FAST Report

Project Number: 54236-001
July 2020

Loan
Pran Dairy Limited
Emergency Working Capital Support to Dairy Value Chain Project
(Bangladesh)

This is an abbreviated version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank
CURRENCY EQUIVALENTS
(as of 8 Jun 2020)

Currency unit – taka (Tk)
Tk1.00 = $0.011
$1.00 = Tk85.410

ABBREVIATIONS

ADB – Asian Development Bank
COVID-19 – coronavirus disease
EHSS – environment, health, safety, and social
FAST – Faster Approach to Small Nonsovereign Transactions
GAP – gender action plan
IMS – integrated management system
ISO – International Organization for Standardization
PDL – Pran Dairy Limited
PRAN – PRAN-RFL Group

NOTES

(i) The fiscal year (FY) of Pran Dairy Limited ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2020 ends on 30 June 2020.
(ii) In this report, “$” refers to United States dollars.
In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
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## PROJECT AT A GLANCE

### 1. Basic Data

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Emergency Working Capital Support to Dairy Value Chain Project</th>
</tr>
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<tbody>
<tr>
<td>Country</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>Borrower</td>
<td>Pran Dairy Limited</td>
</tr>
<tr>
<td>Portfolio at a Glance</td>
<td><a href="https://www.adb.org/Documents/LinkedDocs?id=54236-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs?id=54236-001-PortAtaGlance</a></td>
</tr>
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### 2. Sector

<table>
<thead>
<tr>
<th>Subsector(s)</th>
<th>ADB Financing ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, natural resources and rural development</td>
<td>10.00</td>
</tr>
</tbody>
</table>

### 3. Operational Priorities

- Addressing remaining poverty and reducing inequalities
- Accelerating progress in gender equality
- Promoting rural development and food security

### Climate Change Information

- GHG reductions (tons per annum): 0
- Climate Change impact on the Project: Low
- ADB Financing:
  - Adaptation ($ million): 0.00
  - Mitigation ($ million): 0.00
- Cofinancing:
  - Adaptation ($ million): 0.00
  - Mitigation ($ million): 0.00

### Sustainable Development Goals

- SDG 1.5
- SDG 2.4
- SDG 5.5

### Gender Equity and Mainstreaming

- Effective gender mainstreaming (EGM): Yes
- Poverty Targeting: Yes

### 4. Nonsovereign Operation Risk Rating

<table>
<thead>
<tr>
<th>Obligor Name</th>
<th>Obligor Risk Rating</th>
<th>Facility Risk Rating</th>
</tr>
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<tr>
<td>Pran Dairy Limited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 5. Safeguard Categorization

- Environment: C
- Involuntary Resettlement: C
- Indigenous Peoples: C

### 6. Financing

<table>
<thead>
<tr>
<th>Modality and Sources</th>
<th>Amount ($ million)</th>
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<tbody>
<tr>
<td><strong>ADB</strong></td>
<td>10.00</td>
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<tr>
<td>Nonsovereign LIBOR Based Loan (Regular Loan): Ordinary capital resources</td>
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<tr>
<td><strong>Cofinancing</strong></td>
<td>0.00</td>
</tr>
<tr>
<td>None</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>4.10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14.10</td>
</tr>
</tbody>
</table>

**Currency of ADB Financing:** US Dollar

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*Derived by deducting ADB financing and Cofinancing from Total Project Cost.*
I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework.¹ The transaction involves a loan of up to $10,000,000 to Pran Dairy Limited (PDL) for the Emergency Working Capital Support to Dairy Value Chain Project in Bangladesh.

2. PDL’s business is suffering from the effects of the coronavirus disease (COVID-19) crisis, particularly the disruptions in the food and agricultural supply chain. PDL needs additional working capital to (i) ensure the sustained procurement of milk from its network of 12,000 smallholder dairy farmers, (ii) cover longer receivables from its trade network and advances to farmers, and (iii) cover emergency operational expenses in response to COVID-19, all of which will help sustain its business. The project will therefore preserve the livelihoods of workers and farmers during the pandemic, and generally ensure continued access to affordable dairy products. It will also improve gender inclusion at PDL.

