

## **Appendix 5   CBDM questionnaire**

## Appendix 5: Questionnaires for Questionnaire Survey on Existing Awareness for CBDM

### Purposes

- 1) To acquire baseline information about disaster related knowledge/preparedness of Urban residents
- 2) To know about existing conditions and to know community's necessity

Date:

Place: (Type of Building)	RC	Brick Masonry	Tinshed	Others

### A. General

Date:

A-1	Name of the respondent	M	F	Age
A-4	Organization's name	Rank:		
A-6	Years living in the building	Years	Floor	Height of Bldg:
				Storied

### B. Disaster Related--Technical

B-1	Did you know that BD is an EQ prone country ?	Yes	No
B-2	Have you ever heard the names of Assam EQ , Bengal EQ?		
B-3	Do you know why EQ occur ?		
B-4	Do you know why many people are killed by an EQ ?	Bldg. collapse	Fire
			Starvation

### C. Disaster Related---Preparedness

C-1	Have you experienced any EQ in recent years?	Yes	No
C-2	if yes, when?		
C-3	There is a possibility of a big EQ in BD, do you believe it ?	not at all	May be
			Strongly believe
C-4	Did you have any preparation ?	Yes	No
C-5	If yes, what were those ?	Dry Food	Torch
		First Aid	Water
			Others
C-6	Have you ever attended any meeting organized by FSCD for awareness development ?	Yes	No
C-7	Have you participated in any evacuation drill ?		
C-8	If yes, have found any it very helpful for you ?		
C-9	What do you think about existing EQ awareness development program of the government?	enough	not enough
C-10	Do you know the construction year of your building ?	Yes	No

C-11	What is your opinion about the strength of the building?	Good	Ordinary	Bad	Very bad	
C-12	Have you ever heard of BNBC ?				Yes	No
C-13	Do you want its full implementation?					
C-14	Do you know any place that can be used as shelter in case it is needed?					
C-15	if yes, where is it?					
C-16	If no, do you feel that there should be a designated shelter close your place ?				Yes	No
C-17	What are the services that you want to have while you are at the Shelter ?	Food	Medicine	Toilets	Security	Others
C-18	After an EQ attack, what should be the most essential thing to be undertaken to bring your life into normal ?					
	1. Re construction of houses	2. Life line	3. Temporary shelters		4. Food, medicine, hygiene etc.	
Comments						

## **Appendix 6 An Urban Building Safety Enhancement Plan**

## Appendix-6

### An Urban Building Safety Enhancement Plan (summary) (2014 September)

#### 1. Background

MoHFW (Ministry of Housing and Public Works) developed the Bangladesh National Building Code (BNBC) in 1993 to establish safety cities. However, the weak enforcement of BNBC rules caused the *existing numerous weak buildings*. Under such circumstances, the garment factory (Rana plaza) collapsed in April 2013. More than 1,000 deaths were reported by this tragic event. Including small scale, a number of collapses have occurred in high frequency even without an earthquake.

Toward next ten years from 2015 through 2025, *a ten-year plan enhancing safety of buildings* should be formulated. This plan aims for doubling buildings which meet with the BNBC required seismic strength level.

#### 2. Objectives

To reduce the risk of buildings and to enhance safer buildings as well as raising awareness of building owners, engineers and contractors, MoHPW shall perform the enhancement of building strength more than that of BNBC requires. In addition to the structural issue, the MoHPW will encourage to install the fire protection and detection equipment at the factories or offices.

#### 3. Organization/Unit

The responsibility of the plan belongs to the MoHPW. In order to perform this plan, MoHPW shall establish a special Unit. The unit is consisted of the five sections. Approximately 30 members are selected from PWD, DoA and RAJUK, and if necessary from private sectors

The special unit shall be called as the *Building Safety Enhancement Unit* (draft Name) .

**Table-1 organization**

Section	persons	Target	Contents
Section 1	6	Application	Response to applicants (retrofitting/rebuilding)
Section 2	6	Assessment	Assessment for existing buildings
Section 3	6	Retrofitting design	Performance of retrofitting design
Section 4	6	Quality control	Management of public/private building construction
Section 5	6	Training	Lecture to public/private engineers

Total 30 members

#### 4. Schedule/Target

Way/Schedule to the over goal of the one-decade plan regarding to the Building Safety Enhancement Unit activities is the following.

**Table 2 Target of the 10 year plan of the enhancement of building safety**

Year (Phase)	2015-2016	2017-2021	2022-2024
	(Preparation)	(Implementation)	(Evolution)
Building Safety Enhancement Unit	Establishment	Implementation	Transfer the part of function to the general
Number of trained engineers from private sectors	20	50	30
Number of retrofitting works (1)	10 (per 2 years)	50 (per 5 years)	45 (per 3 years)
Number of retrofitting works (2)	10	100	150
(1) +(2)	20	150	195
(1) by Building Safety Enhancement Unit (2) by private sectors		Total	100 engineers 365 buildings

**5. Recommendation**

To perform the above 10 year plan regarding urban building safety projects, MoPWD will request the following support to the international aid organizations.

1. Technology transfer regarding to building safety enhancement.
2. Financial aid for establishment and capacity development of the Building Safety Enhancement Unit
3. Financial aid for retrofitting works to critical urban buildings

Protect Huge Damage/Effects

The Unit will provide several positive effects on Building Safety Enhancement;

- Raising awareness of building owners to follow BNBC when constructing
- Increase the buildings following BNBC, and
- Protect or reduce the following huge damage to buildings.

**Table 3 Examples of huge damage to buildings**

Phenomenon	Victims	Property loss
Building collapse	Deaths: 1,135 Injured: 1,800	-Building value: Tk 35 Crore approx. -Machineries & furniture -Business/Social credibility loss -Loss of employment Compensation
Building damage due to a large earthquakes (After CDMP-I 2009, in Dhaka)	Estimated Deaths: 88,000 (1.3% of population)	-Building collapse: 72,000 (22%) -Building damage: 158,000 (49%) -Financial loss: 12.7 billion US dollars. Approx. 1.0 Trillion Taka (20% per GDP of Bangladesh 2009)

## **Appendix 7 Meeting Notes on RMG Owners**

## **Appendix 7: Meeting Notes on RMG Owners**

### **JICA Urban Building Safety Enhancement in Metropolitan City in Bangladesh Project Notes on the Meeting held with the officials of Stakeholders**

<b>1-1. Purple Apparels Limited (PAL)</b>	<b>August 19, 2014</b>
<b>1-2. Purple Apparels Limited (PAL)</b>	<b>October 19, 2014</b>
<b>2. DK Knitwear Limited (DKL)</b>	<b>August 28, 2014</b>
<b>3-1. Florence Fashions Limited (FFL)</b>	<b>September 2, 2014</b>
<b>3-2. Florence Fashions Limited (FFL)</b>	<b>October 21, 2014</b>
<b>4. Four Wings Limited (FWL)</b>	<b>October 27, 2014</b>
<b>5. Fame Knitwear Limited (FKL)</b>	<b>October 27, 2014</b>
<b>6. Crystal Apparels Limited (CAL)</b>	<b>November 2, 2014</b>
<b>7. Jeans Care Limited (JCL)</b>	<b>November 2&amp;4, 2014</b>
<b>8. Bando Design Limited (BDL)</b>	<b>September 1, 2014</b>
<b>Others 1. ACCORD</b>	<b>August 25, 2014</b>
<b>Others 2. BGMEA</b>	<b>August 20, 2014</b>
<b>Others 3. IFC, Bangladesh Office</b>	<b>September 3, 2014</b>



**No. 1-1/8**

Organization's name:	<b>Purple Apparels Limited (PAL)</b>		
Location of meeting:	Olive Hotel, Gulshan, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Ali Rahamattullah, FCMA, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 19, 2014	Time 5:00 p.m.

Purple Apparels Limited started its operation in 1995 at a rented premise and thereafter, upon successful operation for several years, the production operation moved to its own premise which was purchased in 2011 along with land. It is a six-storied building having floor space of 30,000 square feet. In January 2014, PAL employed around 300 workers of which 60% are female. After Rana Plaza incidence and subsequent inspection by the national initiative, the factory was identified as vulnerable and non-compliant and thus, closed down in January 14, 2014. Buyers also stopped placing orders and production activities have been suspended till date. PAL used to supply to its products (T-shirt-70% and Polo Shirt-30%) to buyers of USA, Europe, Korea and Japan. Total production capacity was 500,000 pieces per month, factory used to produce 200,000 pieces per month and monthly export value was US\$300,000-350,000.

PAL is candidate for refinancing under the existing scheme and the total amount of required fund estimated at BDT 65 million for retrofitting of its factory. It is expected that upon completion of retrofitting works, the factory will be able to produce 500,000 pieces per month smoothly without any hassle. PAL applied for such financing through Uttara Finance and Investment Limited, a non-banking financial institution involved mainly in lease financing. Currently, PAL has some loan liability worth BDT 20 million with Sonali Bank Limited where the rate of interest is 12%.

**Issues discussed and observations made:**

- a. Reasons of interest in JICA funding:** Upon assessment made by the joint technical team of PWD, JICA and BGMEA, the factory building of PAL was identified as a vulnerable and non-compliant one and as such, PAL management became interested in JICA funding for financing retrofitting works, but at a rate of interest (5%) with a loan period. PAL is interested to borrow for retrofitting works and as such, pursuing this matter since January 2014. PAL selected Uttara Finance and Investment Limited as their financial institution, a non-banking financial institution where they did not have any previous banking relationship.
- b. Perception on the assessment and cost estimate:** PAL management has confidence on the technical assessment, however, they had engaged third party expert to re-examine the assessment and found satisfactory. It is worthwhile to mention here that according the preliminary assessment, the total cost was estimated at BDT 35 million and after advanced assessment at a later stage, the total cost has been re-estimated at BDT65 million.
- c. Comment on the process of technical assessment and conditions of loans:** The entire process seems too lengthy as reported by him. So far, PAL management held at least 15-16 meetings with different organizations involved in the process and also arranged site visits and prepared and furnished required documents time to time. PAL will not be able to provide any collateral security of immovable property but they will arrange a corporate or personal guarantee from a third party.
- d. Expected Impact of retrofitting works:** PAL management expects that once retrofitting works is accomplished the overall productivity will be increased at 200% .

PAL management was found very cooperative and enthusiastic to avail support under the JIAC scheme. However, the MD expressed some concern about the delay in the entire process. He reported that his factory close for more than 6 months. Therefore, if JICA funding cannot be availed, PAL may merge his factory with a large group of industries having business in the RMG sector.

As a pilot project, PAL can be a good example as the owner seems to be a well educated entrepreneur with past track record. However, the financing process should be faster and simplified.

**No. 1-2/8**

Organization's name:	<b>Purple Apparels Limited (PAL)</b>		
Location of meeting:	Pan Pacific Sonargaon Hotel, Kawran bazar, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Ali Rahamattullah, FCMA, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 19, 2014	Time 11:00 a.m.

PAL is candidate for refinancing under the existing scheme and the total amount of required fund estimated at BDT 65 million for retrofitting of its factory. It is expected that upon completion of retrofitting works, the factory will be able to produce 500,000 pieces per month smoothly without any hassle. PAL applied for such financing through Uttara Finance and Investment Limited, a non-banking financial institution involved mainly in lease financing. Currently, PAL has some loan liability worth BDT 20 million with Sonali Bank Ltd.

**A. Issues discussed and observations made**

- 1. Current Status of Technical Assessment by PWD:** PAL is yet to submit the final cost estimate due to lack of delay in processing required documents and it may take another 30 days to complete, as informed by Mr. Ali. PWD has shortlisted 24 local contractors out of 62 applications for enlistment who will be assigned to implement the retrofitting and reconstruction works through tendering process.
- 2. Current Status of Appraisal of Loan Application by UFIL:** UFIL agreed to extend loans to PAL for two purposes; loans for retrofitting the existing factory building and loans for procurement and installation of fire fighting in the factory premise. Mr. Ali is expecting the sanction letter to be issued by UFIL within 2 weeks and the rate of interest will be @8% and period of loan will be 17 years including 2 years grace period as mentioned by him during the last meeting. PAL will offer the retrofitted factory as security of loan and a third party guarantee and no other collateral security will be required by UFIL to obtain this loan. Mr. Ali also mentioned that UFIL might add 1% additional rate of interest against some charges as imposed by the central bank. PAL will not require any additional funds to meet the overhead expenditure during the period of retrofitting works since their factory was closed down in February 2014 and the workers were paid their salary and benefits. PAL also facilitated the retrenched workers of their factory in getting jobs in other RMG factories within the area, as informed by Mr. Ali. In reply of question, Mr. Ali also mentioned that about 50% of the workers may come back to his factory once he resumes production after retrofitting works.
- 3. Support and Cooperation from BGMEA:** As inquired, Mr. Ali mentioned that they have been receiving support and necessary cooperation from BGMEA about this matter.

**B. Suggestions on JICA Financing Scheme:** Mr. Ali strongly suggested that JICA should introduce a speedy loan processing mechanism so that factories can avail this loan facility at the soonest. If JICA funding cannot be processed quickly, the factory owners will come across problems. He mentioned once again that his factory remained closed since 7 months.

**C. Conclusion:** It is important to cross check the actual status of loan being processed by UFIL and the terms of loans as mentioned.

**No. 2/8**

Organization's name:	<b>DK Knitwear Limited (DKL)</b>		
Location of meeting:	House 15 Road 68A, Gulshan 2, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. AQM Zahid, Managing Director Mr. Syed AKM Sayed, CFO, DK Group Mr. Major Syed Hasan, Zahid. Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Goup Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 28, 2014	Time 10:00 a.m.

DK Knitwear Limited is a sister concern of DK Group of industries mainly engaged in production and export of knit products namely T-shirt and Polo shirt to USA, Europe, Canada, South Africa, Japan, India and China. DK Knitwear has worked for reputed Japanese brand called 'Teijin' and gained unique first-hand knowledge of working with Japanese buyers who are extremely quality conscious. The current business condition of DK Knitwear is quite satisfactory as they have well structured and well it was purposely constructed as industrial building. This a four-storied building with a floor area measuring 70,000 square feet and it is currently running in full swing. DK Knitwear produces 700,000 dozens per annum which 80% is T-shirt and the rest 20% is Polo shirt and the factory is running at 70% of its capacity employing at least 1,000 workers. The total annual amount of export is US\$ 15 million per annum. DK Knitwear follows a policy of ensuring quality product and timely delivery. They take part in the international trade fairs including apparels fairs in 'Big Site' of Japan to fetch direct orders and they also have their own buying house and an office in New York, USA.

**Issues discussed and observations made:**

- e. Current status:** DKL applied for such financing through The City Bank Limited, a scheduled commercial bank actively involved financing RMG and textile sector. DK group is already maintaining banking relationship with City Bank Limited. Currently, DK knitwear is waiting for a certificate to be issued by CBL once the BOD approves this case. After receiving bank's certificate, CNCRP in collaboration with PWD will make final assessment and the revised final cost estimate along with a schedule of implementation will be finalized.
- f. Reasons of interest in JICA funding:** Upon receipt of BKMEA circular that JICA would provide assistance for retrofitting of factory building, DK Group desires to check whether their factory complies with conditions of seismic or not. Once they found that their factory is not a '**seismic proof building**', they decided availing the technical and financial assistance under the JICA retrofitting program. They realized that if the workers and staff always feel safe and secured while working, this would eventually increase the overall productivity, as mentioned by DK top management during the meeting. DK Knitwear constructed their factory building following BNBC of 1994, now they want to improve their factory under the latest BNBC 2006 to make sure it is seismic proof.
- g. Perception on the assessment and cost estimate:** DK knitwear is candidate for refinancing under the existing scheme and the total amount of required fund estimated at BDT 49.2 million for retrofitting of its factory and after advanced assessment at a later stage, the total cost may be increased at BDT60 million. DKL management also wants to include fire and safety equipment and quality electrical wiring works so that the factory becomes a safe and secured place for the workers.
- h. Comment on the process of technical assessment and conditions of loans:** DKL management has confidence on the technical assessment of PWD. The process started in June 2013 and it seems too lengthy as reported by him. Regarding the tenure of loan their bank (CBL) said 15 years is too long and CBL will request for repayment within a shorter period based on cash flow situation of the company. They expect that rate of

interest should be 8% to 10% as the fund is utilized for non-productive sector having no direct impact on revenue earnings.

