

SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY

A. Safeguards

1. The Asian Development Bank (ADB) will provide a 5-year senior unsecured term loan of up to \$20 million to Eastern Bank for Sustainable Projects in the Textile and Garment Sector in Bangladesh. The proceeds will be used to finance socially and environmentally sustainable projects in the sector to construct and expand textile and garment factories that are expected to meet the high structural, fire, and electrical safety standards required by the Accord on Fire and Building Safety in Bangladesh (accord) and the Alliance for Bangladesh Worker Safety (alliance).

2. The accord and alliance were the result of a fire at the Tazreen Fashions factory in 2012 and the collapse of the Rana Plaza buildings in 2013. The accord was signed in 2013, months after the Rana Plaza incident, by international apparel corporations, global and Bangladesh trade unions, and representatives of Bangladesh workers and employers. The alliance was subsequently founded by a group of North American apparel companies. The programs aim to enhance the building and fire safety in Bangladesh RMG factories which supply to their international apparel members. The two organizations hire third party consultants to conduct structural, fire, and electrical safety assessments of their members' suppliers' factories. Based on the findings of these audits, the factories prepare a corrective action plan (CAP) with steps to address the issues discovered and submit it to the either the accord or alliance organization for approval. Follow-up inspections are done by the organizations' in-house engineers to determine whether the remediation works are completed. Both organizations follow the same escalation process for the CAP implementation.¹ The Bangladesh department of inspections of factories and establishments (DIFE) will remain responsible for ensuring that RMG factories not affiliated with the two organizations' apparel members, are compliant with the national building code. The International Labour Organization (ILO) supports DIFE in implementing the safety programs for these factories.

3. The 5-year accord and alliance programs are expected to end in 2018. If the two private sector initiatives are not extended, the ILO will likely take over the work and continue it until at least 2021, when the identified CAP remediation is expected to be completed at RMG factories. The ILO is forming a remediation coordination cell with staff seconded from the government's DIFE, its fire service and civil defense department, and its capital development authority. This unit will oversee the private engineering firms undertaking the ILO-government factory inspections and CAP verifications. It is designed to build the capacity in relevant government departments to ensure a sustainable long-term factory safety program in the RMG sector.

4. Eastern Bank has an environmental and social management system (ESMS), which it calls the environmental and social risk management procedure. The bank's ESMS is aligned with the requirements of the central bank, and it is part of the Eastern Bank's credit instruction manual. This ESMS was developed in accordance with guidelines of the European Bank for Reconstruction and Development (EBRD), Netherlands Development Finance Company (FMO), and the International Finance Corporation (IFC).

¹ Accord and alliance escalation operating procedures identify the actions to be taken by the organization for CAPs that are not being implemented by the borrower within a specific period. <http://bangladeshaccord.org/wp-content/uploads/Article-21-Escalation-Operating-Procedure-May-2016.pdf>

5. Eastern Bank has an existing loan under an IFC remediation finance program, which was designed to help implement the accord and alliance CAPs at existing factories. The ADB loan will complement this by financing the expansion or the construction of factories that will meet the standards required by the accord and alliance after project completion. The ADB investment has been classified as category FI for environment and involuntary resettlement and category FI (treated as C) for indigenous peoples based on ADB Safeguard Policy Statement (2009). Eastern Bank does not expect to finance factories in areas where indigenous peoples live. No subprojects classified as category A for environment or involuntary resettlement or category A or B for indigenous peoples will be financed under the ADB loan.

6. In reviewing the application of any RMG factory that applies for ADB-funded expansion finance, Eastern Bank will first determine how its existing facilities were assessed by an accord or alliance inspection. Existing factories which are applying for financing of its expansion, that have been found to present a high risk in inspection reports and have not started to fulfill their CAPs will not be eligible for ADB financing. Those that the accord or alliance programs have awarded the status of “ongoing progress” in meeting their CAP requirements will be eligible for financing. Disbursement will begin only once their risk rating has been reduced to low or medium. Eastern Bank will recommend that these borrowers engage accord or alliance during construction phase to minimize the chance of noncompliance with the accord or alliance standards on completion.² At completion, the subborrower will engage an independent auditor to verify whether the new factory have been constructed in accordance with the national building code. The newly constructed factory must also pass an inspection by the accord or alliance program. If the accord or alliance inspection identifies high risk factor after a subborrower’s expansion or new construction work is completed, Eastern Bank will require the factory to suspend its operation until the necessary remediation is undertaken and risk is determined to be acceptable by accord or alliance. Eastern Bank’s current ESMS has several gaps based on the ADB SPS requirements. The steps to improve the ESMS will be taken by Eastern Bank before the first disbursement of ADB’s loan and are outlined in ESMS Arrangement (Linked Document 9, accessible from Appendix 2).

B. Other Social Dimensions

7. Eastern Bank has stated its belief in the value of empowering women, and women comprise about 85% of the workforce in garment factories. The ADB-supported subprojects will be the construction and expansion of factories that will be safe structurally and from fire and other risks after completion. Women workers form the large majority of the workers who will benefit. The project is classified as effective gender mainstreaming under ADB’s guidelines. Eastern Bank will implement gender design features in the ADB-financed subprojects, including: (i) gender sensitive design of buildings, including, (ii) training on building and fire safety for workers in the factory taking into consideration the needs of women workers and (iii) inclusion of a health center facility for workers with appropriate health and medical services provided for women. Eastern Bank will monitor labor issues and implementation of the gender action plan and report on these in its annual environmental and social monitoring report to ADB.

8. The borrower will comply with national labor laws and, pursuant to ADB’s 2011 social

² Accord and alliance involvement has not been made mandatory because the original scope of their programs was limited to inspection and monitoring of the remediation of existing facilities. Accord and alliance scope of work do not include assessment of factories which are under construction, but both organizations can accommodate such work depending on their engineers’ availability.

protection strategy, will take measures to comply with the internationally recognized core labor standards.³ Eastern Bank will report regularly to ADB on its compliance with such laws and the measures taken.

³ ADB. 2001. *Social Protection: Our Framework Policies and Strategies*. Manila.