II. THE PROJECT

A. Project Identification and Description

3. COVID-19 impact on food security. Restrictions on the movement of people, goods and services, as well as containment measures such as factory closures have cut food manufacturing and domestic demand. Drastic changes in food distribution channels have resulted in huge food waste. Labor movement restrictions have disrupted postharvest and distribution functions and food processing facilities. Trading and marketing have been reduced at the farm gate, resulting in fewer day labor earning opportunities in rural areas. If the situation persists and restrictions on movements continue, agricultural production could be at risk because of a shortage of inputs, which in turn would have longer-lasting impacts on food availability, prices, and ultimately overall food security. It is therefore essential to provide financial support to food supply chain participants, to ensure continued livelihoods for primary producers (such as dairy farmers) and secondary producers (factory workers and allied services) as well as continued availability of essential food items for nutrition and food security.

4. Food security in Bangladesh. In 2019, Bangladesh ranked 88th out of 117 qualifying countries in the Global Hunger Index, largely driven by poverty.² Bangladesh’s poor comparative position is attributable to lower levels of economic development and the lack of dietary diversity. Food diversification is a critical issue because the country’s heavy dependence on rice as a primary food preempts access to a more balanced diet that can prevent malnutrition. The high costs of nutrient-rich foods are also a common deterrent to poor households, leading to common deficiencies. Food security—which encompasses affordability, availability, quality and safety, natural resources, and resilience—has been one of Bangladesh’s national development priorities for decades. The COVID-19 pandemic has led to huge setbacks for the country, particularly in its remittance inflow, export earnings, industrial production, and the service industry. Damage to the Bangladeshi economy will depend largely on the duration and pervasiveness of COVID-19. Up to 1.3 million persons are expected to be facing acute food insecurity in Bangladesh.³

5. **Importance of the dairy industry for food security.** Livestock is an important socioeconomic component in Bangladesh, including for the poorest because it contributes to the livelihoods of smallholder and landless farmers. In fact, more than 70% of rural households own livestock (mainly dairy cows). Dairy farming in Bangladesh is a supplementary activity to farm and off-farm activities but is undermined by being highly disorganized, being too small in scale, and lacking efficient value chains. This is further aggravated by lack of access to good-quality inputs, finance, extension services, and other infrastructure, all of which lead to low yields. On the consumption side, demand for milk and dairy products is growing continuously. Milk production increased at a compound annual rate of about 16% from 2009 to 2019, but still could not keep pace with fast-growing demand driven by rapid population growth, economic growth, and heightened nutrition awareness. The domestic production of milk meets 65% of demand.

6. **Role of the private sector and contract farming during the crisis.** In the COVID-19 context, agribusinesses have a critical role to play in ensuring that dairy farmers can still sell their products despite supply chain disruptions and an uncertain macroeconomic environment, and in sustaining the supply of affordable dairy products to the wider population. Contract farming is an arrangement whereby agribusinesses help farmers gain access to quality inputs and best agronomic practices, and most importantly, provide a direct market link, thereby making the value chain more efficient and more resilient to shocks such as the COVID-19 disruptions.

7. **Project selection.** The PRAN-RFL Group (PRAN), one of Bangladesh’s largest food and agribusiness groups, has been developing farmer engagement through contract farming since the 1990s. It has procurement contracts with close to 100,000 farmers across various crops for its various agribusinesses. The Asian Development Bank (ADB) has an existing relationship with the group through previous loans to a group company, Sylvan Agriculture Limited. Given this association, ADB was again approached for assistance to the group’s dairy business, housed in PDL, which requires more working capital because of the COVID-19 crisis. PDL is one of the group’s flagship companies, engaged in the manufacturing and marketing of milk and milk products. PDL is also one of three large companies in the organized dairy sector in Bangladesh.