- i. Expected Impact of retrofitting works:** DKL management expects that once retrofitting works is accomplished the overall productivity will be increased as the factory will be able to run smoothly without any fear and hassle. Although the loan will not directly contribute to revenue earnings rather it will have an impact on production cost. However, if the efficiency can be improved through a secured working environment, cost-effective production can be ensured at a competitive price to the buyers.

As a pilot project, DKL can be a good example of retrofitting works as the factory is well constructed. Moreover, the owner seems to be very serious about the overall compliance including seismic issues. However, the financing process should be made faster and simplified.

No. 3-1/8

Organization's name:	<b>Florence Fashions Limited (FFL)</b>		
Location of meeting:	Kachukhet, Kafrul, Dhaka Cantonment, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Marzuk Noman, Managing Director		
Team member (s) present:	Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	September 2, 2014	Time 4:30 p.m.

Florence Fashions Limited is a 100% export oriented high quality shirt manufacturing (men's shirt and ladies blouse) unit that has been closed down by ACCORD. Upon inspection by ACCORD Team, the factory building was found not compliant and vulnerable for several reasons including seismic risk. The factory was in a rented building and upon inspection in May 2014 the factory was closed down in July 2014 after paying salary and benefits to 750 workers for BDT 250 million. The monthly production capacity is 120,000 pieces and the total export value was US\$ 8 million in 2013, US\$ 7 million in 2012 and in till June 2014, the factory could export worth US\$ 5.6 million. Main buyers are from Italy, Sweden, The Netherlands and they also made some exports to Caanda and Japan. Currently, FFL is managing their business through sub-contracting in other compliant building.

**Issues discussed and observations made:**

- a. **Future plan:** FFL may be a potential candidate for JICA scheme as the factory was closed down by ACCORD and the factory owner has arranged land at Ashulia to relocate their factory in their premises for which they need an amount of BDT 70 million. FFL is member of BGMEA and now they are pursuing for PWD-JICA Inspection team to include them. They are eager to get the entire plan and other construction related ammeters duly approved under the BGMEA-PWD-JICA inspection program,
- b. **Interest in JICA funding:** FFL management is very much interested in availing financial support from JICA for construction of their new factory to resume their operation within next six-eight months and they prefer a low cost fund at 8-9% for longer term so that they can cover their recent monetary and business loss due to adherence to the directives of ACCORD inspection report..
- c. **Perception on the assessment:** FFL has no complain about the inspection report of ACCORD. However, they had undertaken a comprehensive assessment and review through professional team dispatched by their Italian buyers (Groupecoin) and spent BDT 700,000 for testing the hammer strength and scanning of factory building.

The MD is young bright and capable person who has been doing very good during the last 3-4 years and dedicated to expand his businesses. As such, FFL management seems to be serious about rebuilding their factory in Ashulia and as such, seeking for low cost long term funds so that they can accommodate the current loss and bring themselves to a good business position. They planned to construct a fully complaint factory building to be made of steel truss.

### No. 3-2/8

Organization's name:	<b>Florence Fashions Limited (FFL)</b>		
Location of meeting:	Pan Pacific Sonargaon Hotel, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Marzuk Noman, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: October 21, 2014	Time	4:00 p.m.

Florence Fashions Limited was one of the 17 factories closed down after inspection made by ACCORD in May 2014. It is also one of the first five factories that paid compensation to their workers after closing down the factory for four months worth BDT 27.5 million. Currently, FFL is managing their business through sub-contracting in other rented compliant factories. FFL plans to establish a new factory building on the own land at Ashulia which they purchased in 2006-07.

#### Issues discussed and observations made:

- a. Mr. Noman contacted Mr. Rob Wayes of ACCORD to discuss possible source of financing for establishing a new factory building in their own land at Ashulia. Mr. Rob wanted to help FFL and as such, he referred him to contact JICA for funding. Mr. Noman pointed that one Mr. Nurul Haque, 100% export oriented RMG factory, received JICA funds in September which is not fact.
- b. Mr. Noman informed that he was trying to get financial assistance through BGMEA since September 2014, but, no progress made till the third quarter of this year and BGMEA also stopped receiving any fresh applications. As such, he sought financial assistance from his sole bank i.e. Southeast Bank Limited (as quoted by Maeda San in the meeting).
- c. To establish steel-made factory building, FFL management received sanction of a loan worth BDT 68.50 million by Southeast Bank Limited in October 2014 (one of the selected commercial banks for JICA Retrofitting Program for RMG sector) out of the total estimated cost of BDT 110.00 million. Rate of interest is 15.5% and the repayment period is 6 years including 18 months moratorium.

#### Conclusion:

The MD of FFL is a young, bright and capable person who has been doing very good during the last 3-4 years and dedicated to run his business with complaint factory. The FFL management is serious about relocating their factory in Ashulia on their own land. As they are seeking for low cost long term funds, it could be one of the appropriate recipients of JICA financing scheme for RMG factories.

Interestingly, they made their first export shipment to Japan upon undergoing a '**very tough and stringent quality control process**', implemented by one Japanese company called PQS.

Finally, FFL could be also a potential joint venture partner for any aspirant Japanese investors.

**No. 4/8**

Organization's name:	<b>Four Wings Limited (FWL)</b>	
Location of meeting:	DCCI Chamber Building, Motijheel Commercial Area, Dhaka, Bangladesh	
Stakeholder represented by:	Mr. Osama Taseer, Managing Director	
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants	
Date and Time:	October 27, 2014	Time: 12:30 p.m.

**Issues discussed and observations made:**

- d. Future plan:** FWL may be a potential candidate for JICA scheme as the factory was closed down by ACCORD. The factory building needs retrofitting works. FWL is member of BGMEA, the owner is member of the Board of Directors of BGMEA and now they are pursuing for PWD-JICA Inspection team to include them. They are eager to get the entire plan and other construction related matters duly approved under the BGMEA-PWD-JICA inspection program,
- e. Interest in JICA funding:** FWL management is very much interested in availing financial support from JICA for retrofitting works at 8-9% rate of interest for a longer term so that they can cover their recent monetary and business loss due to adherence to the directives of ACCORD inspection report.
- f. Conclusion:** The MD is bright and capable person who has strong leadership skills and dedicated to expand his businesses. FWL management seems to be serious about retrofitting works and as such, seeking for low cost long term funds so that they can accommodate the current loss and bring themselves to a good business position.



**No. 5/8**

Organization's name:	<b>Fame Knitwear Limited (FKL)</b>		
Location of meeting:	New DOHS, Mohakhali, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Moshiul Azam, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: October 27, 2014	Time	3:00 p.m.

Fame Knitwear Limited is a 100% export oriented high quality sweater manufacturing unit that has been closed down by ACCORD. Upon inspection by ACCORD Team, the factory building was found not compliant and vulnerable for several reasons including seismic risk. The factory was in a rented building and upon inspection the factory was closed down. Within 48 hours of closing down the factory, ACCORD said that the factory building can be used but needs some retrofitting works. But, the FKL management did not resume production on this building and compensated around 1,000 workers. He was not interested to retrofit the factory since the owner was not convincible.

However, they have retrofitted factory building of Fame Sweater Limited at cost of BDT 30 million which is sister concern of Fame Knitwear, which was the first RMG factory retrofitted in Bangladesh, as reported by Mr. Azam. Thereafter, FKL management opened a new company in a different name called '**Pashmi Sweater Limited**' started production in a different building. They are procuring

They also have plans to establish a three-storied '**Green Factory Building**' in the near future following the platinum rated factory in Ishwardi EPZ.

It is worthwhile to mention here that immediately after Rana Plaza incidence, Mr. Azam, as a Director of BGMEA, handled JICA team for the first team on behalf of BGMEA.

**Issues discussed and observations made:**

- g.** Mr. Azam informed that IFC-World Bank is offering US dollars loans to the RMG sector at LIBOR plus 3% (i.e.5%).
- h. Future plan:** FKL may be a potential candidate for JICA scheme under the second phase as they plan to build a new factory building on their own land, if there is low cost fund available.
- i. Interest in JICA funding:** FKL management is interested in availing financial support from JICA for construction of their new factory and they prefer a low cost fund at 6-7% for a longer term so that they can cover their recent monetary and business loss due to adherence to the directives of ACCORD inspection report..
- j. Suggestions:** The MD of FKL suggested following issues:
  - JICA should increase the volume of funds since there is a huge need for such low cost funds (128 applications are pending with BGMEA) and borrowing from the local commercial banks could be impossible. He mentioned that on an average one factory would need at least BDT 10-15 million for retrofitting works.
  - Ensure close monitoring and supervision of these funds during the project implementation
  - There should be some equity contribution in the total retrofitting works of the factory

**No. 6/8**

Organization's name:	<b>Fame Knitwear Limited (FKL)</b>		
Location of meeting:	New DOHS, Mohakhali, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Moshiul Azam, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: October 27, 2014	Time	3:00 p.m.

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**Issues discussed and observations made:**

- k. Mr. Azam informed that IFC-World Bank is offering US dollars loans to the RMG sector at LIBOR plus 3% (i.e.5%).
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**No. 7/8**

Organization's name:	<b>Fame Knitwear Limited (FKL)</b>		
Location of meeting:	New DOHS, Mohakhali, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Moshiul Azam, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: October 27, 2014	Time	3:00 p.m.

Fame Knitwear Limited is a 100% export oriented high quality sweater manufacturing unit that has been closed down by ACCORD. Upon inspection by ACCORD Team, the factory building was found not compliant and vulnerable for several reasons including seismic risk. The factory was in a rented building and upon inspection the factory was closed down. Within 48 hours of closing down the factory, ACCORD said that the factory building can be used but needs some retrofitting works. But, the FKL management did not resume production on this building and compensated around 1,000 workers. He was not interested to retrofit the factory since the owner was not convincible.

However, they have retrofitted factory building of Fame Sweater Limited at cost of BDT 30 million which is sister concern of Fame Knitwear, which was the first RMG factory retrofitted in Bangladesh, as reported by Mr. Azam. Thereafter, FKL management opened a new company in a different name called '**Pashmi Sweater Limited**' started production in a different building. They are procuring

They also have plans to establish a three-storied '**Green Factory Building**' in the near future following the platinum rated factory in Ishwardi EPZ.

It is worthwhile to mention here that immediately after Rana Plaza incidence, Mr. Azam, as a Director of BGMEA, handled JICA team for the first team on behalf of BGMEA.

**Issues discussed and observations made:**

- o.** Mr. Azam informed that IFC-World Bank is offering US dollars loans to the RMG sector at LIBOR plus 3% (i.e.5%).
- p. Future plan:** FKL may be a potential candidate for JICA scheme under the second phase as they plan to build a new factory building on their own land, if there is low cost fund available.
- q. Interest in JICA funding:** FKL management is interested in availing financial support from JICA for construction of their new factory and they prefer a low cost fund at 6-7% for a longer term so that they can cover their recent monetary and business loss due to adherence to the directives of ACCORD inspection report..
- r. Suggestions:** The MD of FKL suggested following issues:
  - JICA should increase the volume of funds since there is a huge need for such low cost funds (128 applications are pending with BGMEA) and borrowing from the local commercial banks could be impossible. He mentioned that on an average one factory would need at least BDT 10-15 million for retrofitting works.
  - Ensure close monitoring and supervision of these funds during the project implementation
  - There should be some equity contribution in the total retrofitting works of the factory

**No. 8/8**

Organization's name:	<b>Bando Design Limited (BDL)</b>		
Location of meeting:	BGMEA Complex, 6 <sup>th</sup> Floor, Kawran Bazar, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Md. Siddiqur Rahman, Chairman Mr. Mintu Saha, CFO		
Team member (s) present:	Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	September 1, 2014	Time 12:30 p.m.

BDL, a sister concern of Sterling Group of Industries, was established in 2005 and located at Ashulia, Dhaka having floor space measuring 202,000 square feet, monthly production capacity is 43,000 dozens, employing 2,500 workers. The total export value was US\$ 20 million and the main buyers are H&M, Sedex, NEXT, etc.

BDL is a potential candidate for JICA scheme as the factory was found some structural faults and thus needs retrofitting, according to the inspection report of ACCORD. It may be noted here that ACCORD has already inspected this factory in March 2014 and made a comprehensive report on this factory covering three key aspects i.e. structural design, fire and safety and electrical wiring. BDL is member of BGMEA. ACCORD Inspection Report identified that although the factory building was constructed for industrial purpose but there are some defects or deficiencies in the structure of building. Besides fire safety and electrical risk due to weak wiring and cabling the factory is also under the threat of seismic risk

**Issues discussed and observations made:**

- j. Interest in JICA funding:** BDL management is very much interested in availing financial support from JICA. The factory has prepared their draft Corrective Action Plan (CAP) as advised by ACCORD. But, the factory is yet to make an estimate of finance required to implement their corrective action plan. BDL management is interested to avail funds under the upcoming JICA scheme since it would provide financial assistance at a low cost for longer term to implement retrofitting works.
- k. Perception on the assessment and cost estimate:** BDL is happy with the inspection report of ACCORD and they also agreed on the findings. But, this factory is yet to be inspected by PWD and JICA inspection team. ACCORD–ARUP made detailed technical assessment in three areas like building structure, electrical wiring and fire safety. According to the report of ACCORD, it is found that the factory is vulnerable to seismic risk. Also, other areas like fire safety system and electrical wiring works need substantial improvements in order to make this factory risk free and a safe working place.
- l. Comment on the conditions of loans:** BDL management expects the loans for retrofitting and other works at rate of 6% to 7% and the tenure should be 15 years as informed by BGMEA. BDL will not be able to provide any collateral security.

BDL management seems to be serious about implementation of their CAP and they are quite persuasive to avail support under the JICA scheme. The factory is yet to be visited by JICA-PWD Inspection Team.

### No. Others-1/3

Organization's name:	<b>ACCORD</b>		
Location of meeting:	AJ Heights 12 <sup>th</sup> Floor, Pragati Sarani, Gulshan		
Stakeholder represented by:	Mr. Rob Wayss, Executive Director, Bangladesh Operations Mr. Brad Loewen, Chief Safety Inspector		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 25, 2014	Time: 12:30 p.m.

The Accord is an independent agreement designed to make all garment factories in Bangladesh safe workplaces. It is a legally binding agreement signed by over 150 apparel corporations from 20 countries in Europe, North America, Asia and Australia; two global trade unions, IndustriALL and UNI; and numerous Bangladeshi unions. Clean Clothes Campaign, Worker Rights Consortium, International Labor Rights Forum and Maquila Solidarity Network are NGO witnesses to the Accord. The International Labor Organization (ILO) acts as the independent chair. Currently, ACCORD is working for fire and building safety in Bangladesh and their activities cover mainly Dhaka and Chittagong region and other areas, where there are RMG factories.

