

# Social Compliance Audit Report – Farmland Green Auto Bricks Limited

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Project No: 45273-001  
April 2018

## 2865-BAN: Financing Brick Kiln Efficiency Improvement Project

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**Social Compliance Audit Report**  
**Sub project: Farmland Green Auto Bricks Limited**

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## **Table of Content**

<b>1. Background of the project</b>	<b>2</b>
<b>2. Major information of the project</b>	<b>3</b>
<b>3. Objectives of the project:</b>	<b>3</b>
a. Objectives of the Assignment	4
<b>4. Legal obligation of loan agreement</b>	<b>4</b>
a. Environment and Social Management System (ESMS), ADB, 2009	4
b. Gender and Development, Our Frameworks, Policies and Strategies, ADP, 2003	4
c. Handbook of Poverty and Social Analysis, ADB	5
d. Safeguard Policy Statements, ADB, 2009	5
e. Bangladesh Bank Circular to the PFIs, June 16, 2012	5
f. Other Relevant Documents	5
<b>5. Key information of the subproject</b>	<b>6</b>
<b>6. Project preparation phase</b>	<b>7</b>
<b>7. Present status of the subproject</b>	<b>7</b>
<b>8. Methodology of social auditing of the subproject</b>	<b>8</b>
<b>9. Compliance Audit Checklist</b>	<b>8</b>
<b>10. Conclusions and Recommendation</b>	<b>13</b>

## ABREVIATIONS

ADB	-	Asian Development Bank
DOE	-	Department of Environment
EC	-	Environmental Clearances (EC)
EMP	-	Environmental Management Plan
FCK	-	Fixed Chimney Kiln
GDP	-	Gross Domestic Product
GOB	-	Government of Bangladesh
HHK	-	Hybrid Hoffman Kiln
HSBK	-	Horizontal Shaft Brick Kiln
IFCK	-	Improved Fixed Chimney Kiln
IZZK	-	Improved Zigzag Kiln
OSH	-	Occupational Safety & Health
PFI	-	Participating Financial Intermediary
PPE	-	Personal Protective Equipment
TK	-	Tunnel Kiln
VSBK	-	Vertical Shaft Brick Kiln

## **1. Background of the project**

Brick kilns are major sources of greenhouse gas in Bangladesh, emitting annually 6 to 9 million tons of CO<sub>2</sub>. Such high levels of emissions are a result of the use of age-old technologies and substandard fuels such as high sulphur coal, tires and wood used in the kilns.

To meet the increasing demand, brick fields are mushrooming all over the country with heavy concentration at the outskirts of urban area. This situation is being exacerbated by the growth of new brickfields every year., more and more paddy fields are being converted to brick fields thus putting tremendous pressure on the farm land depletion can have alarming prospect for food security. Topsoil from agricultural lands, river floodplains are used for making the green bricks which is burnt later at the kilns More over wood fuel is used as a secondary fuel for Brick making of the country. Most notable, is the impact of Brick making on land degradation and deforestation. The haphazard s growth of the brick fields is completely unsustainable

Despite its highly polluting and energy-intensive feature, the FCK continues to be the dominant technology. Other technologies such as the IFCK, IZZ, HSBK, VSBK, and the HHK are substantially cleaner, consuming less energy and emitting lower levels of pollutants and greenhouse gases but their use is limited. These technologies are still being piloted though and are, therefore, at an early adoption stage; their technological efficiency and financial viability still need larger scale demonstration. The FCK technology, a sub-optimal one, and the hand moulding practice of making green bricks are both unsustainable and do not lend themselves to producing consistently good quality and well-shaped bricks. They also cause significant negative externalities. The industry is, in short, in need of a transformative change, change that will improve operational efficiency and make it less polluting, less wasteful and more resource efficient. This transformation process can be used to improve production efficiency, product quality and green downstream uses providing socially and environmentally sustainable “green jobs” that can fuel economic growth.

ADB proposed a financial package project consisting of two loans to brace the on-going technology dissemination efforts. The financial package contained in the Bangladesh Brick Sector Improvement Project is designed to support commercial financing of new technology kilns by providing loans to entrepreneurs through participating commercial banks (PFIs).