8. **Project Design**

   The project will help PDL sustain its operations during the COVID-19 crisis, by providing financing for working capital and operational expenditure. It will enable PDL to step up the procurement of milk and other raw materials and thereby build enough buffer inventory to cope with supply chain disruptions. The liquidity support will also help finance longer accounts receivable periods and advances to farmers, increases in operating expenses, and the continuation of timely payments to farmers, employees, and agents.

9. **Improved rural livelihoods.** Logistical disruptions can cause issues in the collection of raw milk and the distribution of finished goods. As a result, farmers may experience difficulty selling their milk. PDL has sufficient logistical ability to procure milk and to pay farmers on time. Apart from continuing milk collection from its network of 12,000 farmers, PDL expects to collect raw milk from additional farms within the next two years. This will enable PDL to expand its operations and increase the number of farmers it can support.

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5. Contract farmers supply cassava, mango, tomato, mung bean, chili, coriander, mustard, peanut, and dairy produce to various group companies.

6. ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Sylvan Agriculture Limited for the PRAN Agribusiness Project in Bangladesh*. Manila (a $25.1 million loan was signed in 2012 and fully repaid in January 2020); and ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to Sylvan Agriculture Limited for PRAN Agribusiness Project II in Bangladesh*. Manila (a $14.2 million loan was approved of which $5 million has been disbursed as of July 2020).
milk from up to 1,200 new farmers who otherwise would have to sell their milk to unorganized local channels at a lower price, reducing their income by up to 50%. The project will enable PDL to increase its milk collection and thereby directly benefit dairy farmers whose income would otherwise decline.

10. **Sustained manufacturing operations.** PDL has sufficient processing capacity and can store finished goods to ensure frictionless supply to consumers. To step up its processing volumes, PDL will need more raw materials and more packaging materials, which the loan will finance. As a result, its inventory capacity is expected to increase from 68 days to 80 days. Disruptions have begun delaying payments to PDL from its trade channel, leading to an increase in receivable days from 33 to 40. Finally, PRAN also decided to boost the remuneration of workers who continue to operate the factories on overtime. As a result, the overall operating cycle is expected to increase by 20–30 days for the year on an aggregate basis, which would cause an incremental liquidity gap of about $14.1 million in addition to existing working capital needs. While banks will continue to provide credit lines, these may not be sufficiently available because of tight liquidity in the Bangladeshi banking system, so the project will help fill the gaps. It will also help sustain the employment of factory workers and improve their average incomes.

11. **Preserved business franchise during the crisis.** As a result of the COVID-19 crisis, PDL is expected to lose revenues of about 10%–15% (up to $24 million) on account of lower domestic sales during the initial months of the lockdown as well as lower exports to India while land borders remain closed. These lost sales are not a liquidity gap but an opportunity cost because of COVID-19. PDL is also incurring additional operating expenses to provide face masks and personal protective equipment as well as food and lodgings to its workers to ensure the efficient operation of its plants during the lockdown. Lower revenues and increased operating expenses will further squeeze the company’s immediate liquidity position. The project will enable continued business for a well established business franchise, which is well placed to recover once the pandemic subsides. PDL is expected to bounce back in 18–24 months as latent demand eventually boosts revenues, increased inventory is liquidated, and trade terms are normalized.

12. **Gender inclusion.** The COVID-19 crisis threatens to widen gender inequalities. The main gender gaps in livestock and dairy farming are related to decision making, social barriers, and access to economic activities. Women’s roles tend to be focused on home-based activities, such as the feeding and milking of cows. Women’s involvement in marketing and manufacturing is limited, primarily because of traditional norms that restrict their mobility and their decision-making role both at home and in organizations such as producer groups and/or corporate entities. The project aims to address these gaps through a gender action plan (GAP) that not only helps sustain women’s employment during the COVID-19 crisis but also improves gender inclusion by upskilling women at farm and corporate levels, and deepens the gender aspects of PDL’s capacity building and corporate social responsibility programs.