#### Issues discussed and observations:

##### a. Purpose of the Meeting

The Executive Director of ACCORD in Bangladesh seemed to be not well aware about the purpose of the meeting. Upon briefing by the JICA Team, they were surprised to know that JICA is doing same thing in the RMG sector i.e. technical inspection and financing for remedies. It seemed that there is information gap and lack of coordination between ACCORD and JICA. ACCORD presumed that JICA's project mainly aims to address improvement of **seismic vulnerability of the RMG factory buildings**, but not improvements of **'fire and safety and electrical wiring conditions'**. They found some sorts of overlapping. Eventually, ACCORD officials realized that there are areas of mutual cooperation as long as JICA targets to support RMG factories and safe working conditions.

##### b. Current Status of ACCORD Activities

Activities include **independent safety inspections** at factories and **public reporting** of the results of these inspections. Where safety issues are identified, retailers commit to **ensuring that repairs** are carried out, that **sufficient funds** are made available to do so, and that workers at these factories **continue** to be paid a salary.

ACCORD works under the National Coordination Committee through national tripartite and their inspection covers fire and building safety including assessment of building structural and seismic survey. So far, ACCORD completed fire, electricity and structural inspection of 1,200 out of their target for 1,400 factories and another 1,150 factories will be inspected within next 3 weeks. Upon inspection, they closed 20 factories temporarily of which 12 are going to re-opened and 4 main remained closed permanently. Also, 100 factories were cautioned to reduce their load through dismantling machinery and equipment. ACCORD also share inspection results with the owners and buyers and prepare Corrective Action Plans (CAP) for individual factories. To ensure quality of inspection, they have engaged two globally reputed and renowned factory building inspection firms specialized in structural engineer firms that developed the criteria of inspection and set the standards based Bangladesh National Building Code (BNBC) and tested the concretes.

##### c. Financing Schemes for Inspected Factories found non-compliant

They mentioned about various forms of financial support that ACCORD is promoting for the RMG factories remediation. They will facilitate access to finance under different financing schemes (bank loans, credit guarantee, guarantee against future business and placements of orders, etc.) and IFC, Global Brands and other institutions created funds as reported by them. For example, financing may be extended to the affected factories upon recommendation of BRANDS through nominated banks based the authorized Corrective Action Plans prepared by ACCORD inspection expert team which is open to public. About 250 CAPs have been prepared so far. IFC funds will have tenure of 24-36 months with a 6 months grace period and at interest of LIBOR plus 3%. They also informed that European Union is in the process of formulating some financing schemes of RMG factories and these may be channeled through local banks that may be similar to JICA's one. Standard Chartered bank is also finalizing their scheme. Once the finance is extended to the factories, ACCORD will continue monitoring them on progress of implementation and compliance. Other forms of support include guarantee of placing orders, guarantee against advance payment, pre-payment of sale proceed, etc. as reported by ACCORD officials.

#### **d. Challenges and Limitations**

Results of inspection vary from factory to factory and about 50% of the assessed factory buildings need further seismic inspections. However, once factories are declared vulnerable, these will be vacated and remain empty, Later on people may start using for the purpose of living, which is again risky.

The opined that seismic is going to be the next issue of concern after fire incidence. They informed that so many groups of people and even the officials of the diplomatic zones are very much concern about possible threat of earthquake and as such, major Embassies are constructing their new offices applying seismic proof building technology to secure lives.

#### **e. Conclusion**

At the end, ACCORD officials appreciated JICA initiative and suggested to ensure close coordination and cooperation among the stakeholders to avoid overlapping for mutual benefits. JICA Bangladesh may keep track on what others are doing in the sector.

## No. Others-2/3

Organization's name:	<b>BGMEA</b>
Location of meeting:	BGMEA Complex, Kawran Baza, Dhaka
Stakeholder represented by:	Mr. Shahidul Azim, Vice President, BGMEA Engr. Md. Liaquet Ali, Additional Secretary, BGMEA Engr. Md. Masud Hassan,
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants
Date and time:	Date: August 20, 2014 Time: 3.00 p.m.

BGMEA is the largest trade association in the country representing the readymade garment industry, particularly the woven garments, knitwear and sweater sub-sectors with equal importance. Presently, BGMEA has around 5,150 member factories including knitwear and sweater industries. Around 61% of BGMEA member factories are woven garment manufacturers and the rest 39% are knitwear and sweater. Currently, there are 3,500 active factories in Bangladesh, of which 40% factories are in the shared building complexes and the rest 60% factories are in building premises purposely constructed for industrial operation. It is worth mentioning here that ACCORD is in the process of inspecting 1,550 factories and Alliance is 610 factories. So far, two groups inspected 1,850 factories and 21 factories were found vulnerable and suggested them to close down. Under the present circumstances, if a factory is found vulnerable upon adequate proof, it will be shut down immediately and the factory will ensure payment of salary and termination benefits to the workers and other liabilities (bond, bank, etc.).

### Issues discussed and observations:

#### f. Current Activities of BGMEA

To ensure compliance, BGMEA is now working with the government under a “**National Action Plan**” being monitored by ILO time to time in partnership with other relevant stakeholders. The members of BGMEA are now ready to ensure “**safety first**” and as such, BGMEA does not comprise on this issue. It was informed that to issue new membership, one factory has to obtain 31 certificates for BGMEA membership from different offices for different purposes. Upon submission of the membership application along with these certificates by any company, BGMEA sends inspection team to the proposed site and BGMEA issues certificate only upon satisfactory inspection report. It is worth mentioning here that before Rana Plaza incidence, BGMEA did not have any Engineering Department and but it has a full-fledged engineering team. BGMEA is one of the key stakeholders of JICA Retrofitting, Rebuilding and Relocation Project.

#### g. Current Status of the JICA-PWD initiative

At the outset, Mr. Azim, Vice President of BGMEA opined that JICA project is moving very slowly. Currently, JICA is working on only 4 factories but no fund has so far been disbursed. He mentioned that around 1,800 factories need to be relocated. To rebuild and relocate these factories, BGMEA is looking for low cost long term funds.

#### h. Financing Schemes

Regarding the financing scheme of JICA, the Vice President of BGMEA mentioned as below:

- i. **Rate of Interest:** The rate of interest should be 7% although BGMEA members are asking only 5%. BB should be negotiated to reduce their rate from 5% to a lower level as it is not revenue generating immediately after investment. If the rate of interest is not reduced many owners may not be interested to avail this fund.

**ii. Term of loan:** BGMEA members expect to have a longer term as it is not generating any revenue and the terms of loan should be 15 years with some grace period (12-18 months)

**i. Suggested Measures**

The Vice President, BGMEA suggested following issues while considering financial assistance to any factory under the JICA scheme:

- A concrete plan of action along with cost estimate or size of investment
- Track record of the factory on the export as provided by the concerned banks
- Preferred bank should be scheduled commercial banks; NBFIs may be discouraged due to higher interest

**j. Conclusion**

At the end, BGMEA appreciated JICA initiative and also happy to know that this loan program for the RMG sector will be expanded further.



### No. Others-3/3

Organization's name:	<b>IFC, Bangladesh Office</b>		
Location of meeting:	United House, 10 Gulshan Avenue, Gulshan-1, Dhaka-1212		
Stakeholder represented by:	Mrs. Eleonore Richardson, Program Manager, Bangladesh Textile Competitiveness		
Team member (s) present:	Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: September 3, 2014	Time: 11:00 a.m.	

The International Finance Corporation (IFC) is the private sector arm of the World Bank Group has full-fledged operation in Bangladesh. Besides direct private sector financing activities, IFC also provides advisory services and manages two mega projects i.e. Bangladesh Investment Climate Fund (BICF) and Southasia Enterprise Development Facility (SEDF), funded by different bilateral development partners and the World Bank. SEDF has extended technical assistance support to the RMG and textile sector in institutional and human capacity building for labor standards, social and environmental compliance. SEDF also works in the area of energy efficiency for sector including RMG and Textile.

Very recently IFC launched a new four-year program titled “**Bangladesh Textile Competitiveness**” where Mrs. Eleonore Richardson is the Program Manager (for three weeks) and she expects to build a team of 10-12 people in future. However, she also takes support of IFC financing team working in Bangladesh as well as in other parts of the world as a normal practice of IFC. Bangladesh Textile Competitiveness (BTC) Program mainly aims to work with the existing partner commercial banks for capacity building of their officials in the assessing the social risks while financing the RMG industries.

Mrs. Richardson mentioned about several meetings she had with JICA official (Mr. Matsimura) during the last month and discussed the possibility of funding by the government ministry under the Global Trust Fund. IFC official considered JICA is a robust partner while working in this area. She also mentioned that IFC would extend technical assistance for capacity building of banks and FIs to disburse the finance to the RMG and textile sector. Under the program, there will be three components; a) better works b) financing of factory building and c) Financing for fire safety equipment.

#### **Financing Schemes and Programs:**

Mrs. Richardson discussed about four different financing schemes and programs, of which one is yet to take a real shape and these financing schemes and programs are briefly explained below:

- a. **Direct Private Sector Financing for RMG sector:** IFC extends project loans to private sector initiative and so far, IFC extended two loans worth US\$ 20 million to two reputed RMG industries in Bangladesh. IFC continues to extend loans as their normal practice.
- b. **Global Trade Supplier Fund (GTSF):** IFC created a multi-currency Global Trade Suppliers Fund worth US \$500 million which is a revolving fund in operation already for remediation and fire safety. Five reputed buyers (Nike, Levis, PVH, Columbia, etc.) have participated in this fund. Under this fund, the local suppliers/ producers / exporters in the emerging countries who export to these buyers are given ‘**short-term post shipment finance**’ based on the invoice placed against an order. The rate of interest is very competitive i.e. LIBOR+ 3%. These funds are given by the commercial banks based on buyers’ credit rating, not the suppliers. This fund can be utilized for improvement of factory for fire safety and it has been very successful in Vietnam and China. Interesting, this fund can save cost of doing business worth around US\$ 180,000-200,000 as it was evident in China and this savings can again utilize to improve the factory further. Vietnam is the biggest user of this fund as reported during the meeting. IFC intends to include more buyers so that more suppliers can avail this facility.

In Bangladesh, this fund has started operating since February 2014 and any supplier who supplies to one or all of these buyers, only he/she can access this finance facility. However, individual factories supply to those buyers should meet minimum requirement of compliance as specified by ACCORD and ALLIANCE to avail this facility. Normally, it takes only 3 days to process the funding upon submission of the invoice against an order. Commercial banks will extend finance based on buyers' credit rating not on the basis of suppliers.

- c. **Corporate Credit Guarantee:** The third scheme worth US\$ 10 million has been created in the form of 'Corporate Guarantee' issued by a US-based buyer. This scheme has been determined based on the consultation between the Brand and the Supplier. Under this scheme, loans will be extended to the factories for improvements of factory i.e. fire and building safety against Corporate Guarantee of this buyer. The Buyer can create a list of factories that may avail loans from the commercial banks. Individual factories in consultation with the Buyer assess financial needs based on the Corrective Action Plans (CAP), developed upon the inspection of ACCORD and Alliance. Currently, the IFC Investment Team is negotiating with the local commercial banks and it is expected to make first transaction in October 2014. The rate of interest is LIBOR plus 4%-5% and the term of loan is maximum 3 years.
- d. **Risk Sharing Facility:** The Risk Sharing Facility is the fourth scheme which IFC plans to initiate in near future. It is now at a very initial stage. However, this RSF was very much successful facility in Cambodia for agri-business sector. RSF will be created taking ACCORD and Alliance, different reputed Brands, JICA, other donor agencies. IFC will also put its own money and small and medium size factories will be able to access this. Under this facility. Certain percentage of loss shall be borne by the local commercial banks.

## Conclusion

IFC is interested to seek the global trust fund available under the ministries of finance, Government of Japan. Also, IFC also wants to cooperate with JICA on-going program for retrofitting through facilitating access to finance for the RMG factories those who have been inspected by ACCORD or Alliance.

## **Appendix 8 Meeting Notes on PFIs**

## **Appendix 8: Meeting Notes on PFIs**

### **JICA Urban Building Safety Enhancement in Metropolitan City in Bangladesh Project Notes on the Meeting held with the officials of Stakeholders**

<b>1. Bangladesh House Building Finance Corporation (BHBFC)</b>	<b>August 18, 2014</b>
<b>2. Eastern Bank Limited (EBL)</b>	<b>August 19, 2014</b>
<b>3. IDLC Finance Limited</b>	<b>August 20, 2014</b>
<b>4. Bangladesh Development Bank Limited (BDBL)</b>	<b>August 21, 2014</b>
<b>5. National Housing Finance and Investment Limited (NHFIL)</b>	<b>August 24, 2014</b>
<b>6-1. Uttara Finance and Investment Limited (UFIL)</b>	<b>August 24, 2014</b>
<b>6-2. Uttara Finance and Investment Limited (UFIL)</b>	<b>October 21, 2014</b>
<b>7. The City Bank Limited (CBL)</b>	<b>August 24, 2014</b>
<b>8. IFIC Bank Limited</b>	<b>August 27, 2014</b>
<b>9. Mercantile Bank Limited (MBL)</b>	<b>October 21, 2014</b>
<b>10. Southeast Bank Limited (SBL)</b>	<b>October 21, 2014</b>
<b>11. United Leasing Company Limited (ULCL)</b>	<b>October 23, 2014</b>
<b>12. National Credit and Commerce Bank Limited (NCCBL)</b>	<b>October 23, 2014</b>
<b>13. Standard Bank Ltd. Head Office</b>	<b>October 29, 2014</b>
<b>14. Commercial Bank of Ceylon PLC</b>	<b>November 3, 2014</b>
<b>15. Prime Bank Limited (PBL)</b>	<b>November 3, 2014</b>
<b>16. Dutch-Bangla Bank Limited (DBBL)</b>	<b>November 3, 2014</b>
<b>17. ONE Bank Limited (OBL)</b>	<b>November 5, 2014</b>

Organization's name:	<b>Bangladesh House Building Finance Corporation (BHBFC)</b>	
Location of meeting:	BHBFC Bhaban, Topkahna Road, Dhaka, Bangladesh	
Stakeholder represented by:	Dr. Md. Nurul Alam Talukder, Managing Director, Mrs. Afroza Gul Nahar, General Manager Engr. Afzal Karim, General Manager Engr. Mr. Mustaq Ahmed, General Manager	
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environment Expert Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants	
Date and time:	Date: August 18, 2014	Time 12:00 p.m.

Bangladesh House Building Finance Corporation (BHBFC) was established in 1973 under The Presidential Order -1973 as a corporation specialized to support development of residential housing construction through direct financing to the individual aspirant citizen who has his own lands for building construction. BHBFC is managing its operation through 30 branch offices in 30 district headquarters. Currently, BHBFC is actively pursuing its higher authority to obtain permission for expansion of its activities into financing of industrial and commercial complex, real estate projects, shopping centre, and other private construction activities, as reported by the Managing Director. They have also plans to expand housing financing activities in rural areas in order to discourage unplanned housing development using scarce agriculture lands. BHBFC receives fund from the government and they also issued debenture and raised funds from the capital market. BHBFC is also exploring the possibility of funds through contacting different diplomatic missions of bilateral development partners, as reported during the meeting. Average Rate of Interest is 10% in all parts of the country, but for Dhaka and Chittagong city, BHBFC charges 12% interest. The term of loan is 15-20 years depending on individual situation. Currently, they extend two types of housing loans, one is financing direct construction and the other is purchase of residential apartments (under tripartite agreement among apartment developer, applicant and BHBFC). In the past, the classified loans was around 14%, recently, it has come down at 6.5%.

BHBFC is pursuing to convert it into a full-fledged commercial bank in the housing sector and the proposal has been submitted to the government which is under close review. They are also pursuing assistance from the World Bank for funding as well as strengthening institutional capacity.

