Social Risks N/A
1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____
2. Describe the related risks of the project on people in project area. Local employees come to work at the factories and return home every day.
VI. MONITORING AND EVALUATION
1. Targets and indicators: Workers working in the garment plants suffer zero deadly accidents due to workplace safety. This target has been put into the design and monitoring framework for monitoring. 2. Required human resources: Describe the human resources (counterparts, consultants, ADB staff) budgeted and integrated in the project implementation arrangements to monitor the poverty and social impact of the project. BRAC Bank has designated staff to implement its ESMS and gender action plan under the supervision of a senior manager for operational risk and Basel implementation. 3. Information in project administration manual (PAM): Explain what information the project review, monitoring, and completion reports included in the PAM. Private sector projects do not have a PAM. 4. Monitoring tools: Indicate the monitoring tools for poverty and social dimensions summarized in the project loan agreement and the PAM. The design and monitoring framework included monitoring tools for poverty and social dimensions, such as BRAC Bank reporting to ADB.

Source: ADB analysis.

^a Bangladesh Bank. 2014. *Quarterly Report April–June 2014*. Dhaka.

^b International Finance Corporation (IFC). 2014 *Transforming Bangladesh's Garment Sector*. Washington, DC. Statistics on female workers are estimates from the Bangladesh Garment Manufacturers and Exporters Association.