13. **The sponsor.** PRAN is one of the largest manufacturing groups in Bangladesh, and the market leader in food products under the PRAN brand and in plastics under the RFL brand. It was founded in 1981 by the late Amjad Khan Chowdhury. [Redacted]. Thirteen of these companies are in the food industry. The group companies are 100% owned by the Chowdhury family, except for two publicly listed entities: Agricultural Marketing Company in food and Rangpur Foundry Limited in plastics.

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7 The 1,200 new farmers are expected to supply milk to PDL only temporarily while other buyers collect less milk from them. Once the COVID-19 crisis abates and these other buyers resume their previous volumes, the farmers may revert to them. A future expansion of PDL’s permanent farmer network is beyond the scope of this project.
14. PRAN has vast experience in the food industry and produces more than 200 products under 10 different categories, including juices, mineral water, carbonated beverages, bakery products, snacks, biscuits, confectionery, and dairy products. It has leading market shares in almost all segments in which it operates: 75% in juices, 70% in confectionery, 35% in culinary products, and 22% in biscuits and baked goods.

15. The group exports many of its products. Its annual export revenues have steadily increased and reached $250 million in fiscal year (FY) 2018, or 20% of total revenues, thanks to rising demand in the 134 countries that import its products. PRAN products have a significant presence in countries like India, Kuwait, Malaysia, Nepal, Oman, and the United Arab Emirates.

16. PRAN is one of the largest private employers in Bangladesh—its 52 companies have a combined staff of 95,000. Workers receive training, and all factories have day-care facilities for workers and their families. Most workers are unionized. The group engages contract farmers to ensure consistent supply volumes and quality, and to reduce dependence on imports, allowing PRAN food products to have 90% local content.

17. PDL is 45.7% directly owned by key shareholder Ahsan Khan Chowdhary, who owns another 49.3% indirectly through his stake in group company Banga Building Materials Limited, which is the other majority shareholder of PDL.

18. Integrity due diligence was conducted. PDL’s founders, shareholders, managers, and significant contracting entities do not appear to constitute a significant or potentially significant integrity risk, since no unresolved or substantiated adverse media or other information is relevant to them. Tax integrity due diligence was not required.

C. Development Impact, Outcomes, and Outputs

19. Impacts. The project is aligned with the following impacts as stated in the Seventh Five Year Plan FY2016–FY2020: (i) facilitating private sector investments in agriculture and improving the agro-processing value chains; and (ii) linking farm production with market to overcome the issue of low product prices at farm level and inadequate credit support to farmers. The project will also support the government’s response to the COVID-19 crisis, as stated in the Department of Livestock’s Directives for Supply Chain Management of Fish, Milk and Poultry at Marginal Level, i.e., support the marketing of fish, milk, and poultry products of farmers in coordination with local administration.

20. Outcomes. The project’s expected outcome will be increased production of milk products by 6% from 2019 to 2023 and improved economic situation of 12,000 farmers and 6,150 factory workers.

21. Outputs. The expected outputs of the project will be: (i) operations and processing of milk and milk products increased, (ii) retained livelihoods of contract farmers and factory workers, including maintaining of female farmers and workers, (iii) gender equality in PDL’s work environment improved, and (iv) gender responsiveness of PDL’s corporate social responsibility program enhanced.