#### Issues discussed and observations made:

- a. **Interested in JICA upcoming scheme:** BHBFC is currently expanding their activities and as such, they showed keen interest in taking part in the new scheme of JICA. But, so far, they are mandated to finance only residential building construction and they are yet to get permission to finance construction of any industrial or commercial building complexes or building constructed for purpose other than residential use. Therefore, they will obtain official consent from the respective ministry i.e. ministry of finance.
- b. **Support Technology Transfer and Partnership:** BHBFC is seeking support from JICA to source latest building construction technology and they would be interested to engage their qualified engineers for financing retrofitting projects. But, they need some technical training and capacity building support for their engineering team. Finally, the Managing Director showed keen interest to associate with JICA activities.
- c. **Adherence and Compliance with rules and regulations for building construction:** BHBFC strictly follows the rules and regulations of building construction and before they extend any housing finance to an individual, they obtain all sorts of relevant official documents as required by the local laws and they physically verify the land on which the building will be constructed. They also time to time monitor construction works. However, for the accuracy of structural design and plans they are dependent on

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RAJUK (Capital City Development Authority and other authorities). Currently, BHBFC looks into the seismic. BHBFC has already a room that needs retrofitting works and they showed this to the team and sought possible support under JICA-PWD joint initiative.

- d. **Provision of Environmental and Social Issue:** BHBFC does not follow this. But, they assured that they will insert these conditions in the loan agreements in near future.

BHBFC can be a potential PFI but obtaining permission from the government will be time consuming and as such, it should be considered at a later stage.

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No. 2/17

Organization's name:	<b>Eastern Bank Limited (EBL)</b>		
Location of meeting:	SME Banking Division, EBL Head Office Jiban Bima Tower, Motijheel C/A Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Arif Ahmed, Head of SME Banking, EBL Mr. Anwar Faruq Talukder, SME Banking Department, EBL		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 19, 2014	Time 12:30 p.m.

EBL is one of the leading private commercial banks that actively participated in the JICA Refinancing scheme for SMEs. So far, EBL availed BDT 53.52 million loans for 8 projects, which is about 82% of the total amount of loans extended.

In the RMG sector, EBL mainly extends loan for procurement of machinery and equipment and working capital under back-to-back letters of credit and major clients are large in size. EBL also extends foreign currency loans for financing energy efficiency projects. However, the officials of EBL have been very critical and reluctant about the upcoming financing scheme due to several reasons shared by them during the meeting.

**Issues discussed and observations made:**

- a. **Experience of SME refinancing scheme:** The officials of EBL shared their experience of SME refinancing scheme. They informed that due to lack of energy (uninterrupted supply of gas and electricity), growth of manufacturing has been slowed down. They also mentioned that certain segment of SMEs does not qualify for the SME refinancing facility as they are trading houses or service industries. They opined that since it is a Revolving Fund, SMEs should be able to borrow from this facility for expansion of their existing businesses. They also mentioned that many of the TSL loans of JICA have been availed through NBFIs as lease finance/
- b. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** In the recent past, EBL has carefully observed the on-going financing scheme for RMG factories for retrofitting and they expressed less interest in the scheme for several reasons: i) EBL mainly finances large scale RMG industries those are already having safe and highly compliant factories; ii) Size of loans under the scheme seems to be smaller if the target borrowers are SMEs; iii) Many small and medium size RMG factories are established on rented premise or the land is leasehold land and therefore, no scope of re-building or retrofitting ; iv) EBL selects its clients based on cash-flow and collateral security and therefore, it does not match in case of retrofitting of RMG factories; v) There is performance risk in case of RMG factories with small scale production operation;

Since EBL has clientele having large scale production, further interaction may be made to identify scope of financing retrofitting activities. Also, EBL is experienced in financing in the energy efficiency sector it may be further pursued to take part in the upcoming financing scheme targeting large scale RMG factories. Finally, EBL officials recommended for low cost funding like LIBOR plus 1% for this kind of long term scheme.

Organization's name:	<b>IDLC Finance Limited</b>		
Location of meeting:	IDLC Head Office, Gulshan, Dhaka		
Stakeholder represented by:	Mr. Ala Amin, Head of Medium Enterprise Division, IDLC		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environmental Certified Measurer Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 20, 2014	Time 11:30 a.m.

IDLC Finance is the leading financial services conglomerate in Bangladesh that actively participated in the JICA refinancing scheme for SMEs since its inception. IDLC is the third largest FI in SME banking after BRAC Bank and Eastern Bank. IDLC extended highest amount of loans to women entrepreneurs and agro-based industry sector.

#### Issues discussed and observations made:

- c. **Views about future of RMG sector:** IDLC views very good prospects of RMG business in future and it would be a sustainable sector for another 20-30 years. As such, IDLC extends loans to RMG sector for expansion.
- d. **Experience of SME refinancing scheme:** The official of IDLC shared their experience of SME refinancing scheme and informed that many enterprises availed funds from JICA TSL loans. IDLC found the JICA refinancing scheme for SME very useful and beneficial for them.
- e. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** Regarding the upcoming scheme of JICA for RMG sector, IDLC showed keen interest but, they found the existing scheme is not attractive to them. IDLC is very proactive and has already visited 8-9 affected factories and listed them, although some of them are not interested to take loans for entire works, but a part of the costs.

For retrofitting, IDLC may extend loans for 4-5 years upon assessing the credit risk on case to case basis based on certain factors like market and business reputation, cash flow situation, etc. IDLC will follow their standard credit appraisal and charge at least 5% margin on their financing.

- f. **Challenges identified:** IDLC identified some challenges on this on-going scheme for retrofitting such as; i) retrofitting works may hamper the existing business activities ii) it should be a supervisory loans to ensure proper utilization of funds iii) restricted loans i.e. no scope of free use or using the funds for other purpose as they like iv) not possible for rented factories and/or potential disagreement between building owner and RMG entrepreneur v) lack of confidence among the RMG entrepreneurs about possible business benefits of retrofitting in the long run vi) continued external pressure (from Buyers, ILO, BGMEA and government) is required to ensure quick implementation of retrofitting vii) change of global business dynamics or marketing problems viii) reluctant due to possible mismatch of funding as they operate on short and medium deposits
- i) **Some recommendations:** IDLC recommended the followings: i) proposed financial product under this scheme should be a package attractive to the banks and FIs; ii) demonstrate some direct and indirect short and long term benefits of retrofitting works iii) attaching additional financing facility as a package for the RMG factories that may help expansion of business volume or capacity enhancement iv) possibility of introducing credit guarantee concept v) term of loans should be determined based on cash flow and other business aspect vi) proposed financial products should be made it friendly to the banks as well as the clients i.e. RMG factories vii) tenure of loans should be matched with the cash flow situation and market oriented

IDLC seems to have done more research on this on-going scheme and as such, some of their suggestions may be considered while designing the financing scheme and its product as well. Finally, IDLC may be a potential PFI as they have participated in the on-going TSL of JICA.



Organization's name:	<b>Bangladesh Development Bank Limited (BDBL)</b>	
Location of meeting:	BDBL Bhaban, 8, RAJUK Avenue, Dhaka, Bangladesh	
Stakeholder represented by:	Dr. Md. Zillur Rahman, Managing Director, BDBL Mrs. Dina Ahsan, DMD, BDBL Mr. Kazi Sanaul Hoq, GM, BDBL Engr. AKM Shafiqul Islam, DGM, BDBL Mr. Md. Mazibur Rahman, DGM, BDBL Mr. Md. Abdul Khaleque, DGM, BDBL	
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environment Certified Measurer Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants	
Date and time:	Date: August 21, 2014	Time 11:30 a.m.

BDBL started its operation in November 16, 2009 as a 100% state-owned scheduled commercial bank specialized in industrial financing in Bangladesh upon amalgamation of two former financial institutions namely, BSRS and BSB. Currently, it is one of the two specialized scheduled banks engaged in promoting and financing private industrial initiatives in the country. BDBL made a very warm welcome to the JICA study team and shared long diplomatic relationship and history of development cooperation extended to the Government of Bangladesh. BDBL established 2 subsidiary company or capital market operation and another investment securities company will be established very soon.

#### Issues discussed and observations made:

- a. After considerable transformation from development bank into a full-fledged commercial bank BDBL inherited industrial financing businesses from two former FIs which were merged through a Government Order. BDBL now operates as a full-fledged commercial bank, extends project and commercial loans, deals foreign exchange and transactions, takes part in the capital market activities and others. BDBL took over both assets and liabilities from two previous institutions, many of them are non-performing loans. However, the recent operational performance of the bank has highly satisfactory as reported by the MD.
  - b. At present, although it takes different term deposits however extending long term loans at a large scale has become difficult these days due to potential mismatches of funds. BDBL has 28 branches across the country, of which only 17 are running at profit. Out of the total portfolio, BDBL extended about 30% to RMG and Textile sector. BDBL extends loans under different schemes that include industrial project loans, SME loans, women entrepreneurs' loans, agro-based industrial loans, etc. BDBL also took part in the JICA refinancing scheme. BDBL charges minimum interest @ 12% for loans extended to the private initiatives all over Bangladesh. Tenure of loans ranges from 1 to 4 years in most cases.
  - c. **Future plans:** BDBL plans to expand its branch network within next couple of years, however, opening of another 11 new branches is under active consideration. Currently, BDBL has dearth of low cost funds due to which BDBL lending activities remain limited.
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- d. **Interest in financing the RMG factory for retrofitting, relocation and rebuilding:** BDBL is interested in JICA's upcoming scheme if they cost of funds is lower and the MD showed profound interest in taking part in the upcoming JICA project. But, they apparently seem to have lack of primary information about the on-going financing schemes, as provided by JICA. The MD opined that if BDBL gets financing, they may include this sector as potential sector. BDBL also intends to disburse the loans in a package rather than a standalone loan of long term nature. Finally, BDBL proposed to include Textile sector under this scheme. BDBL also informed

that they have more than 30 engineering staff who can easily work in this area. BDBL management prefers to have finance for longer terms, at a lower interest rate.

Finally, BDBL was advised to prepare a detailed proposal and hand it over to JICA for consideration. BDBL officials were also advised to contact BGMEA to collect the list of potential RMG industries that need financing support for retrofitting, or rebuilding or relocation of their factories

- e. **Provision of Environmental and Social Issue:** BDBL stipulated provision of environmental and social compliance issues in its financing requirements or pre-requisites.

BDBL can be a potential PFI but further analysis and review is required on their overall performance and capacity to handle the upcoming scheme.

No. 5/17

Organization's name:	<b>National Housing Finance and Investment Limited (NHFIL)</b>		
Location of meeting:	National Plaza, Kawran Bazar, Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Md.Khalilur Rahman, Managing Director, NHFIL Mr.Shital Vhandra Saha, Vice President and Head of Lease Finance Mr. Mahbubur Rashid Al-Amin, 1 <sup>st</sup> Assistant Vice President (Operations)		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environment Certified Measurer Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: August 24, 2014	Time	1:30 p.m.

National Housing Finance & Investments Limited (NHFIL) a private sector housing finance company incorporated in August 1998 as a public limited company under the Companies Act 1994. The Company obtained license from Bangladesh Bank under the Financial Institutions Act, 1993 in December 1998. The main objectives of the Company are to carry on the business of financing the acquisition, construction, development and purchase of houses, plots, apartments, real estates, commercial spaces etc. with a view to providing finance for peoples' basic need for shelter, enhance housing stock of the country, and promote affordable home ownership. As on 31st December, 2013 the Authorized and paid up capital of the Company were BDT 2,000 million and BDT 1,063.9 million respectively. NHFIL floated its shares in 2008 to general investor through Initial Public Offering (IPO) and was subsequently listed with the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The Company is currently operating with four (4) branches covering Dhaka, Chittagong and Bogra districts

NHFIL started its operation as a non-banking financial institution with main business focus on the housing sector. It is the second private sector housing finance company in the country after Delta BRAC Housing Finance Limited. Under the housing finance, it provides six different types of loan namely apartment loan at 15-17% rate of interest, Self-construction loans at 14-15%, Real Estate Project Finance at 17%, Plot Purchase loan at 15-16%, Renovation of existing building at 18% and commercial space loan 15-16% at. Time required to process loans ranges from one week to 4 weeks if the relevant documents are clean and ready. The maximum tenure of loan is 25 years and average rate of interest is 15%. NHFIL also takes deposits and extends loans out of its own sources.

In addition to this NHFIL is also involved in other activities such as accepting deposits, SME financing, Project financing, Lease financing & Term loan facility to the corporate and other small and medium clients (SMEs). Generally Lease finance offer to procure Capital Machinery/Factory Equipment, Generator, Medical Equipment, Car, Buses, Sea vehicles etc.

NHFIL made a very warm welcome to the JICA study team and appreciated the idea of retrofitting, rebuilding and relocation of RMG factory to safe lives of millions of workers. It took part in the Refinancing scheme for housing sector of BB, funded by the Asian Development Bank.

**Issues discussed and observations made:**

- a. **Participation in JICA TSL:** NHFIL has already signed a memorandum of understanding with BB for JICA SME loans but yet to avail the facilities due to lack of proper support from the DOE for environmental clearance. More than 10 loan proposals for the existing JICA TSL are under considerations.
- b. **Interest in upcoming financing schemes:** NHIFL is very much interested in taking part in the upcoming scheme as they are already financing in this sector. It is only FI that extends loans for renovation of houses or commercial building which is to some extent similar to retrofitting works. It has already extended loans to the RMG sector under its SME financing.

- c. **Future plans:** NHFIL may expand its financing to this new sector and being a private sector entity, it will easily get approval from its BOD. They may extend small, medium and large scale loans as they do not have any restrictions.

NHFIL can be an appropriate partner FI as they are in the real estate sector and having experience and financing exposure to building renovation which is to some extent similar to retrofitting works. Moreover, since they have good experience in long term financing and other business financing, it enjoys some extra advantages over others.

No. 6-1/17

Organization's name:	<b>Uttara Finance and Investment Limited (UFIL)</b>		
Location of meeting:	IDLC Head Office, Gulshan, Dhaka		
Stakeholder represented by:	Mr. SM Shamsul Arefin, Managing Director and CEO Mr. Md. Zakir Hossain, Senior Executive Vice President & Company Secretary Mr. Uttam Kumar Saha, Senior Vice President & CFO		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environmental Certified Measurer Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date: August 24, 2014	Time	11:00 a.m.

Uttara Finance and Investment Limited (UFIL) is the third lease finance company in Bangladesh that actively participated in the BB refinancing scheme for SMEs since its inception. UFIL has previous experience of working with donor funds (IPFF-World Bank, ADB, IDB, etc.). UFIL has been eagerly seeking for low cost foreign currency fund for onward lending. The operational performance of UFIL is quite promising and it has been offering an annual dividend of more than 35% for the last 5 years. As of June 2014, the rate of non-performing loans is 3.82% which was 4.64% in December 2013. The share of UFIL is within the blue chip category. UFIL has 5 branches. UFIL is an "AAA" rated financial institution and has issued zero coupon bond..

