



Initial Poverty and Social Analysis

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Bangladesh: Envoy Sustainable Backward Integration Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ETL	–	Envoy Textiles Limited
GDP	–	gross domestic product
HR	–	human resources
RMG	–	ready-made garments
SPS	–	Safeguard Policy Statement

NOTE

- (i) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Bangladesh Project Title: Envoy Textiles Limited Envoy Sustainable Backward Integration Project

Lending/Financing Modality: Corporate Loan Department/ Division: Private Sector Operations Department Infrastructure Finance Division 1

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Bangladesh ranks as the second largest denim exporter, and Envoy Textile Limited (ETL) is one of the leading textile manufacturing companies in the country. The proposed transaction will increase the spinning capacity of ETL and will also create additional jobs through the purchase of additional spinning units and the installation of associated facilities equipment. This supports a pivotal theme of the inclusive growth strategy of the Eighth Five-Year Plan of Bangladesh of promoting labor-intensive, export-oriented, manufacturing-led growth, along with expansion of the domestic market, and one of the keys to the success of this plan is the domestic and foreign private sector investment.^a The project is in line with three operational priorities of ADB's Strategy 2030: (i) addressing remaining poverty and reducing inequalities, (ii) accelerating progress in gender equality, and (iii) enhancing environmental sustainability.^b The project is also aligned with two strategic objectives of the Bangladesh Country Partnership Strategy 2021-2025 of boosting competitiveness, employment, and private sector development; and promoting green growth and climate resilience.^c

B. Poverty Targeting:

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

The project will focus on the procurement of additional spinning machines and the installation of associated facilities equipment, which is foreseen to contribute to the increase in the annual yarn production of the borrower and partially reduce its annual yarn imports, reduce energy consumption, and provide additional employment opportunities to the local people.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Bangladesh, being among the most densely populated countries in the world, is highly vulnerable to climate change and natural hazards. Though the effects of the coronavirus disease (COVID-19) was felt by the country, its gross domestic product (GDP) growth remained positive at 3.4% in 2020 and increased to almost 7% in 2021. One of the important contributors of the Bangladesh economy is the ready-made garments (RMG) sector. The RMG sector contributed more than 80% of Bangladesh's total export earnings, and denim is one of mainstay textiles in the global apparel market. ADB proceeds will be used to procure additional spinning machines and the installation of associated facilities equipment. This is foreseen to contribute to an increase in the annual yarn production and therefore reduce ETL's annual budget allocation for yarn imports, benefitting the borrower. Additional opportunities for local employment is also envisaged.
2. Impact channels and expected systemic changes. The proposed capital investment would reduce the country's dependence on imported yarns thereby reducing the outflow of foreign currency by about US\$10 million annually, and production timelines would be reduced by 25%. The expansion will create roughly 220 new positions during operations. In line with its commitment to sustainable operations, ETL will install highly energy efficient spinning equipment, that is expected to save up to 66% in energy use during operations compared to other comparable yarn production equipment in the industry. ETL will also work with ADB to implement gender equality measures including increased women's participation in the company's management and provision of career development training for women.
3. Focus of (and resources allocated in) the transaction TA or due diligence. The borrower will commission a third-party expert to take on an audit of ETL's environment and social management system (ESMS) and assess its environmental and social compliance with the requirements of the ADB Safeguard Policy Statement (SPS) 2009. Due diligence will be conducted by the ADB team and will examine ETL's adherence to national laws, its labor policies and practices, and its gender responsiveness.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Bangladesh has achieved positive developments in health and education but gender inequality in employment persists. While women's labor force participation has grown from 31% in 2011 to 35% in 2021, women's participation is limited to low-paying unskilled jobs.^d Women also have lower access to vocational and technical skills. For example, large gender disparities exist in enrollments – only 28% of students enrolled in technical or vocational

training were women. The rates of violence against women also remain high. Though women continue to be in a small minority in decision-making roles, they are slowly entering into senior management roles. In 2016, ownership of 13% of the firms included women; 5% firms have women in top management and 25% women (compared to 33% men) had an account in a financial institution.^e

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No

Potential gender measures which may be explored during the project's due diligence include increasing women in management positions, implementation of policies and practices that advance gender equality at workplace, gender-inclusive procurement and internships targeted at women.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No

4. Indicate the intended gender mainstreaming category:

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

III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. Envoy Textiles Limited, its owners and employees, and its international and local customers are the main stakeholders of this transaction. Interviews with the employees and consultation with relevant stakeholders will be undertaken as part of the audit.

2. Who are the key, active, and relevant CSOs in the project area? Due diligence will cover the CSOs that ETL may engage during project processing.

3. Are there issues during project design for which participation of the poor and vulnerable is important?

Yes No If yes, what are these issues?

4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? The corporate ESMS and subproject level audit entails information sharing about the project and gathering of insights from the stakeholders. The audit will also assess the stakeholder engagement activities of ETL, including its grievance redress mechanism.

5. What level of CSO participation is planned during the project design?

 L Information generation and sharing L Consultation NA Collaboration NA Partnership

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 additional spinning machines and associated equipment will be installed in an existing yarn manufacturing facility of ETL, within the 100-acre land parcel located in Jamirdia, Bhalika, Mymensingh. The land acquisition process of ETL and its supporting documents will be reviewed, as well as its measures to avoid permanent or temporary physical and economic displacement. No site expansion or additional land acquisition is envisaged.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

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

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 ETL manufacturing facility is in an industrial area and the audit will validate that the installation activities and operations of ETL will not impact any Indigenous Peoples (IP) groups and do not affect the territories or natural and

cultural resources that the IPs own, use, occupy or claim as part of their ancestral domain. No site expansion or additional land acquisition is envisaged.

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 transaction TA or due diligence process?
 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?
 (L) Creating decent jobs and employment (L) Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 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? ETL's human resources (HR) policies, employment contracts, and its adherence with the national labor laws and the core labor standards will be evaluated during due diligence. The current process of ETL on ensuring its third-party service providers or contractors' compliance with labor laws will also be reviewed.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks? Are the relevant specialists identified?
 Yes No If no, please explain why.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? The borrower will engage a third-party expert to conduct an audit of ETL's environment and social management system and assess its environmental and social compliance with the ADB SPS requirements. An ADB team composed of environment, social, and gender specialists will conduct virtual due diligence for the proposed transaction, review the audit report, and other documents submitted by the client.

^a Government of the People's Republic of Bangladesh, Planning Commission, 2020. [8th Five Year Plan July 2020 – June 2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka.

^b ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

^c ADB. 2021. Country Partnership Strategy: *Bangladesh, 2021-2025 – Sustain Growth, Build Resilience, and Foster Inclusion*. Manila.

^d World Bank, [World Development Indicators Database](#). (Accessed 23 June 2022).

^e Asian Development Bank. 2017. [Bangladesh: Gender Equality Diagnostic of Selected Sectors](#). Manila.