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D. Alignment with ADB Strategy and Operations

22. **Consistency with ADB strategy and country strategy.** The project is aligned with ADB’s Strategy 2030, which calls for ADB “to scale up its financing for agribusiness” and “to promote gender equality in at least 75% of the number of ADB’s committed operations by 2030.”10 The project is also aligned with ADB’s Operational Plan for Private Sector Operations 2019–2024, which calls for growing the share of food brands in the agribusiness portfolio since transactions in the downstream subsector have the lowest level of risks and the potential to drive and structure upstream subsectors, and impact a large number of farmers and consumers.11 ADB’s country partnership strategy for Bangladesh, 2016–2020 lists the improvement of rural livelihoods by increasing the productivity of agriculture as a priority investment area for projects because agriculture provides nearly half of all employment and supports more than 70% of the population.12

23. **Consistency with sector strategy and relevant ADB operations.** The project is consistent with Strategy 2030’s operational priority 1 (addressing remaining poverty and reducing inequalities) by improving the standard of living of dairy farmers and workers during COVID-19; operational priority 2 (accelerating progress in gender equality) by protecting women workers and farmers; and operational priority 5 (promoting rural development and food security, 2019–2024), which calls for (i) “modern, sustainable, and responsible corporate farming models;” (ii) the “integration of farmers, agribusinesses, and consumers into efficient and sustainable value chains;” and (iii) “the promotion of food security and increases in agricultural productivity to provide sufficient, safe, and affordable food to the poor.”13 The project is also part of ADB’s Comprehensive Response to the COVID-19 Pandemic, which proposed $20 billion to meet the needs of ADB’s developing member countries as they respond to the crisis.14 The project will complement ADB’s sovereign COVID-19 emergency response projects in Bangladesh.15

24. **Lessons from previous operations.** The project will be ADB’s third engagement with PRAN (footnote 6). The experience with the second project has made ADB aware of the potential legal issues in security perfection: loan disbursement was delayed because the borrower had to work with its existing bankers on amending various existing pledges to ensure compliance with ADB’s conditions. For the new project, this risk is expected to be mitigated by (i) conducting detailed legal due diligence on PDL’s existing security prior to signing, and (ii) structuring the loan and the security more appropriately. Security for the loan is a pari passu charge with other existing working capital banks, which is expected to have simpler documentation. ADB will also educate PRAN management on requirements under the ADB loan documentation.

E. Project Cost and Financing Plan

[Redacted]

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F. Implementation Arrangements

25. Table 3 summarizes the implementation arrangements.\textsuperscript{16}

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Arrangements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory framework</td>
<td>The project will operate under the general regulatory framework applicable to manufacturing companies in the food industry in Bangladesh</td>
</tr>
<tr>
<td>Management</td>
<td>As with all other group companies, PDL’s strategic decisions are made by its board of directors, which comprises representatives of the two main shareholders and the management. The board reviews operations periodically. Operational decisions are executed by the senior managers of each business line. Production, procurement, and all other functions are staffed by highly skilled personnel.</td>
</tr>
<tr>
<td>Implementation period</td>
<td>July 2020–June 2021</td>
</tr>
<tr>
<td>Revenue structure</td>
<td>Revenues are obtained from the sale of milk and value-added milk products as well as other food products, such as bread, biscuits, juices, and confectionery. All sales are through PDL’s distribution network comprising distributors, dealers, and retailers. Sales are 75% domestic and 25% export. Revenues are well diversified by product and by geography.</td>
</tr>
<tr>
<td>Supply arrangements</td>
<td>Main costs are on account of raw materials. Key raw materials for PDL are (i) raw milk, which is procured directly from 12,000 contract farmers, twice a day, who are paid every 7–10 days electronically; (ii) sugar, flour, concentrates, and flavorings, which are procured from a mix of domestic and foreign suppliers; and (iii) packaging material, which is largely manufactured by PDL itself.</td>
</tr>
<tr>
<td>Operation and maintenance</td>
<td>PDL’s plants are expected to work at a higher capacity utilization [redacted] during the initial months of the implementation period, before the utilization rate gradually tapers off to pre-COVID-19 levels [redacted]. Though demand is lower currently, PDL will process the additional milk and finished goods (e.g., UHT milk, milk powder, and clarified butter) and store them for when demand resumes. Machineries have a 1-year warranty on average. PDL has a long-standing relationship with parties responsible for repair and maintenance and spare parts. Also, as a policy, PDL sets aside 1 month in a year for preventive maintenance of its machinery and equipment. Farmers are exposed to the risk of climate change because sustained high temperatures can reduce the milk production of their cows. Given the relatively short tenor of the project (3 years), and since the scope of the project is to provide immediate working capital support to respond to the current emergency, adaptation measures are not integrated in the project design. However, PDL provides farmers with training on best practices to help maximize milk yields.</td>
</tr>
<tr>
<td>Performance monitoring</td>
<td>PDL will report on key performance indicators, including output and outcome indicators.</td>
</tr>
</tbody>
</table>