**Issues discussed and observations made:**

- g. **Exposure to the RMG sector:** UFIL has limited exposure to the RMG sector due to its limitation being a non-banking FI that cannot directly control the cash flow of the RMG industries. The commercial banks enjoy privilege over NBFIs in terms of repayment of loans.
- h. **Experience of SME refinancing scheme:** Although UFIL extended loans 200 projects under the refinance scheme of Bangladesh Bank, but no project loan has been given so far under JICA refinancing scheme.
- i. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** UFIL showed keen interest in the upcoming scheme of JICA, but, they have limited exposure to the RMG sector. As normal lease financing, UFIL may extend finance for 48 months, however, retrofitting loans may be extended for 5-7 years at 8% rate of interest in case the central bank refinances at 5% rate of interest. The terms of loans should be based on projected future cash flow of the project, as opined by the managing Director. UFIL shows enough confidence about their capacity to handle the upcoming refinance facility and they would also offer loans for other component like machinery and equipment.
- j. **Loan appraisal process:** UFIL is yet to finalize a separate loan appraisal for retrofitting loans proposals. However, key elements of appraisal are estimate of project cost, debt-equity ratio, break-even analysis, discounted cash flow projection and IRR, compliance issues etc. important for them while evaluating any loan proposals. They will send their credit appraisal team to the field for physical verification and assessment. Moreover, all sorts of documents related to the building will be verified. After sanction, loans will be disbursed in phases upon prior physical visit. In terms of security, for every single client, UFIL will take personal guarantee from third party. UFIL requires outsourcing technical knowledge support unlike other banks having their own engineering unit.
- k. **Loan proposal of Purple Apparels Limited:** Purple Apparels Limited (PAL) was introduced to UFIL by Antem Group, a valued client of UFIL having good business transactions. UFIL has started evaluation of proposal of PAL and already completed about 35% of the works. If all required papers are submitted by the MD of PAL within next 15 days and UFIL is expected to complete appraisal process within 30<sup>th</sup> September 2014. Initially, the estimated amount of loan was BDT 35 million, later one it has been revised at BDT 65 million, although UFIL is yet to finalize the amount of loans.

## **I. Recommendations**

Inclusion of other component of project loans such as loan for machinery and equipment (Boiler, Generator, Elevators, Energy efficient Equipment, etc.) may be an attractive proposition for the financial institutions. UFIL does not adequate exposure to the RMG sector and also does not have its own engineering team. As PFI, it has no previous experience working with JICA refinancing scheme and therefore, it may be considered at a later stage in case JICA does not find enough PFI.

**No. 6-2/17**

Organization's name:	<b>Uttara Finance and Investment Limited (UFIL)</b>		
Location of meeting:	Uttara Centre (11 <sup>th</sup> Floor) Tejgaon, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Durand Mehdadur Rahman, Deputy Managing Director, Uttara Group Mr. SM Shamsul Arefin, Managing Director and CEO Mr. Uttam Kumar Saha, Senior Vice President and CFO		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 21, 2014	Time 10:30 a.m.

Uttara Finance and Investment Limited (UFIL), possible PFI under JICA TSL, and Purple Apparels Ltd. (PAL), possible end-user of sub-loan, have been contacting each other for PAL's borrowing for the cost of retrofitting of their already closed factory.

UFIL is the third leasing company in Bangladesh after IDCL and ULC operating as a Financial Institution since 7 May 1995 and it is rated as "A+" by Credit Rating Information and Services Limited (CRISL). CAMEL rating is also STRONG. The company came into public since 15 July 1997 and it is a BLUE CHIPS company. UFIL is involved in Re-finance facility of Bangladesh Bank, Credit, Bridge and Standby Facility (CBSF), Investment Promotion and Financing Facility (IPFF), World Bank funded projects. The JICA study team held meeting with the officials of UFIL during the first mission took place in September 2014. And purpose of visit this time was to know the progress of UFIL's loan appraisal of PAL and their loan request and confirm its schedule.

**Issues discussed and observations made:**

- m. **Exposure to the RMG sector and views about future:** UFIL has no significant exposure to the RMG sector and only 3% of their portfolio is exposed to RMG sector and as such, they remain reluctant to extend loans to the RMG industries. They believe that the commercial banks are more privileged than the leasing company to directly control the export proceeds of RMG industries. Commercial banks possess authorized dealership license to transact foreign currency, which is not possible for NBFIs and unlike other clients, RMG factories will not assign bills to UFIL. As a NBFIs, UFIL cannot control cash flow or impose any conditions. Therefore, credit risk is higher for UFIL while extending loans to the RMG industries.
- n. **Experience of JICA SME refinancing scheme:** UFIL participated in SME refinancing scheme of BB funded by JICA. UFIL also participated in Credit, Bridge and Standby Facility and Investment Promotion and Financing Facility of the World Bank.
- o. **Status of Loan Processing of PAL:** After the previous meeting held with JICA team in August, no progress has been made due to delay in submitting the required documents by PAL management, as reported by UFIL officials. UFIL could not prepare any funding proposal due to lack of required documents including the detailed technical assessment and cost estimate for retrofitting works to be submitted by Mr. Ali, PAL's MD. UFIL sent a checklist to Mr. Ali and he is expected to come up with relevant documents within short time, including the detailed technical assessment report which is yet to be finalized by CNCRP-PWD team. UFIL assured that if all the documents are submitted, it may take another 7-10 days to complete their appraisal works. If everything is found in order, UFIL will prepare the funding proposal and place it the upcoming Board Meeting of this month for approval. It was discussed that the amount of loan will be fixed based on the technical assessment report and associated cost estimate. Finally, the MD of UFIL committed to share the funding proposal with JICA team once it is prepared.

(Note) After the meeting, JICA Team received the information from the Engineering Team of the JICA Team that finalization of PWD's detailed technical assessment report may take another 30 days.

- p. **Terms and conditions of loans:** UFIL may extend loans at a longer term (up-to 15 years) allowing them a grace period of 2 years and a lesser rate of interest since the funds will not generate direct revenue immediately.

Tenure of loan should be matched with the cash-flow of the individual RMG industries. Key elements they would consider in sanctioning the loans include sponsor's background, return on investment, tenure of loan and grace period, security or guarantee, etc. The applicant company also needs to submit last 3 years audited financial statements.

- q. **Conclusion:** It was recognized through the discussion with UFIL that the interest rate of 8% which we heard from the owner of PAL was just his expectation since no appraisal work has started. It seems impossible for UFIL to prepare the funding proposal within next 2 weeks or so due to lack of vital documents where Mr. Ali has no control. CNCRP-PWD Team needs to submit the technical assessment report along with cost estimate as soon as possible in order to avoid any further delay.



Organization's name:	<b>The City Bank Limited (CBL)</b>		
Location of meeting:	City Bank Centre, Gulshan -2, Dhaka		
Stakeholder represented by:	Mr. Mohammad Maroof, Deputy Managing Director Mr. Kimiwa Sadat, Unit Head of RMG Sector Mr. Md. Jahangir Alam, Head of Structured Finance Mr. Tanveer Aziz, Relationship Manager		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. Keigo Ando, Environmental Certified Measurer Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 24, 2014	Time 4:00 a.m.

The City Bank Limited (CBL) is one of the first generation commercial banks having a successful track record of banking activities in the country. CBL has prior experience in taking part in the private sector financing programs of IFC, FMO, IDB and World Bank (IPFF). CBL also offers off-shore banking services in particular for the RMG sector and also collects deposits from both local and foreign nationals.

The officials of CBL informed about very strict adherence to their internal policy of evaluating loan applications in particular for residential apartments or factory building construction and this include prior verification of all building construction related documents like architectural plan, design and drawings, structural plans, environmental clearance, etc. duly approved by the concerned authorities. Also, they verify whether the factory building is constructed following the existing rules and regulations (BNBC) and buyers' compliance.

#### Issues discussed and observations made:

- r. **Views about future of RMG sector:** CBL extended a significant amount of loans to the RMG and textile sector and they have separate desk handling term loans, foreign exchange and other banking activities for RMG industries. CBL assumes that there is huge scope for large and medium RMG industries in future and the bank finds small RMG factories without adequate funds not bankable for finance and as such, they do not finance them. CBL seems have good clientele belongs to the RMG and textile sector.
- s. **Experience of SME refinancing scheme:** CBL actively participates in the JICA refinancing scheme for SMEs and quite satisfactory.
- t. **Interest in financing the RMG factory retrofitting, relocation and rebuilding works:** CBL is very much interested to take part in the upcoming scheme of JICA for RMG sector with an intension of utilizing their existing clientele in the sector.

CBL seems to be very much aspirant to take part in JICA financing schemes. For retrofitting purpose, CBL may extend loans up-to 8 years upon assessing the credit risk on case to case basis based on cash flow position. CBL extends loans up-to 70% of the project cost at a floating rate of 13% to 14.5% and charge at least 3%-4% margin on their financing. They opined that since it is basically infrastructure development activity therefore financing should also be long term in nature.

CBL is currently reviewing the proposal of DK Knitwear for BDT 60 million their retrofitting works. In fact, DK Knitwear is one of the three units of DK Group and the Group is already a client of CBL as their two other units (DK Sweater and DK Textile) having banking relationship with CBL since early 2014. DK Knitwear exports US\$ 10 million per annum and employs 1,300 workers.

CBL also extended term loans and working capital finance to DK group. Results of initial screening of DK Knitwear's proposal was found satisfactory and they will complete further analysis and submit the proposal to

the BOD following their existing lending policy and guidelines and rate of interest will be 10% and loan period will be 10 years with a grace period of 2-3 years. CBL opined that the tenure of loan should be determined based on the cash-flow of the company. CBL has their own internal team for conducting technical assessment who are re-examining cost proposal and verifying the cost of equipment and other required materials to be procured. Valuation of property was done by external expert of the bank through physical inspection.

- u. **Challenges identified:** CBL also identified some challenges for financing retrofitting works for RMG factories such as; i) retrofitting works may hamper the existing business activities ii) financing is not possible for small size rented factories iii) possible mismatch of funding as they lend based on short and medium deposits
- v. **Some recommendations:** CBL recommended the followings: i) proposed financial product under this scheme should be in a package form comprises soft and hard (costly) loans, ii) demonstrate some direct and indirect short and long term benefits of retrofitting works to RMG factories iii) attaching additional financing facility for capacity expansion and enhancement iv) ensure close monitoring and supervision at fund utilization and implementation stage v) term of loans should be matched with future cash flow.

CBL seems to have good clientele base in the RMG sector and their strategy of expanding within their clientele is good strategy. Their suggestions in product development are well thought and should be considered while designing the financing scheme and its product as well. Finally, CBL is a PFI with good prospects as they expressed profound interest and having a tendency to work with JICA financing activities.

No. 8/17

Organization's name:	<b>IFIC Bank Limited</b>		
Location of meeting:	BDBL Bhaban, Motijheel C/A Dhaka, Bangladesh		
Stakeholder represented by:	Mr. Shah M. Sarwar, Managing Director		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. M. Zakir Hossain, Corporate Finance Expert & CE, Young Consultants		
Date and time:	Date:	August 27, 2014	Time 12:30 p.m.

IFIC Bank Limited is one of the leading first generation private commercial banks that already started financing RMG factories for ensuring their fire and safety situation immediately after the incidence of Tasrin Fashion during late 2013. So far, IFIC sanctioned more than BDT 178 million within their existing clients in the RMG sector at a subsidized interest rate of 6%, out of their own funds generated through collecting deposits. Under this scheme, the RMG factories can borrow loans to procure most sophisticated fire and safety equipment to ensure protection against possible fire accident. There huge demand of this type of credit, many potential borrowers knocked their bank but they disbursed it within their tested clients.

IFIC bank launched this scheme promptly after the incidence out of some compulsion and social commitment and a response to the disaster that caused huge human and financial loss. The bank also felt to the need to create immediate awareness before any further could take place. Thereafter, upon the incidence of Rana Plaza, the bank continued this support, however, the remained within their clientele due to lack of adequate low cost funds and low interest rate. IFIC Bank claims to be one of the 4 private commercial banks that pioneered in financing for the RMG sector and occupies 5% share of the total RMG sector financing by the banking sector and thus has a strong command on this sector about it business dynamics that changes every day locally and globally as well.

**Issues discussed and observations made:**

Being referred by the official of BFID of Ministry of Finance, Mr. Arijit Chowdhury, JICA team met the Managing Director of IFIC Bank Limited at his office who happens to be a banker with strong farsightedness and prudential banking attitude. During the short meeting with the MD, following issues were discussed:

- a. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** IFIC Bank is very much interested in taking part in the existing and upcoming scheme of JICA for RMG sector.
- b. **Technical assessment of individual RMG factories:** The MD suggested ensuring high quality, professional, transparent technical assessment that can be well accepted by the bankers. He was not at all confident about the existing technical assessment works of JICA jointly being done with Public Works Department.
- c. **Assessment of Financing Proposal:** The MD was keen in the professional and reliable appraisal of financing proposals and this should be done by the bank itself since it the bank who is ultimately liable to repay the money to central bank or JICA. This task of appraisal should be assessed by bank's in-house staff otherwise they would not finance. The bank will never accept the technical assessment without its true involvement in the assessment process.
- d. **Mode of Financing by BB:** Both re-financing and pre-financing methods of funding by the central bank were discussed. The MD suggested adopting the '**pre-financing method**' since it is long term low cost funds where banks do not have scope to make normal profit like other financing activities. Again, under the refinancing method, the commercial banks have to utilize the funds for loan disbursement 2-3 weeks earlier of reimbursement by the central bank.

- e. **Selection criteria of PFI:** A well researched selection criteria should be developed. Those commercial banks having better rating, improved financing health and successful track record and significant involved in the RMG sector should be considered as PFI.
- f. **Specific Financial product:** Since it will not directly generate any revenue for the RMG factories, this should be a long term loan at low rate attractive to the RMG owners. Rate of interest should be lower and the IFIC Bank will charge only 9% if they can borrow at 5% from central bank. Tenure should be minimum 5 years with a grace period of 18-24 months. Only the existing RMG factories should be considered those having good cash flow.

### **Conclusion**

IFIC is very confident to handle this fund in an efficient way as they have been doing it. However, they are concerned about the number of RNG factories having owned building, which they mentioned 7%-8%. IFIC is interested to conduct a joint audit with JICA team to identify clients within their portfolio. Finally, they suggested leaving the credit risk at banks' level, JICA should not be involved at individual transaction level.

No. 9/17

Organization's name:	<b>Mercantile Bank Limited (MBL)</b>		
Location of meeting:	Dilkusha Commercial Area, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Ehsanul Haque, Managing Director Mr. M. Zakir Hossain, Sr. Executive VP & Head of Corporate Banking		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 21, 2014	Time 12:00 a.m.

Mercantile Bank Limited (MBL) emerged as a new commercial bank and commenced its operation on June 2, 1999 to contribute socio-economic development of the country. The bank offers a broad range of financial services to its customers and corporate clients. The MD informed that the local RMG industries have already invested substantial amount from their own sources of fund to improve the safety and security system and social compliance of the factory buildings, but they invested not as much for retrofitting works, fire and equipment. JICA expert team held the meeting for the first time to know their interest in the upcoming financing scheme of JICA for retrofitting, rebuilding and relocation of RMG factories.

**Issues discussed and observations made:**

- w. **Exposure to the RMG sector and views about future of RMG sector:** MBL extended a substantial amount of loans to the RMG sector, which is around 25% of its total loan portfolio. The officials of MBL are confident about the future growth of RMG sector in Bangladesh and as such, it will invest more in the RMG sector in near future. But, the bank is very much concerned about the recent collapse of factory building and fire and other accidents that may take place any time at other factories. MBL made both short and long term investment in the RMG sector. So far, MBL extended loans to around 160-170 RMG factories, many of them are social and environmentally complaint. MBL informed that there may be demand for long term external funds to relocate and rebuild RMG factories.
- x. **Experience of JICA SME refinancing scheme:** MBL has already participated in the on-going SME refinancing scheme of BB funded by JICA. MBL also facilitates its clients regularly to use the Export Development Funds of Bangladesh Bank and they find EDF as a very good scheme that should be made always available to support RMG industries.
- y. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** MBL showed profound interest in the upcoming financing scheme but not for retrofitting works. Rather they would prefer to finance relocation and rebuilding of RMG factories as they have already significant exposure to this sector. MBL prefers to access cheaper funds for onward lending as the borrowers are always looking for low cost finance. While asking about the interest MBL in taking part in the scheme, they made a couple of queries like total size of the funds, nature of financing (short or long), tenure of funding, rate of interest, number of PFIs to be involved, etc. MBL proposed not to include too many PFIs under this program because the fund is limited compared to the total needs for the RMG sector in Bangladesh for factory rebuilding and relocation.
- z. **Terms and conditions of loans:** MBL is not interested in financing for retrofitting purpose, but they may fund for rebuilding and relocation of the existing factories. However, MBL will extend these loans only within their existing clients in the RMG sector. Although MBL proposed 7-years tenure of loan along with a 1-2 grace period but they prefer not to be dictated for the Bangladesh Bank about the terms and conditions of loans. The cost estimate by PWD upon technical assessment should be accurate and reliable and should be accepted by the banks based on which individual banks will evaluate the loan proposals and extend certain amount of loans to RMG industries.
- aa. **Suggestions and Recommendations:** MBL suggested that the loan process should be a simplified one and the financing scheme should not include other components as a package that can jeopardize the ultimate purpose of

the scheme; for example, financing support to procure production machinery or working capital finance. Finally, they recommended prompt implementation of this scheme, otherwise many RMG factories that were found non-complaint may be out of business.