The loans to the government are intended to establish a credit facility of \$50 million equivalent in local currency at Bangladesh Bank (Central bank) for relending to participating financial intermediaries for the construction of more energy-efficient and environmentally superior brick kilns. The funds are to be used for the purpose of financing upgrades and constructing more energy-efficient and environmentally superior kilns. The two components of the credit facility are

- (i) Financing the upgrading of existing FCK kilns to a transitional design to preserve sector welfare while immediately reducing pollution, and
- (ii) To finance and promote the most advanced brick kiln technologies in brick making and to demonstrate.

## **2. Major information of the project:**

Salient features relating to the project placed below:

**Loan Agreement** (Ordinary Operation), Loan Number: 2865, Between People's Republic of Bangladesh and Asian Development Bank, 20 June 2012

**Executing Agency:** Ministry of Finance (Bank and Financial Institutions Division)

**Implementing Agency:** Bangladesh Bank (BB)

## **3. Objectives of the project:**

The assignment is considered as Capacity Development Technical Assistance for the People's Republic of Bangladesh: Supporting Brick Sector Development Program, hence, the objectives of the assignment have been described in the ADB's initial document as follows:

“As a part of the loans processing commitment, a capacity development technical assistance (CDTA) project will complement the lending facility and support a comprehensive brick sector development program in Bangladesh”

**a. Objectives of the Assignment:**

Objective of the assignment is to review the safeguard compliances of the subproject as per the project's Environmental and Social Management System (ESMS) Arrangements and prepare the Annual Social Compliance audit Report.

**4. Legal obligation of loan agreement**

**a. Environment and Social Management System (ESMS), ADB, 2009**

This Environmental and Social Management System (ESMS) framework (People's Republic of Bangladesh: Financing Brick Kiln Efficiency Improvement Project, April 2012) is an ADB document that provides the basis for the PFIs to develop and establish their own processes to avoid, minimize, mitigate, manage, and monitor the potential adverse environmental and social impacts from funding (i) the upgrade from FCKs to improved zigzag kilns and (ii) the construction of the energy efficient vertical shaft brick kilns (VSBKs), hybrid Hoffman kiln (HHKs), and tunnel kiln. The PFIs will set up and adopt the ESMS and will submit to ADB an annual report on the investments under the proposed project, compliance (or non-compliance) with ESMS, and corrective action or recommendations for improvement.

**b. Gender and Development, Our Frameworks, Policies and Strategies, ADP, 2003**

This guideline reflects the latest version of ADB's Policy on Gender and Development which is adopted for mainstreaming as a key strategy in promoting gender equity. Like all ADB projects, consultants taken all-out initiatives for mainstreaming gender considerations in this project. In doing so, this volume strictly followed.



These two documents served as the key document for referring any contractual obligations of the loan disbursement, etc.

**c. Handbook of Poverty and Social Analysis, ADB**

As the Poverty and social analysis (IPSA) is mandatory for all ADB projects, this handbook guides the consultants to identify the key social development and poverty reduction issues for in-depth analysis during the TA facilitation process.

**d. Safeguard Policy Statements, ADB, 2009**

ADB's safeguard policies are generally understood to be operational policies that seek to avoid, minimize, or mitigate adverse environmental and social impacts, including protecting the rights of those likely to be affected or marginalized by the development process. It consists of three operational policies on environment, indigenous peoples, and involuntary resettlement. These are accompanied by Operations Manual sections on Environmental Considerations in ADB Operations; Involuntary Resettlement and Indigenous Peoples. ADB's Handbook on Resettlement and Environmental Assessment Guidelines. (2003) provide information on good practice approaches to implementing safeguards. In addition to the three safeguard policies, several sector policies have environmental safeguard elements, for example, those pertaining to water, energy, and forestry.

**e. Bangladesh Bank Circular to the PFIs, June 16, 2012**

This circular issued by the Bangladesh Bank served as the main directives to the PFIs which has referred to the ADB and Government compliances for sub-borrowers as well as PFIs.

