

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Bangladesh	Project Title:	Sustainable Projects in the Textile and Garment Sector
Lending/Financing Modality:	Loan	Department/Division:	Private Sector Operations Department Financial Institution 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) loan of up to \$20 million to Eastern Bank in Bangladesh will finance sustainable projects in the ready-made garment (RMG) industry. The loan will support the expansion of existing factories or the construction of new textile and garment factories that meet the structural, fire, and electrical safety standards specified by the accord on Fire and Building Safety in Bangladesh or the alliance for Bangladesh Worker Safety.<sup>a</sup>

Bangladesh is the world's second largest exporter of textiles. Data from the Bangladesh Garment and Manufacturers and Exporters Association (BGMEA) indicated that RMG sector had 4,328 factories in 2016 and accounted for 82% of the country's exports.<sup>b</sup> The sector employs more than four million workers, of whom almost 85% are women.<sup>c</sup> The ADB project supports operational focus and areas that respond to the new business environments identified by the midterm review of ADB's Strategy 2020, including—(i) poverty reduction and inclusive economic growth, (ii) environment and climate change, and (iii) private sector development and operations.<sup>d</sup> The investment is in line with ADB's country partnership strategy (CPS) for Bangladesh for 2011–2015, which called for environmental considerations to be integrated into sector interventions.<sup>e</sup> The CPS prioritized support for private sector development to accelerate growth and the development of the finance sector with an emphasis on clean energy, infrastructure finance, and credit for small and medium-sized enterprises. The project is also aligned with the CPS thematic driver on gender equity, which encouraged the mainstreaming of gender considerations in ADB operations in Bangladesh.

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. **Key poverty and social issues.** The textile and clothing sector plays an important role in the Bangladesh economy. The textile and garment industry generated export earnings of \$24 billion, accounted for about 15% of gross domestic product, and employed more than four million people in FY2016.<sup>f</sup> A 2012 fire at the Tazreen Fashions factory and the 2013 collapse of the Rana Plaza Building claimed the lives of 117 and 1,135 of garment workers, respectively.<sup>g</sup> The International Labour Organization (ILO) subsequently facilitated a dialogue between the government, industry employers and workers, and other stakeholders that led to a tripartite joint statement on building and fire safety that required the inspection of all of the country's RMG factories to identify structural, electrical, and fire safety issues.<sup>h</sup> While the sector provides employment opportunities and livelihoods for the country's labor force, particularly the poor and low-income population, it is vital that its workers are provided with safe working conditions.

2. **Impact channels.** The project's support for the expansion of existing RMG factories and the construction of new ones in a way that ensures protection for workers is expected to have strong development impacts by (i) creating more jobs and greater income for the poorer section of the country's population, and (ii) making working environments more healthy and safe for textile and garment workers.

3. **Other social and poverty issues.** None

4. **Design features.** The project is geared towards supporting sustainable projects in the RMG sector through the expansion or construction of safe factories. This will provide improved and safer working conditions for the workers, most of whom are women.

#### C. Poverty Impact Analysis for Policy-Based Lending N/A

### II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

Eastern Bank conducts due diligence and consults with its borrowers and stakeholders at the proposed sites of investment activities. The consultation process with relevant stakeholders will be incorporated in EBL's enhanced environmental and social management system (ESMS). 2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation.

In 2013, after a 2012 factory fire and a 2013 building collapse in Bangladesh had killed more than 1,000 ready-made garment (RMG) factory workers and injured thousands more, the Bangladesh government, the European Union, the United States, and the International Labor Organization (ILO) engaged in a joint initiative to promote continuous

improvements in labor rights and factory safety. Bangladesh and international businesses involved in the textile and garment trade have undertaken innovative initiatives and made a positive difference in the area of building and worker safety. This was achieved under the 2013 accord on Fire and Building Safety in Bangladesh and the 2013 alliance for Bangladesh Worker Safety. The accord is a legally binding agreement covering 2013-2018 and signed by more than 200 apparel corporations from 20 countries, two global trade unions, and many Bangladesh trade unions. The participants include four nongovernment organization witness signatories and the ILO acts as the independent chair. The alliance covers the same period and was founded by North American apparel companies that account for the overwhelming bulk of North America's RMG imports from Bangladesh and are supplied by more than 790 of Bangladesh's textile and garment factories. The project team consulted with these two organizations (accord and alliance) during the project due diligence to understand their role. During the project implementation, Eastern Bank and the borrowing RMG factories will be collaborating with the accord and alliance in the conduct of safety and engineering audits.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Eastern Bank and the borrowing RMG factories will work with the accord and alliance organizations to conduct safety and engineering audits of the RMG factories to be financed under the project. The two organizations have independent inspection programs and conduct an initial inspection of the factories they cover. Any newly constructed garment factories funded under the ADB loan will be inspected subsequently by the accord or alliance to assess the safety and engineering soundness of the factories. An initial inspection may recommend a corrective action plan (CAP) that details the steps to meet the minimum fire, electrical, and structural safety standards set by the accord or alliance organization. The CAP sets deadlines for carrying out these prescribed changes. For factories that require extensive structural changes, a detailed engineering assessment is to be carried out. The accord and the alliance organizations will conduct follow-up inspections to determine whether the CAP or required engineering improvements have been carried out. The two organizations will also offer training to workers on fire, electrical, and structural safety. The process of participation by the accord and alliance will be described in EBL's enhanced ESMS.

4. What forms of civil society organization participation is envisaged during project implementation?

Information gathering and sharing;  Consultation;  Collaboration;  Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons particularly the poor and vulnerable?