Sources: Asian Development Bank and Pran Dairy Limited analysis.

G. Projected Financial and Economic Performance

[Redacted]

H. Unique Features

26. The project is ADB’s first nonsovereign assistance to an agribusiness company in Bangladesh during the COVID-19 crisis. The project will protect one of the most well established franchises in the packaged food supply chain of Bangladesh against the impacts of COVID-19, preserving the livelihoods of existing and newly contracted dairy farmers and protecting the supply of milk products to the market. The project is an inclusive business assistance because PDL has a poverty alleviation impact both at the farm and factory levels, by ensuring sustained incomes for farmers and workers. Despite the crisis, PDL is also committing to a GAP (para. 40).

\textsuperscript{16} Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2).
III. THE ADB ASSISTANCE

A. The Assistance

27. ADB will provide a loan facility of up to $10 million to PDL. Corporate guarantees for the life of the loan have been negotiated with five other companies of the PRAN conglomerate. There is also a personal guarantee from Ahsan Khan Chowdhary. The loan will have a maturity of 3 years door-to-door. Following a 1-year grace period, the loan will be repaid over 2 years in five equal, semiannual installments.

B. Value Added by ADB Assistance

28. ADB assistance will add value on three fronts:

(i) **Immediate funding to support PDL’s operations in the face of the liquidity tightness exhibited by commercial banks.** The Bangladeshi banking system was already weighed down by asset quality problems even before COVID-19, and the pandemic is expected to exacerbate the situation. PDL and other group companies are relying more on development finance institutions to fund sustained operations and continued growth. Some PRAN companies have reached the group exposure cap with local banks and are unable to access increased credit lines.

(ii) **Diversification of funding sources while access to alternative sources of funding is unavailable.** PRAN is a conglomerate with no holding company structure or centralized treasury. It has been in discussion with ADB and the International Finance Corporation for support of its endeavor to raise money through alternative capital market structures. ADB will help improve PRAN’s corporate governance while providing funding in the interim while the group works on alternative fund-raising initiatives.

(iii) **Gender inclusion.** ADB will ensure that not only are current levels of gender equality not eroded but are improved through the implementation of a GAP that aims to sustain women’s livelihoods and boost gender equality in PDL’s workplace, corporate social responsibility agenda, and capacity-building programs (para. 40).

(iv) **Poverty Alleviation.** The project will contribute to poverty alleviation by sustaining purchases from local farmers and maintaining jobs for workers, whose monthly incomes are marginally above the median monthly income for people at the poverty line (based on poverty line of US$1.9 per day purchasing power parity, per person). The company has also committed to annual increases in income of farmers and workers from 2020 to 2023.

C. Risks

[Redacted]

IV. POLICY COMPLIANCE

A. Safeguards and Social Dimensions

29. ADB has categorized the investment in compliance with ADB’s Safeguard Policy Statement (2009) as follows: environment (category C), involuntary resettlement (category C), and indigenous peoples (category C). ADB funds will not be used to finance construction or

17 ADB. [Safeguard Categories](#)
facility expansions that may lead to impacts on the environment, involuntary resettlement, or indigenous peoples. ADB conducted a corporate audit of PDL through interviews with its management and the review of corporate policies, procedures, monitoring reports, and publicly available information. The environmental and social measures and the institutional capacity and commitment of PDL to manage the project’s social and environmental impacts are deemed adequate.