No. 10/17

Organization's name:	<b>Mercantile Bank Limited (MBL)</b>		
Location of meeting:	Dilkusha Commercial Area, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Ehsanul Haque, Managing Director Mr. M. Zakir Hossain, Sr. Executive VP & Head of Corporate Banking		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 21, 2014	Time 12:00 a.m.

Mercantile Bank Limited (MBL) emerged as a new commercial bank and commenced its operation on June 2, 1999 to contribute socio-economic development of the country. The bank offers a broad range of financial services to its customers and corporate clients. The MD informed that the local RMG industries have already invested substantial amount from their own sources of fund to improve the safety and security system and social compliance of the factory buildings, but they invested not as much for retrofitting works, fire and equipment. JICA expert team held the meeting for the first time to know their interest in the upcoming financing scheme of JICA for retrofitting, rebuilding and relocation of RMG factories.

**Issues discussed and observations made:**

- bb. **Exposure to the RMG sector and views about future of RMG sector:** MBL extended a substantial amount of loans to the RMG sector, which is around 25% of its total loan portfolio. The officials of MBL are confident about the future growth of RMG sector in Bangladesh and as such, it will invest more in the RMG sector in near future. But, the bank is very much concerned about the recent collapse of factory building and fire and other accidents that may take place any time at other factories. MBL made both short and long term investment in the RMG sector. So far, MBL extended loans to around 160-170 RMG factories, many of them are social and environmentally complaint. MBL informed that there may be demand for long term external funds to relocate and rebuild RMG factories.
- cc. **Experience of JICA SME refinancing scheme:** MBL has already participated in the on-going SME refinancing scheme of BB funded by JICA. MBL also facilitates its clients regularly to use the Export Development Funds of Bangladesh Bank and they find EDF as a very good scheme that should be made always available to support RMG industries.
- dd. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** MBL showed profound interest in the upcoming financing scheme but not for retrofitting works. Rather they would prefer to finance relocation and rebuilding of RMG factories as they have already significant exposure to this sector. MBL prefers to access cheaper funds for onward lending as the borrowers are always looking for low cost finance. While asking about the interest MBL in taking part in the scheme, they made a couple of queries like total size of the funds, nature of financing (short or long), tenure of funding, rate of interest, number of PFIs to be involved, etc. MBL proposed not to include too many PFIs under this program because the fund is limited compared to the total needs for the RMG sector in Bangladesh for factory rebuilding and relocation.
- ee. **Terms and conditions of loans:** MBL is not interested in financing for retrofitting purpose, but they may fund for rebuilding and relocation of the existing factories. However, MBL will extend these loans only within their existing clients in the RMG sector. Although MBL proposed 7-years tenure of loan along with a 1-2 grace period but they prefer not to be dictated for the Bangladesh Bank about the terms and conditions of loans. The cost estimate by PWD upon technical assessment should be accurate and reliable and should be accepted by the banks based on which individual banks will evaluate the loan proposals and extend certain amount of loans to RMG industries.

- ff. **Suggestions and Recommendations:** MBL suggested that the loan process should be a simplified one and the financing scheme should not include other components as a package that can jeopardize the ultimate purpose of the scheme; for example, financing support to procure production machinery or working capital finance. Finally, they recommended prompt implementation of this scheme, otherwise many RMG factories that were found non-complaint may be out of business.



No. 11/17

Organization's name:	<b>United Leasing Company Limited (ULCL)</b>		
Location of meeting:	Camellia House, 22, Kazi Nazrul Islam Avenue, Dhaka		
Stakeholders' represented by:	Mr. Mohiuddin Rasti Morshed, Chief Risk Officer Mr. Mahmudur Rahman Khan, Product Manager, Affordable Home Loan Ms. Syeda Tesrin Afzal, Deputy Manager, Knowledge & Communication Centre Mr. Mohd. Parvez Rahman, Deputy Manager, Treasury		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 23, 2014	Time 11:00 a.m.

United Leasing Company Limited (ULC) is the second largest leasing company in Bangladesh started operation in 1989. Unlike other banks and NBFIs, ULC has been very conservative and selective in extending lease finance and loans to its clients. ULC extends lease finance and loans out of depositors' money and short-term borrowing.

Although ULC initially started lease financing only but later on it has expanded its operation into other areas like working capital finance for SMEs, affordable housing finance for individual aspirant borrowers who are mainly middle income and lower middle income people living outside Dhaka. Currently, ULC has offices in 19 different locations across the country and it also extends crop financing in the coastal areas of Bangladesh.

**Issues discussed and observations made:**

- gg. **Exposure to the RMG sector and views about future:** ULC extended lease finance and working capital loans to the RMG sector and a total of BDT 484 million was disbursed to 174 RMG industries by ULC. ULC is very much optimistic about the future of RMG sector. ULC extended finance to the factories those are fully compliant.
- hh. **Experience of JICA SME refinancing scheme:** ULC participated in SME refinancing scheme of BB funded by JICA. However, ULC is very critical about the current SME financing scheme. Due to several reasons like mandatory requirement of environmental clearance certificate, long list of documents, lengthy application form requires long list of information, difficult ~~weak~~ reporting process, lack of speed, etc.
- ii. **Interest in financing the RMG factory retrofitting, relocation works:** ULC is open to any kind of new projects or services, but it cannot commit any long term financing. However, if JICA provides any long term funds, ULC will also take part. ULC is interested in financing under the new scheme for retrofitting, relocation and rebuilding of RMG factories as they have already good exposure to this sector with more than 174 clients. ULC will appreciate a simplified loan application process for the upcoming scheme.

Existing housing finance charges 12% interest and tenure of loan is 15 years with a 6 months grace period and the amount of loan ranges from BDT 500,000 to BDT 1.5 million and land is mortgaged with ULC as security. Borrowers of affordable housing finance at sub-urban level having no bank account are being given these loans.

- jj. **Suggestions and recommendations:** ULC suggested a simplified loan application process while taking into the importance of technical assessment and accuracy in cost estimate.

Organization's name:	<b>National Credit and Commerce Bank Limited (NCCBL)</b>		
Location of meeting:	Motijheel Commercial Area Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Khairul Alam, Senior Vice President Mr. Abdul Wadud, Vice President		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	October 23, 2014	Time 2:30 p.m.

National Credit and Commerce Bank Limited (NCCBL) started operation as a commercial bank and it extends banking services at a reasonably lower cost compared to other banks and FIs. NCCBL extends loans and advances at a low cost and the rate of interest for working capital loans is in single digit.

#### Issues discussed and observations made:

- a. While the bank officials appreciated the initiative of JICA for RMG sector but they also expressed deep concern about the role of civil defense due to the existing road condition and traffic congestion in Dhaka and Chittagong city. Due to traffic congestion and movement of too many vehicles within Dhaka and Chittagong city, it would be impossible to initiate any rescue works to save the factories and people's lives in case of any such disasters, they opined. They mentioned about the provisions of Helicopter for rescue works in future.
- b. Another area of concern the bank officials shared with the JICA expert team is the current liquidity situation of the local financial market. Banks are having huge amount of access liquidity piled up which they cannot disburse and if the funds remain unutilized it will increase the interest burden for the banks.
- c. **Exposure to the RMG sector and views about future of RMG sector:** NCC Bank has exposure to the RMG sector which is around 8%-10% of its total loan portfolio. NCC Bank extends both short and long term loans to its clients and the officials of the bank are optimistic about the future growth of RMG sector in Bangladesh.
- d. **Experience of JICA SME refinancing scheme:** NCC Bank could not avail substantial amount of funds under SME refinancing scheme of JICA due to several reasons including pre-requisite of environmental clearance certificate for Enterprises to be issued by the Department of Environment (DOE). Also, they mentioned that JICA scheme does not allow financing of trading activities.
- e. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** Regarding retrofitting projects, the bank officials informed that the factories are reluctant to pursue these funds under JICA scheme. NCC Bank showed interest in the upcoming financing scheme but they would prefer to finance **relocation and rebuilding of RMG factories**. NCC prefers to access cheaper funds for lending these to their borrowers who always look for low cost finance. The NCC Bank showed interest in the list of inspected factories made by PWD/BGMEA and accordingly requested JICA expert team during the meeting.
- f. **Terms and conditions of loans:** Upon technical assessment, the cost estimate by PWD should be done accurately so that it is accepted by the NCC Bank. Unlike other banks, NCC does not charge more than 5% as spread.
- g. **Suggestions and Recommendations:** NCC Bank officials suggested formation of a PIU under which a **dedicated desk** comprises of both Technical and Financial Experts should be there. The proposed dedicated desk for the financing scheme should have **"ONE-STOP Services"** that may cover technical

assessment and design, and cost estimate and the provisions of issuing certificates. Besides, the Public Works Department should be reinforced for improved performance and timeliness.

**No. 13/17**

Organization's name:	Standard Bank Ltd. Head Office
Location of meeting:	Metropolitan Chamber Bldg. 122-124, Motijheel, C/A Dhaka-1000
Stakeholders' represented by:	Mr. Md. Nazmus Salehin, MD & CEO Mr. Syed Anisur Rahman, SVP & Head International Dept.
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Ms. Sunjida Khan, Research Executive, Young Consultants
Date and time:	Date: October 29, 2014      Time 12:30 a.m.

Standard Bank Ltd. Is one of possible PFI under JICA TSL, and one of good performing commercial banks. So far The Bank has not taken JICA fund through BB for the development of SME. The Bank has 94 branch offices in the country.

**Issues discussed and observations made:**

- ❖ Regarding the question of difficulties in availing JICA fund for SME finance, Mr. Nasmus, MD, said actually that there are no difficulties.
- ❖ Currently SME related training is going on in the bank and within two months. During the meeting, Mr. Nasmus instructed the officer in charge of BB-refinance programs who was standing by MD to take in JICA fund by December this year.
- ❖ Standard Bank wants to generate loan in such sector which will helpful for women.
- ❖ The Bank's loan exposure to SME sector is around 20%.
- ❖ Interest rates, both deposits and loans, are in down trend recently. The Bank has been reducing their interest rates themselves because of competition and the demand of the market.
- ❖ Current Level of the rates:
  - Loans to SME → Prevailing average interest rate for loans to SME is 16- 17%; 16% is majority, that is higher than large-scale enterprises – “Corporate” in their terminology - because transaction costs in loan preparation for SME sector is high.
  - Weighted average of deposit rate → 8+%. Actual figure is 8.2%
- ❖ In case of 5% interest rate as funding cost from BB refinance program, 3% of net margin and 2% of transaction cost, making it another 5% as the Bank's margin is acceptable.
- ❖ Regarding the issue of Building Safety financing under preparation, they demonstrated much interest and when the project come, MD said that they will be involved.
- ❖ MD mentioned, however, that not every RMG factory would be eligible for their loan. In case of member factory of BGMEA or BKMEA, the situation would be better.

No. 14/17

Organization's name:	<b>Commercial Bank of Ceylon PLC</b>		
Location of meeting:	Gulshan Branch, Gulshan-1, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Mohammad Mainul Hasan Faisal, Head of Unit-III, Corporate Banking Mr. George C. Gomes, Head of Gulshan Branch,		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	November 3, 2014	Time 11.0 a.m.

CBC plc is a foreign bank operating in Bangladesh that was originated in Sri Lanka. It is one of the best bilateral commercial banks having off-shore banking services in all the Export Processing Zones in Bangladesh. CBC extends short term loans and facilitates international trade of its clients who are mostly medium and large industries. Being foreign bank, CBC has some restrictions in financing, for example the bank can have 25% maximum credit exposure to a single sector

**Issues discussed and observations made:**

- a. **Exposure to the RMG sector and views about future of RMG sector:** CBC has strong exposure to the RMG sector and they generate 80% of their business in RMG sector and they earn enough revenue from this sector. They are optimistic about the future growth of RMG sector in Bangladesh.
- b. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** CBC showed interest in the upcoming financing scheme and the bank has already extended loans worth \$ 500,000 to the RMG industries to procure fire doors and other safety equipment. CBC extended loans to some RMG industries at a rate of 13% for 5 years term.
- c. **Terms and conditions of loans:** The rate of interest should be an attractive one since this financing does not create immediate impact on business growth. CBC suggested avoiding Taka loan and dollar loan should be encouraged, 4.5 to 5% rate of interest in case of dollar loans; the tenure of loan shall be for 10 years along with a 3 years grace period; the borrowers shall be compelled to building up a foreign currency funds out of their export proceeds in order to make sure timely recovery of loans; provision of forward option or auto-hedging should be made, etc. Finally, this loan should be extended to the small and medium size factories that require funds for overall improvements of their factory at a complaint standard following the inspection report of ACCORD and Alliance.
- d. **Net profit of RMG Sector and Cash Incentive:** CBC officials opined that net profit for RMG industry ranges from 3-5%. They mentioned that to avail cash incentive it requires submitting at least 37 documents against one export.
- e. **Suggestions:** CBC officials opined that small factories that are found faulty by ACCORD and Alliance inspection should be given priority in providing this loan. There should be provision of loan repayment in foreign currency.

No. 15/17

Organization's name:	<b>Prime Bank Limited (PBL)</b>		
Location of meeting:	Baridhara Branch, Gulshan-2, Dhaka, Bangladesh		
Stakeholders' represented by:	Mr. Abdul Bari, Vice President and Branch in-Charge		
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants		
Date and time:	Date:	November 3, 2014	Time 12.0 p.m.

PBL is one of the ten scheduled commercial banks selected as partner financial institutions for the JICA Financing scheme. The Branch In-charge was informed about the JICA financing scheme for RMG sector for retrofitting.

**Issues discussed and observations made:**

- f. **Exposure to the RMG sector and views about future of RMG sector:** PBL has good exposure to the RMG sector however the Baridhara branch being a newly opened branch has so far no client in the RMG sector. They are expecting some clients in the near future. The Branch In-charge is optimistic about the future growth of RMG sector in Bangladesh. He informed that other branches of PBL have been using EDF loan of Bangladesh Bank as this is very useful in increasing fund mobility and it is being given at a rate LIBOR plus 2-3% which they found very cheap.
- g. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** PBL showed interest in the upcoming financing scheme.
- h. **Terms and conditions of loans:** Being commercial bank, PBL has to collect deposits from the individuals against which the bank has to pay interest. Therefore, if the funds are made available by Bangladesh Bank at a low cost it can be used easily. The Branch In-charge opined that if the cost of fund is reduced, it would be attractive for commercial banks. They proposed 8.5% rate of interest if the funds are available for pre-financing. The tenure of loans should be 5-10 years depending on the individual RMG factories.
- i. **Conclusion:** Commercial banks operate on depositors' funds; therefore, extending loans at a longer term will be difficult for them.