**f. Other Relevant Documents**

The consultants have studied some other relevant documents, such as:

- Bangladesh Labour Law
- ILO Convention

- Child Rights Convention
- Bangladesh Government Women Policy

## 5. Key information of the subproject

Following the above procedure Farm Land Green Auto Bricks Ltd has received the finance from ADB in the Advanced Brick Technology Category (Tunnel Kiln).

Key information of the Farm Land Green Auto Bricks Ltd are furnished in the following table:

Table: General Information on Farm Land Green Auto Bricks Ltd

1. Name of the Sub project	Farm Land Green Auto Bricks Ltd
2. Location of the Brick Kiln	Mouza Gorta, Bhabanipur Union of Sherpur Upazila District B0gura
2. Name of the entrepreneur	Mr. Shaeen Hossain& Mr.Asraful alam
3. Contact Address	Mouza Gorta, Bhabanipur Union of Sherpur Upazila District B0gura
4. Type of technology	Tunnel King
5. Rated Capacity Production (Daily)	1200000 per dayS
6. Project Investment	73 crores
7.Date of Screening	June 2016
8.Type of IR &IP Categorization	"C" category for IR and IP
9. Date of Due diligence	Nov 2016
10. Trial Production Date	June 2018
11.Start of Commercial Production	July 2018
12. Current Production (Daily)	Installation of Machinerics under process
13. Current office address	Mouza Gorta, Bhabanipur Union of Sherpur Upazila District B0gura
14. Telephone/Fax	01715140413
15. E-mail	Shn0021@yahoo.com

## **6. Project preparation Phase**

During screening no physical and economic displacement were identified or anticipated due to the project's activities and no indigenous people (IP) were reported to be present in the sub-project areas. Hence the sub-projects were categorized as "C" for both IR and IP safeguards. So there is no requirement of resettlement plan to mitigate any adverse impact of involuntary resettlement for this subproject. The required land for the project was not acquired through Government. The land acquired through willing seller willing buyer method. No people displaced from the project site due to intervention of construction. No loss of economic and livelihood ascertained. The land was low lying single cropped area. Due diligence report was the basis for sub project financing. To meet these requirements, environmental and social due diligence carried out through desk review and site visit. During the site visit, all required Environmental and social information were collected from the borrowers and reviewed for the subproject. The due diligence of the subproject was duly approved by Bangladesh Bank for financing under ADB.

## **6. Present status of the sub project**

Social safeguard consultant made a field visit during 3-4th April 2018 along with Managing Director and Environmental Specialist. EDD was carried out on November 2016. During that visit it was found green field project. Presently construction of infrastructures including some installed machineries and equipment for Brick kiln found in place of green field. During EDD the subprojects covers 7.07 acres of land. Presently entrepreneur has procured more 5.77 acres of land now it covers 12.84 acres of land in the name of the subproject. Total land area demarcated by numerous pillars. The front side of the sub project covered by wall other sides are demarcated by pillars. No physical and economic displacement were identified or anticipated due to the project's activities and no indigenous people (IP) were reported to be present in the sub-project areas.

The Construction work of the subproject progressed substantially and installation of kiln & dryer is about to completion. Installation work remain suspended from mid-February

2018 as the experts has gone to their country and expected to resume their work by 15<sup>th</sup> of April. Few local engineers have been recruited who are acting as counterpart of Chinese experts. Substation and Generator are not in the site. Manpower has not been recruited

Managing Director inform that rest of the construction works including substation, Generators, clay shed, coal shed, dormitories for the workers boundaries wall and installation of machineries and complete the task of trail run by June 2018. The process of recruitment will start shortly. In the meantime clay collection has been made.

The sub project stands half kilometre far from metal road and it is connected by earthen road. The access road condition appeared to be decorated. The earthen portion of the road needs to be improved for plying heavy trucks. Managing director assured that LGED has taken this road project for improvement and necessary papers has placed for its evidence. .