30. PRAN has an integrated management system (IMS) certified to the following standards: International Organization for Standardization (ISO) 9001 on quality management, ISO 14001 on environmental management, and ISO 45001 on occupational health and safety management. The IMS is applied across group companies, including PDL. Impacts of PDL’s operations are mainly in relation to food safety, air quality, waste and wastewater management, chemical management, as well as occupational health and safety. PDL has developed a corporate management system framework for environment, health, safety, and social (EHSS) aspects, which covers corporate and facility-based organizational capacity, risk screening and assessment, management programs on EHSS impacts, monitoring and reporting, training, grievance redress mechanism, supply chain management and documentation, among others. PDL has designated EHSS managers, coordinators, and committees at both corporate and facility levels. It also provides EHSS training and conducts drills on various emergency scenarios.

31. PDL collects milk from smallholder farmers through its village milk collection centers, where milk is tested upon receipt. PDL provides support to farmers on veterinary services and guidance on livestock-keeping. PDL is certified to the British Retail Consortium Global Standard for Food Safety with requirements for management commitment, food safety and quality management, site standards, product and process control, as well as personnel and capacity. Dedicated staff are managing quality assurance and quality control as well as critical control points, and PDL has its own laboratory to conduct quality testing. PDL will revise and enhance the management procedures for its collection centers.

32. Although PDL has a grievance redress mechanism in place at the community and workers’ levels, it needs to enhance the documentation of issues requiring follow-up actions and recurring complaints. To date, no community grievances have been raised about PDL’s operations.

33. Effective gender mainstreaming. Following ADB’s Policy on Gender and Development (1998), PDL has agreed to incorporate measures to promote gender equality and/or women’s empowerment into its business activities. Notably, the GAP requires (i) sustaining women’s livelihoods through continued employment and sustained average annual income at farm and factory levels, (ii) improving gender equality in PDL’s work environment through mentorship programs for women employees and training of management on better implementation of anti-sexual harassment policy; and (iii) enhancing the gender responsiveness of PDL’s corporate social responsibility programs through more training of women farmers and by supporting women’s social organizations during the COVID-19 crisis.

34. PDL will (i) apply ADB’s prohibited investment activities list; (ii) ensure that investments using ADB funds comply with (a) ADB’s Safeguard Policy Statement and corresponding national laws and regulations; (b) national labor laws; and (c) pursuant to ADB’s Social Protection Strategy

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18 Currently, PDL has 102 village milk collection centers in five districts of Bangladesh.

19 Environmental and Social Management System: Audit Findings and Details of Arrangements (accessible from the list of linked documents in Appendix 2).
(2001), internationally recognized core labor standards; and (iii) commit to undertake the recommended corrective actions to comply with ADB requirements. Information disclosure and consultation, as applicable, will be conducted following ADB requirements. PDL will report regularly to ADB on its compliance with such laws and the measures taken, including its performance in the implementation of its IMS.

B. **Anticorruption Policy**

35. PDL was advised of ADB’s policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the investment documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

C. **Investment Limitations**

[Redacted]

D. **Assurances**

36. Consistent with the Agreement Establishing the Asian Development Bank (the Charter), ADB will proceed with the assistance upon establishing that the Government of Bangladesh has no objection to the assistance to PDL. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB.

**V. THE PRESIDENT’S DECISION**

37. The President, acting under the authority delegated by the Board, has approved the loan of up to $10,000,000 from the ordinary capital resources of the Asian Development Bank (ADB) to Pran Dairy Limited for the Emergency Working Capital Support to Dairy Value Chain Project in Bangladesh, and hereby reports this action to the Board.