No. 16/17

Organization's name:	<b>Dutch-Bangla Bank Limited (DBBL)</b>
Location of meeting:	International Division, Tejgaon Industrial Area, Dhaka, Bangladesh
Stakeholders' represented by:	Mr. Masud Hossain, Senior Vice President and Head of ID (TBO) Mr. Abudul Monem, Vice President Mr. Mir Mominul Huq, Head of SME Division
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants
Date and time:	Date: November 3, 2014 Time 2.0 p.m.

DBBL is a joint venture commercial bank in Bangladesh where FMO, the Netherlands used to hold 25% of its share during the initial stage. It is one of the ten scheduled commercial banks selected as a partner financial institution for JICA financing scheme for RMG sector retrofitting, rebuilding and relocation project.

**Issues discussed and observations made:**

- a. Exposure to the RMG sector and views about future of RMG sector:** The Board of Directors of DBBL has strong knowledge in the RMG and textile sector and as such, 35% of the total loan portfolio is exposed to RMG and Textile sector. DBBL Directors are very much aware about the global market situation of the RMG products. The bank extended loans to many RMG industries including 5-6 giant groups of companies in this sector namely Esquire Group, Epillion Group, Fakir Group, Noman Group, etc. DBBL informed that despite many odds and obstacles, the RMG sector has achieved growth which is due to increase of volume of export. Workers in Bangladesh more suitable for this industry and they have strong commitment, as opined by the bank officials.
- b. Interest in financing the RMG factory retrofitting, relocation and rebuilding:** DBBL showed interest in the upcoming financing scheme.
- c. Terms and conditions of loans:** DBBL officials opined that 9% should be most appropriate rate of interest and the tenure of loans should be 15 years maximum.
- d. Suggestions:** The bank must evaluate the succession plan of an individual RMG factory while sanctioning this loan since it is long term loan and recovery of loan will largely depend on the successors' performance and attitude in many cases. Quality of managers of the RMG factories should also be taken into consideration while evaluating the loan proposals.

No. 17/17

Organization's name:	<b>ONE Bank Limited (OBL)</b>
Location of meeting:	Banani Branch, Banani, Dhaka, Bangladesh
Stakeholders' represented by:	Mr. Kh. Rashed Zaman, Vice President and Branch in-Charge , Mr. Mahmudul Hasan, Assistant Vice President and Sr. Relationship Manager
Team member (s) present:	Mr. Yuji Morimoto, Financial Group Leader Mr. Eiji Maeda, Senior Consultant Mr. M. Zakir Hossain, Institutional Finance Expert & CE, Young Consultants
Date and time:	Date: November 5, 2014      Time 3.0 p.m.

OBL is one of the top five commercial banks having sound credit worthiness, and the position of NPL is better compared to other banks and FIs, as reported by the Branch In-charge. OBL extends both short and long term loans to its clients and it extends home loans to the individuals at 13% rate of interest for maximum 15 years. Banani Branch is an authorized exchange dealer, but not an off-shore branch unit. Mr. Kh. Rashed Zaman, Branch in-Charge, used to work for Standard Chartered Bank, and he looked quite understandable about current economic and financial situation in Bangladesh in general and BB-refinancing scheme, specifically.

**Issues discussed and observations made:**

- j. **Exposure to the RMG sector and views about future of RMG sector:** OBL has good exposure to the RMG sector and the Banani branch has 3 RMG sector clients and 1 textile-spinning client and the branch is expecting a few more RMG sector clients in the near future. Officials of the bank are optimistic about the future growth of RMG sector in Bangladesh and they opined that the RMG sector of Bangladesh would enjoy steady business growth in next 20 years.
- k. **Interest in financing the RMG factory retrofitting, relocation and rebuilding:** Branch In-charge showed interest in the upcoming financing scheme and he informed that he has been negotiating with some of the RMG industries about this scheme but at a very preliminary stage. He has reviewed the reports of ACCORD and Alliance on factory inspection and he was curious about the scope of extending loans under JICA refinancing facility based on the reports made by ACCORD and Alliance. Accordingly, they were advised about the on-going inspection works of CNCRP-PWD and procedures to access the funds.
- l. **Terms and conditions of loans:** The Branch In-charge opined that 8% should be most appropriate rate of interest on the sub-loan, provided that PFI receives re-finance from BB at 5.0%. He said that the tenure of 15 years is reasonable. However, it could be increased at 10% maximum.
- m. **Suggestions:** OBL official suggested increasing the volume of loans.



## **Appendix 9 Draft Operating Guidelines**

**Appendix-9: Draft Operating Guidelines**



**GOVERNMENT OF PEOPLE'S REPUBLIC OF  
BANGLADESH**

**JAPAN INTERNATIONAL COOPERATION AGENCY  
(JICA)**

**(BD-P XXX)**



**DRAFT  
OPERATING GUIDELINES  
FOR  
URBAN BUILDING SAFETY PROJECT  
IN BANGLADESH**



**PROJECT IMPLEMENTATION UNIT  
SME AND SPECIAL PROGRAMMES DEPARTMENT  
BANGLADESH BANK**



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## ABBREVIATIONS

ASE	Advanced Simplified Evaluation
BB	Bangladesh Bank
BFID	Bank and Financial Institutions Division
BGMEA	Bangladesh Garment Manufacturers & Exporters Association
BKMEA	Bangladesh Knitwear Manufacturers & Exporters Association
BNBC	Bangladesh National Building Code
DIFE	Department of Inspection for Factories & Establishments
DOE	Department of Environment
GOB	Government of Bangladesh
JICA	Japan International Cooperation Agency
JPY	Japanese Yen
L/A	Loan Agreement
MOF	Ministry of Finance
MOHPW	Ministry of Housing and Public Works
ODA	Official Development Assistance
PFI	Participating Financial Institution
PIU	Project Implementation Unit
PMC	Project Management Committee
P/R	Progress Report
PWD	Public Works Department
RFA	Revolving Fund Account
RMG	Ready Made Garment
RPC	Review Panel Committee
DA	Designated Account
SC	Steering Committee
SME	Small and Medium-sized Enterprise
Tk	Bangladesh Taka
TRC	Technical Review Committee
TSL	Two-Step Loan
UBS	Urban Building Safety
USD	United States Dollars

## DEFINITIONS

Assessment rate of security property .....	a coefficient for the calculation of a security value, which is less than 1, set by each credit institution
End-borrower .....	an owner of RMG factory or a building owner of RMG factory belonged to BGMEA or BKMEA, and an owner of commercial building accepted by Project Management committee
Financed Property .....	property obtained by using a Project sub-loan
On-Lending Loan .....	a loan for the fund of a sub-loan, lent by BB to a PFI
On-Lending Loan agreement .....	a contract of an on-lending loan between BB and PFI
Participation agreement.....	a basic agreement of on-lending loans between BB and PFIs
The Project .....	Urban Building Safety Project financed by JICA
Property value .....	a value of a property used for security
Revolving fund account .....	a bank account held by BB for managing funds of the TSL Project
RMG factory .....	the factory of Ready Made Garment and knit ware sectors
Sub-loan .....	a loan lent by a PFI to an end-borrower to finance an eligible sub-project
Sub-Project.....	objective RMG factory or building for building safety by retrofitting, rebuilding or relocation under a TSL sub-loan

## Introduction

### Purpose of Operating Guidelines

Bangladesh is located on the plate, boundary region among Eurasia, India and Burma plates, which is one of the most seismic active zones in the world, and seven (7) large earthquakes happened over the past 150 years. Among others, the Dhaka Metropolitan Area (Dhaka, Gazipur and Narayanganj District) and Chittagong City, where political, economic and cultural function concentrated on, are the area with higher buildings in a dense city. However, most of the buildings have not complied with Bangladesh National Building Code (BNBC), resulting in little resilience to the earthquake.

According to the projection, of the Comprehensive Disaster Management Program (CDMP), Ministry of Food and Disaster Management, Government of Bangladesh (GOB), 2009, it is estimated that, if the earthquake with magnitude 6 would happen beneath Dhaka, 56% of the buildings will be beyond economic repair, citizens in Dhaka will be killed more than 150,000 and 5% of GDP will be lost.

In addition to the natural disaster mentioned above, it is also underlined that five (5) large scale building collapse without tremors happened in 10 years due to the negligence of BNBC like illegal expansion of the building, inadequate design quality and so forth.

GOB developed Bangladesh National Building Code (BNBC) in 1993 and revised 2006 which requires the standard of general building requirement including seismic design. In spite of BNBC, the enforcement of BNBC has not been progressed as expected. According to the sampling survey for Ready Made Garment (RMG) factories by GOB (RMG Sector Safe Working Environment Program), 65.5% of the RMG factories do not comply with BNBC. The reasons of the little enforcement of BNBC are inadequate technical capacity and construction management, limited hand-in reference to ensure BNBC, limited mechanism to instruct the quality of buildings and so on.

Under such circumstances, JICA and PWD have implemented “ Project for Capacity Development on Natural Disaster-Resistant Techniques of Construction and Retrofitting for Public Buildings (CNCRP)”from 2011 to 2015 to develop the seismic designing capacity of PWD. Also, GOB and JICA have initiated Ready Made Garment (RMG) Sector Safe Working Environment Program since October 3, 2013, which provide the preferential loans to retrofitting, rebuilding and relocation of RMG factories with an amount of one billion Bangladesh Taka (BDT). Through these programs, it has been identified that 1) the existing public facilities have not been much paid attention to BNBC, and the public buildings which require emergent rescue and evacuation function should be strengthened immediately followed with BNBC, and 2) RMG and knitwear factories, which contribute to 78.5% of the total export (Bangladesh Economic Review 2012 , Ministry of Finance (MOF/GOB), have urgent demand for building safety to avoid same experiences of the recent huge building collapse.

RMG Sector Safe Working Environment Program has identified that the 18 RMG factories have strong demand in strengthening their factories out of 55 eligible applications under the Program, which will cost around 37 million USD. In addition to this immediate demand, there are further demands for building safety, namely 2<sup>nd</sup> immediate demand is 52 RMG factories and 3<sup>rd</sup> immediate demand is 130 RMG factories from the estimation through RMG Sector Safe Working Environment Program. In total, it is estimated that 130 RMG factories are willing to strengthen their buildings in RMG sector in Bangladesh.

Under the Urban Building Safety Project (hereinafter referred to as “the Project”), JICA will lend the concessional ODA loan to the government for provision of Two-Step Loan (TSL) for private building safety measures (hereinafter referred to as “TSL Project”) and for improvement of public building safety through project loan. The TSL will in turn be on-lent to the Participating Financial Institutions (hereinafter referred to as “PFIs”), which would then re-lend the fund to end-borrowers. The funds available under the TSL Project would be passed on to the PFIs on a back to-back basis, i.e., the PFIs would repay to the government on essentially the same loan repayment schedule as for the underlying sub-loan. That is why this type of ODA loan is called as “two-step loan (TSL)”.

The Guidelines for the Project Implementation Unit established in Bangladesh Bank (BB) (hereinafter referred to as “BB-PIU”) and for the PFIs are intended to facilitate BB-PIU and PFIs to thoroughly understand policies and the mechanism of the TSL Project, to process the JICA ODA long-term loan to the Government of Bangladesh (hereinafter referred to as “the Loan”) provided under the Loan Agreement (L/A), and to realize successful implementation of the TSL Project. Please note, however, that these Guidelines are subject to change or revision preferable or necessary, or reflecting changes in economic situation or laws.

In addition, as mentioned earlier, the purpose of the TSL Project is to strengthen the building safety in RMG sector as one of main targets among private buildings, technical cooperation of Public Works Department (PWD) is essential factor to accomplish the building safety project by financial scheme. Therefore, the Guidelines are made considering the technical side to be in charge of PWD.

### **Modification of Operating Guidelines**

Any change in the Operating Guidelines, which would materially change the structure and/or nature of the TSL scheme, shall be made by the BB-PIU with approval by Project Management Committee 1<sup>1</sup>, and upon reporting to the organization as specified in each of the Guidelines. The authorized person or organization and the reporting requirements are summarized in the Annex I.

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<sup>1</sup> Project Management Committee 1 is to supervise the activities on private building safety, Project Management Committee 2 is responsible for supervising public building safety.

## PART 1: POLICY

### 1. Two-Step Loan Project

#### 1.1. Objective of the Project

The objective of the Project is to strengthen the building safety in Urban Cities by financing loans for building safety for private buildings through Participating Financial Institutions (PFI), and by improving the building safety for public buildings, thereby contributing to improvement of the social vulnerability of urban cities.

The TSL Project aims at strengthening the building safety of RMG factories and private buildings in Dhaka Area and Chittagong City through i) provision of market-based long-term finance to building safety in private sector, and ii) provision of technical assistance to banks and financial institutions, thereby contributing to sustainable growth of the RMG industry and improvement of the social vulnerability of urban cities in Bangladesh through long-term finance.

#### 1.2. Scheme of the Project

The TSL Project is an on-lending loan scheme to provide short to long-term loans to strengthen the RMG factories and private buildings through the accredited PFIs. JICA provides the Loan funds in Japanese Yen (JPY) to the Government of Bangladesh (hereinafter referred to as “GOB”) represented by its Ministry of Finance (hereinafter referred to as “MOF”). The Borrower shall authorize the Bank and Financial Institutions Division of the Ministry of Finance (hereinafter referred to as “MOF-BFID”) as the executing agency to implement the TSL Project. The JPY funds provided are exchanged to Bangladesh Taka (Tk) by MOF-BFID and on-lent to Bangladesh Bank (hereinafter referred to as “BB”) as the implementing agency. The fund maintained by BB will be used by PFIs for their financing short to long-term loans to RMG factories and private building owners (hereinafter referred to as “Sub-loans”) for strengthening of their factories and buildings, such as retrofitting and rebuilding, and short-term loans for fire safety facilities and equipment and the working capital during the construction of factories and buildings. In practice, BB will act as an Implementing Agency responsible for the administration of the Project on behalf of MOF-BFID, and make On-Lending Loans to PFIs (hereinafter referred to as “OLLs”), which, in turn, will make Sub-loans to end-borrowers.

The amount of the Loan is JPY 12,092 million in total, of which JPY 4,783 is earmarked for TSL Project.

#### 1.3. Management Structure of the Project

The structure, i.e., key players and funds flow in disbursement and repayment, of the TSL Project are outlined in Annex II and III, respectively, and the principal functions of each player are following.

In order to effectively and efficiently conduct the Project, four concerned committees will be established, that is, Steering Committee (S/C), Two Project Management Committees (PMC), and Technical Review Panel (TRP).

##### 1.3.1. Steering Committee (SC)

###### 1) Objectives

To supervise the overall project progress and effective coordination among various stakeholders for smooth coordination and management of the Project

2) Scope

To coordinate, monitor and guide overall implementation mechanism including the inter-ministerial coordination when required higher level intervention

3) Frequency

Ad-hoc basis

(The principal responsibility of implementation of the Project is given to PMC, therefore S/C is held ad-hoc basis when needs any intervention from higher authority.)

4) Establishment timing

Right after the approval of DPP (Development Project Proposal).