## **8. Methodology for Social Compliance Auditing**

Social compliance Audit was carried out in accordance with the guidance provided in the ESMS of ADB. These include:

- Opening meeting with the Entrepreneur and factory Management personal.
- Factory Tour
- Review of updated regulatory documents
- Workers interview (group and individual)
- Closing meeting with corrective actions

## **9. Compliance Audit Checklist upon achieving commercial operation of the sub project:**

Due diligence were carried out in the Green field, during construction of the project. But no adverse impact was identified and there was no resettlement issue in the sub project. Upon achieving commercial operation of the subproject; compliances with required social

management system, core labor standard and gender action plan need continuous review. The table below represents the present status on compliance measures taken against the recommendation stated in the due diligence report.

Issues	Present Status	Corrective actions
<b>A. Land related issues</b>		
Undisputed land for the subproject project	12.84 acres of land was purchased and mutated in the name of the subproject	No corrective action required
Construction of boundary walls for proper safety of property and plant	The plant is partly protected by boundary walls	Remaining surrounding need to be protected
<b>B. Regulatory compliance</b>		
No Objection Certificate from local Government	Obtained no objection certificate from Chairman, Union Parishad	
BOI Registration	The company is registered in BOI	
<b>C. Management Practice</b>		
Issuance of appointment letter		
Issue Identity card with photograph		
Maintain register of workers		
Maintain service Book for the staff and workers of the factory to minimize insecurity of their service		
Maintain records for Payment of wages of worker		
Provide training to the workers		

Issues	Present Status	Corrective actions
Maintain all records update in the factory		
<b>D. Working condition</b>		
Cleanliness, ventilation and temperature, disposal of waste and effluents		
Lighting, drinking water, and keep dust bin and spittoon of the factory		
<b>E. Child Labour and Forced labour</b>		
The question of child and adolescent to be determined on the basis of birth certificate, school certificate or a certificate from registered medical practitioner. To avoid employment of child under age of 18 in the factory		
<b>F. Security</b>		
Construction of boundary walls for proper safety of the plant	Boundary wall constructed in the front sides of the plant	Boundary wall for three side of the plant need to be constructed
Ensure issuance of Notice specifying in case of fire, notice regarding dangerous operation and restricted area		
Develop on site emergency plan		

Issues	Present Status	Corrective actions
Provide training to the workers for safety measures		
<b>G. Occupational Health &amp; Safety</b>		
Introduce occupational health program as well as regular check-up and periodic service of a Medical practitioner to ensure the soundness of the workers		
Obligation of using personal protective apparatus e.g. protective clothing, helmet, goggles, shoes, and accessories are requirement for workers		
<b>H. Discrimination</b>		
Equal pay to men and women		
<b>I. Grievance Redress</b>		
Grievance should be redressed through consultation	Regular Consultation done to resolve the grievance	
Placement of complain box both outside and inside the factory		
Form GRC which consist of Manager of PFI as the chairman, Union Parishad chairman or member of the concerned local government; representative One male and one female member from the affected person, Borrower or the		

Issues	Present Status	Corrective actions
Client will act as e member secretary.		
<b>J. Access to Health and social facilities</b>		
Separate facility of latrines and urinals, Toilet, Washing facility		
Canteen, shelters, Rooms for men and women		
Provide housing facility for the workers		
Freedom of association		
<b>K. Institutional Arrangements</b>		
Deployment of adequate experience human resources in the factory		
Local Benefit Monitoring	Created employment opportunities for local men & women It has generated lots of business like supply of clay, carrying contracts,	
<b>L. Bangladesh Labour Laws</b>		
Strictly Comply the Bangladesh Labour Act 2006, amended up to 2013 in all sphere of administration of the factory		

## 10. Conclusions and Recommendation

Issues identified in the EDD, suggested Social safeguard monitoring and review plan includes recruitment of workers, creating facility for the workers, Occupational health and



safety measures, Establishment of Grievance redress mechanism and other issues of concern, adequate measures yet to be taken into consideration including training of the personnel and mandatory use of PPE. EDD recommendations and the suggested Social safeguard monitoring and review plan are still valid in all these areas. The sub-project is in regulatory compliance. It is doing well in terms of overall management. There is room for improvement in occupational health & safety and other safeguard compliance issues. However, suggested corrective action and monitoring plan to be taken care of.