Yes. Describe features, responsibilities and allocated resources;  No. EBL's enhanced ESMS will describe how accord and alliance will be engaged I the project.

### III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective gender mainstreaming (EGM)

**A. Key issues.** Out of the 4 million garment workers in Bangladesh, nearly 85% are women. After the tragedies of the Tazreen Fashions fire and the Rana Plaza collapse, unprecedented efforts were made by the government, garment buyers, and international organizations to enhance workplace safety and improve workers' rights in the RMG sector. The project will further support the improvement of RMG factories in Bangladesh and thus benefit female workers.

**B. Key actions.** Describe what measures are included in the project design to promote gender equality and women's empowerment—including access to and use of relevant services, resources, assets, and/or opportunities and participation in decision-making process:

The project will help to enhance the welfare and opportunities of women in several ways in addition to the overall employment, health, and safety improvements it will support. It will ensure that the design of the project-supported factory expansion or construction integrates suitable toilet facilities for female and male workers. Project-supported garment factory borrowers will provide training on workplace safety for all female and male workers. The project will support the establishment of health care facilities for both female and male workers in each factory it supports.

Gender action plan  Other actions or measures  No action or measure

The specific activities are defined in the gender action plan and this GAP will be monitored during implementation.

### IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

**A. Involuntary Resettlement (IR)**

**Safeguard Category:**  A  B  C  FI

1. Key impacts. The ADB-funded subloans by Eastern Bank will mainly support the construction or expansion of garment factories and improvement of existing factories to meet good standards of fire and building safety. These activities are likely to have only minor involuntary resettlement impacts. Subloans classified as categories A for IR will be disqualified for ADB financing. Eastern Bank will update its ESMS in compliance with the ADB's Safeguard Policy Statement (2009). 2. Strategy to address the impacts. The ESMS will include resettlement policy principles and screening and categorization procedures to meet the potential land acquisition and resettlement impacts and risks of projects funded

by ADB-financed subloans. For subloan projects that entail insignificant physical and economic displacement, resettlement plans will be prepared based on national laws. Subloans projects categorized as A under IR will be excluded from ADB financing.

3. Plan or other Actions.

<input checked="" type="checkbox"/> Environmental and social management system arrangement
<b>B. Indigenous Peoples (IP)</b> <b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input checked="" type="checkbox"/> FI (treated as C)
1. Key impacts. The projects to be financed through ADB-funded Eastern Bank subloans are unlikely to have any impact on IPs. Subloans classified as categories A and B for IP will be disqualified from ADB financing. Eastern Bank does not expect to finance factories located in areas with IPs. The bank will enhance its ESMS to make it comply 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 screening procedures to make sure that the projects financed by subloans using ADB funds are screened for impacts on IPs and any subloan categorized as A and B for IP is excluded from ADB financing.
3. Plan or other actions. <input checked="" type="checkbox"/> Environmental and social management system arrangement
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>
<b>A. Risks in the Labor Market</b>
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 workers in the communities near the ADB-financed subloan projects. <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (L)
2. Labor market impact. The expansion and construction of new garment factories will increase employment opportunities. The activities to make subloan-supported RMG factories safer structurally and from the risks of fire will improve conditions for RMG workers.
<b>B. Affordability</b> N/A
<b>C. Communicable Diseases and Other Social Risks</b> 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 NA <input type="checkbox"/> Human trafficking NA <input type="checkbox"/> Others (please specify) _____
2. Describe the related risks of the project on people in project area. NA
<b>VI. MONITORING AND EVALUATION</b>
1. Targets and indicators: (i) 100% of Eastern Bank's clients in the RMG industry comply with the safety standards set by the accord and the alliance, and (ii) working conditions for 18,000 women workers improve by 2019. 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. Eastern Bank has designated staff to implement its ESMS and gender action plan. ADB will conduct annual visits to the RMG factories funded by ADB subloans. 3. Information in PAM: A private sector project does 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. Eastern Bank will submit an annual ESMS report to ADB, including an annual progress report on the gender action plan.

<sup>a</sup> The accord is a five year independent, legally binding agreement between global (mostly European) brands and retailers and trade unions designed to build a safe and healthy Bangladeshi ready-made garment (RMG) industry; the alliance was founded by a group of North American apparel companies and retailers; it is a binding, five-year undertaking also designed to improve the safety in Bangladeshi RMG factories.

<sup>b</sup> Bangladesh Garment Manufacturers and Exporters Association, *Comparative Statement on Export of RMG and Total Export of Bangladesh*. <http://www.bgmea.com.bd/home/pages/TradeInformation>

<sup>c</sup> Bangladesh Bank. *Quarterly Review on RMG: January-March 2016*. Dhaka.

<sup>d</sup> ADB. 2014. *Midterm review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

<sup>e</sup> ADB. 2011. *Country Partnership Strategy: Bangladesh, 2011–2015*. Manila.

<sup>f</sup> International Finance Corporation. 2015. *Transforming Bangladesh's Garment Sector*. Washington, DC.

<sup>g</sup> Guy Ryder. 2014. Post Rana Plaza: A vision for the future. Address to the High Level Meeting on garment and textiles production. *International Labour Organization*. 3 April. Available at [http://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-director-general/statements-and-speeches/WCMS\\_240382/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/how-the-ilo-works/ilo-director-general/statements-and-speeches/WCMS_240382/lang--en/index.htm)

<sup>h</sup> International Labour Organization. 2016. *Strengthening Workplace Safety and Labour Rights in the Bangladesh Ready-Made Garment Sector*. Dhaka.