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## DESIGN AND MONITORING FRAMEWORK

### Impacts the Project is Aligned with

Increased private sector investments in agriculture, improved agro-processing value chains, and alignment of farm production with market demand to overcome low product prices at farm level, low investment in agriculture, and inadequate credit to farmers\(^a\)

Support for the marketing of fish, milk, and poultry products of farmers in coordination with local administration\(^b\)

### Results Chain

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Performance Indicators with Targets and Baselines</th>
<th>Data Sources and Reporting Mechanisms</th>
<th>Risks</th>
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<tbody>
<tr>
<td><strong>Outcomes</strong></td>
<td>Production of milk and milk products increased, and economic situation of farmers and workers improved</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Total annual sales of milk and milk products increased</td>
<td>Annual financial statements and development effectiveness monitoring reports</td>
<td>Demand for milk and milk products weakens. Longer-than-expected disruptions in distribution lead to revenue or profit losses.</td>
</tr>
<tr>
<td></td>
<td>b. Average annual per capita income of dairy contract farmers’ households increased</td>
<td></td>
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<tr>
<td></td>
<td>c. Average annual income of factory workers increased</td>
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<tr>
<td></td>
<td>d. Number of contract farmers maintained</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>e. Number of factory workers maintained</td>
<td></td>
<td></td>
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<tr>
<td><strong>Outputs</strong></td>
<td>1. Operations and processing of milk and milk products increased</td>
<td>1a. Annual average capacity utilization of milk processing plants increased</td>
<td>Reduced operation of manufacturing facility due to continued disruptions in transportation and human mobility</td>
</tr>
<tr>
<td></td>
<td>2. Livelihoods for contract farmers and factory workers retained, including the number of women contract farmers and factory workers</td>
<td>1b. Total amount of raw milk procured from contract farmers increased</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2a. Ratio of female contract farmers to total contract farmers retained</td>
<td>Development effectiveness monitoring reports</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2b. Ratio of female factory workers to total factory workers retained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Gender equality of PDL’s work environment improved</td>
<td>3a. At least five women per year are being prepared through mentorship or other professional development opportunities to move into more senior management roles, starting in Q4 2021</td>
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<tr>
<td></td>
<td>3b. Annual training by a third-party expert for PRAN’s anti-sexual harassment committee on effective implementation of the anti-sexual harassment policy,</td>
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</tr>
</tbody>
</table>
### Results Chain

<table>
<thead>
<tr>
<th>Performance Indicators with Targets and Baselines</th>
<th>Data Sources and Reporting Mechanisms</th>
<th>Risks</th>
</tr>
</thead>
</table>
| Including the development of an effective reporting mechanism, investigative procedure, and redress mechanism by Q4 2021<sup>d</sup>  
4a. At least 30% of farmers trained by the PRAN Academy from Q1 2021 are women  
4b. PDL donates dairy products to at least one women's organization each month, and at least until Q2 2021, which benefits at least 500 women and their families | | |

### Key Activities with Milestones

1.2 Make first disbursement by October 2020.  
1.3 Fully disburse loan by October 2020.

### Inputs

- Asian Development Bank: $10.0 million  
- Sponsor (Ahsan Khan Chowdhury): $4.1 million

### Assumptions for Partner Financing

- Not applicable

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<sup>b</sup> Government of Bangladesh, Department of Livestock. 2020. *Directives for Supply Chain Management of Fish, Milk and Poultry at Marginal Level.* Dhaka.  
<sup>c</sup> This indicator is maintained at 12,000 farmers because the 1,200 new farmers to be contracted (main text, para. 9) are expected to supply milk to PDL only temporarily, i.e., until the coronavirus crisis abates and the other milk buyers are able to fully resume their milk collection.  
<sup>d</sup> The third-party expert may be a civil society organization.

Source: Asian Development Bank
LIST OF LINKED DOCUMENTS
http://www.adb.org/Documents/FastReport/?id=54236-001

1. Sector Overview
2. Client Information
3. Details of Implementation Arrangements
4. Contribution to the ADB Results Framework
5. Financial Analysis
6. Economic Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Environment and Social Management System: Audit Findings and Details of Arrangements
10. Gender Action Plan