5) Composition of S/C

No	Organization	Title in organization	Title
1	MoHPW	Secretary	Co-Chairman
2	BFID	Secretary	Co-Chairman
3	Prime Minister's Office	Representative	Member
4	BB	Representative	Member
5	PWD	Chief Engineer/Project Director	Member
6	DoA	Chief Architect	Member
7	RAJUK	Chairman	Member
8	HBRI	Director	Member
9	DIFE	General Inspector	Member
10	ERD	Representative	Member
11	Planning Commission	Representative	Member
12	IMED	Representative	Member
13	BB	Project Director of BB-PIU	Member
14	JICA	Representative	Observer
15	Concerned Development Partners (World Bank)	Representative	Observer
16	PWD	Project Director of PWD-PIU	Member Secretary

**1.3.2. Project Management Committee (PMC)**

The objective of Project Management Committee (PMC) is to guide proper implementation of the two project components, two separate project management committees (PMC) will be established in order to supervise the activities of each component. As a matter of practical convenience, PMC for Component 1 (Private Building Safety) shall be called as PMC 1, and PMC for Component 2 (Public Building Safety) shall be called as PMC 2.

**<Project Management Committee 1> (for Private Building Safety Component)**

1) Scope

- a) to approve the content of the Operational Guidelines in its establishment, and in case of their modifications if necessary
- b) to approve the accreditation criteria and selection of PFIs
- c) to annually review the performance of the PFIs after checking the Annual Reports.

2) Frequency



Quarterly basis

3) Establishment timing

Right after the approval of DPP (Development Project Proposal).

4) Composition of PMC 1

No	Organization	Title in organization	Title
1	Bank and Financial Institutions Division	Secretary	Chairman
2	Bangladesh Bank	Representative	Member
3	PWD	Project Director of PWD-PIU	Member
4	Bangladesh Garment Manufacturers and Exporters Association (BGMEA)	Representative	Member
5	Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)	Representative	Member
6	Department of Inspection for Factories and Establishments	Representative	Member
7	PFIs	Representative	Member
8	JICA	Representative	Observer
9	BB	Project Director of BB-PIU	Member Secretary

**1.3.3. Technical Review Panel (TRP)**

- Design and construction for building safety are to be properly ensured with the equivalent level to BNBC for Urban Building Safety Project.

**1) Scope of work of TRP**

- To review designs on seismic and fire safety of new public buildings in the Urban Building Safety Project
- To review designs on seismic retrofitting and fire safety of public buildings in the Urban Building Safety Project
- To review designs on seismic retrofitting and fire safety of private buildings in the Urban Building Safety Project
- To review intermediate and completion inspection on construction site for public and private buildings
- To issue certificate on buildings which are appropriately designed and verified to be constructed properly by site inspection

**2) Status of TRP**

- Under the latest BNBC, BNBC describes that Government of Bangladesh will set up Building Regulatory Authority (BRA) to enforce BNBC throughout Bangladesh. BRA is to be the apex body to implement the provisions of BNBC and be administered under the Ministry of Housing and Public Works, Government of Bangladesh.
- On the other hand, TRP is the panel that will ensure the BNBC to this Urban Building Safety Project. The principal of the objective of TRP is similar to BRA and once BRA is to be fully operated and effective under BNBC, this TRP may be integrated into BRA.

**3) Description of TRP**

- 1) Membership: Not more than 10 members
  - Leader of the Panel: A top leading engineer
  - Member: Leading engineers concerning BNBC
  - Member: Experienced practitioner engineers in designs on seismic and fire safety and supervision in private sector
  - Member: Leading engineers and architects in relevant ministries such as Ministry of Housing and Public Works (PWD & DoA) and Ministry of Education
- 2) Duty
  - To review designs on seismic and fire safety of new public buildings in the Urban Building Safety Project
  - To review designs on seismic retrofitting and fire safety of public buildings in the Urban Building Safety Project
  - To review designs on seismic retrofitting and fire safety of private buildings in the Urban Building Safety Project
  - To review intermediate and completion inspection on construction site for public and private buildings
  - To issue certificate on buildings which are appropriately designed and verified to be constructed properly by site inspection
- 3) Frequency
  - One or two times in a year
- 4) Timing of Establishment
  - Right after signing of L/A

#### **1.3.4. Ministry of Finance (MOF)/ the Executing Agency for the TSL Project**

The MOF-BFID will play the role of Executing Agency on behalf of the GOB who bears the prime responsibility of receiving and repaying Japanese ODA loans from and to JICA and supervision of the TSL Project in light of the development policy of the GOB. The GOB shall bear the credit risk of PFIs as well as the exchange risk.

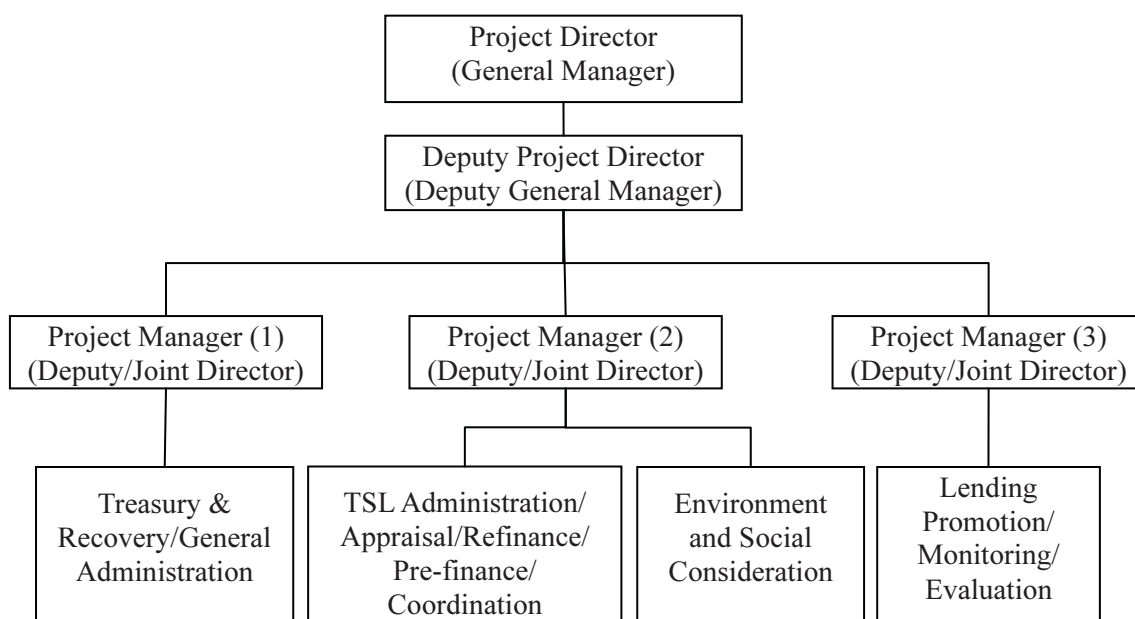
#### **1.3.5. Bangladesh Bank (BB)/ the Implementing Agency for the TSL Project**

Bangladesh Bank, in particular its SME & Special Programmes Department (SMESPD), will act as an Implementing Agency responsible for the administration of the TSL Project with aim to achieve the project objective under the Administration Agreement concluded between MOF-BFID and BB prior to the effectuation of the Loan Agreement. The Implementing Agency will be supported by the Consultant to be employed by BB under the TSL Project and implement the TSL Project in cooperation with PWD.

#### **1.3.6. Project Implementation Unit of BB (BB-PIU)**

For the purpose of the smooth implementation of the TSL Project, the Project Implementation Unit will be established at SMESPD of BB (BB-PIU) with a Project Director, a Deputy Project Director, full-time Project Managers and the adequate number of staff members who will specifically handle all relevant tasks related to the TSL Project. The structure of BB-PIU will be as shown below in Figure 1-1.

**Figure 1.1: Organogram of Project Implementation Unit (BB-PIU)**



The Project Director will be primarily responsible for the TSL Project implementation, and shall mobilize any directorate of BB necessary for the smooth implementation of the TSL Project through appropriate authority of BB. BB may assign appropriate level staff members in BB-PIU.

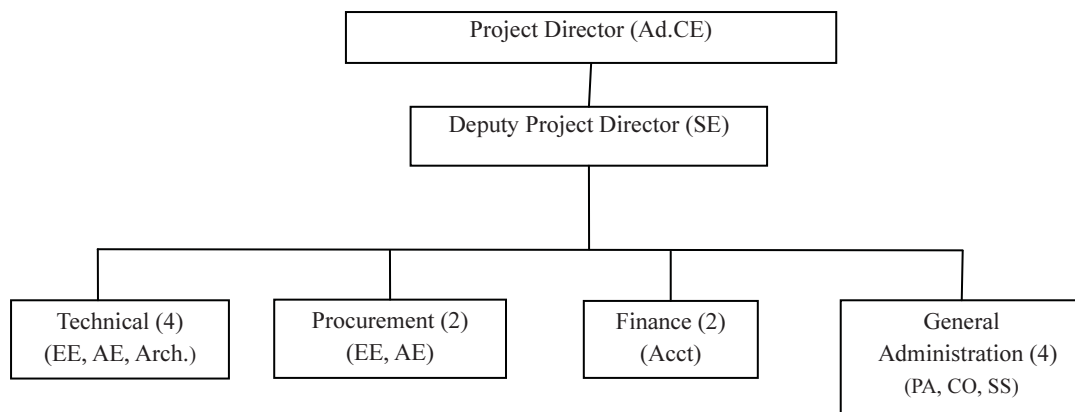
The functions of the BB-PIU, which shall be practically performed on behalf of the Implementing Agency, are implementation, administration, coordination with PWD-PIU and operation of the Project. Such functions will be performed by each section comprising the BB-PIU, which is shown below:

- (1) Project Manager (1) and Treasury & Recovery/General Administration Section
  - Maintenance of the Designated Account, the Project Operating Account and the Revolving Fund Account established for the TSL Project, and disbursements of OLL funds to PFIs, including instruction to the Accounts and Budgeting Department for transfer of funds from/ to such Project Accounts,
  - Instruction to the Accounts and Budgeting Department to transfer funds to be paid by PFI to Revolving Fund Account, BB's Revenue Account and MOF's Revenue Account,
  - Request for initial disbursement and replenishment to JICA,
  - Preparation of statements of the Project Accounts,
  - Full cooperation to external audit of the Designated Account, the Project Operating Account and the Revolving Fund Account as well as to the external audit for Statement of Expenditures.
  - Coordination with BB's other departments for general affairs, and
  - Provision of necessary administrative assistance for other sections of BB-PIU and the Consultants to undertake the technical assistance component of the TSL Project.
  
- (2) Project Manager (2) TSL Administration & Appraisal/Refinance/Pre-finance/Coordination Section
  - Daily monitoring of the TSL Project,
  - Production of quarterly Progress Reports (P/R), including On-going Sub-project

- Summary Report, and Project Completion Report (PCR),
  - Preparation of Current Repayment and Overdue Status Report, and
  - Project Coordination with PWD-PIU and PWD’s consultant (mainly for Project Manager(2))
- (3) Project Manager (2) and Environment and Social Consideration Section
- Confirmation/Review of PFI’s ESMS policy,
  - Confirmation/Review of monitoring items on environmental checklist and monitoring form.
- (4) Project Manager (3) and Lending Promotion/Monitoring Section
- Consultation meeting with PFIs/End-borrowers.
  - Seminar/Workshop for project promotion.
  - Evaluation of the progress of the Project.
  - Impact Assessment

**1.3.7. Project Implementation Unit PWD (PWD-PIU)**

For the purpose of the smooth implementation of the Project, Project Implementation Unit of PWD (PWD- PIU) will be established within PWD. with a Project Director, Deputy Project Director, Project Managers and adequate number of staff members who will specifically handle all relevant tasks related to the Project recruited within the PWD’s and relevant institutions’ human resources.



Note: The position titles written in parentheses in the chart as well as the table below are not restrictive, as long as the competent persons at suitable levels are appointed.

Abbreviation:

- ✓ Additional Chief Engineer (Ad. CE)
- ✓ Superintending Engineer (SE)
- ✓ Executive Engineer (EE)
- ✓ Assistant Engineer (AE)
- ✓ Architect (Arch.)
- ✓ Accountant (Acct)
- ✓ Personal Assistant (PA)
- ✓ Computer Operator (CO)
- ✓ Supporting Staff (SS)

Among the composed PWD-PIU, Technical Unit will be responsible for handling the private building safety for the aspect of the engineering.

#### **1.4. Governing Agreements for the TSL Project**

The TSL Project will be implemented based on the following agreements:

##### **1.4.1. Loan Agreement (L/A) between JICA and GOB**

The L/A stipulates obligations of the Borrower, inter alia:

- (1) Loan Amount and Allocation of Proceeds of Loan,
- (2) Disbursement Procedure,
- (3) Administration Structure, and
- (4) Reporting Requirements to JICA.

##### **1.4.2. Project Memorandum (P/M) between JICA and GOB**

The P/M stipulates various issues on the implementation of the TSL Project, inter alia:

- (1) Confirmation on the contents of the Minutes of Discussion (M/D) including the Project Status Report (PSR), and the Main Points Discussed (MPD),
- (2) Submission of reports and information required as per L/A and M/D,
- (3) Monitoring Indicators in the PSR, and
- (4) Public Relations (PR) activities.

M/D, PSR and MPD attached to P/M have been incorporated in this Operating Guidelines, however, it is recommended to refer to these documents from time to time to obtain deeper understanding of the scheme of the TSL Project, including the background.

##### **1.4.3. Administration Agreement between MOF and BB**

The Administration Agreement officially authorizes BB as the Implementing Agency which has been fully effective since XXXXXX and will be valid until XXXXXX or such other date as may be agreed between MOF-BFID and BB.

##### **1.4.4. Minutes of Understanding (MOU) between BB and PWD**

For the smooth implementation of the TSL Project, conclusion of MOU between MOF and MOHPW/PWD shall be considered necessary to make sure the official involvement of PWD since sub-loan projects will be deeply dependent on the technical evaluation and supports made by PWD.

##### **1.4.5. Participation Agreement between BB and PFI**

Each accredited PFI will conclude a comprehensive Participation Agreement with BB, which is a basic agreement to be applied to all the OLLs. The form of the Participation Agreement is shown as ANNEX IV. The Participation Agreement provide for what is required to PFI under the TSL Project, inter alia:

- (1) Terms and Conditions of the OLLs and the Sub-loans;
- (2) Eligibility Criteria for End-Borrowers and Sub-projects;
- (3) Procedures for OLL and its Repayment; and
- (4) Monitoring and Reporting Requirements to BB-PIU.

The Participation Agreement shall also include, but not limited to, the following obligations of PFI:

- (1) To comply with all the rules and regulations applicable to banks and financial institutions in Bangladesh;
- (2) To comply with the accreditation criteria at all times unless the PFI is at the remedial stage and is so allowed by BB;
- (3) To comply with all the terms and conditions of sub-loans as specified above as well as in the Operating Guidelines prepared by BB-PIU and approved by PMC1;
- (4) To supervise and monitor the implementation of sub-projects by end-borrowers to assure that the purpose of the TSL Project shall be accomplished;
- (5) To implement the TSL Project and conduct its operations and affairs, in accordance with sound administrative, financial, economic and managerial standards, and to provide, promptly as needed, the funds, facilities, services and other resources required for such purpose;
- (6) To disclose or submit all information required by BB-PIU, including, but not limited to, audited financial statements and reports required by BB-PIU for the implementation and monitoring of the TSL Project;
- (7) To allow BB-PIU to suspend, terminate or withdraw OLL when violations are observed;
- (8) To enable BB-PIU, MOF-BFID, PWD-PIU, TRP or JICA to inspect the PFI or any sub-projects and review any relevant records and documents maintained by the PFI, if BB-PIU, MOF-BFID or JICA so requests; and
- (9) To cooperate with BB-PIU to promote public relations of the TSL Project.

#### **1.4.6. Sub-loan Agreement between PFI and End-borrower**

A Sub-loan Agreement shall be signed between a PFI and an End-borrower that stipulates the Terms and Conditions of the Sub-loan. The Sub-loan Agreement shall also include, but not limited to, the following obligations of the End-borrower:

- (1) To use the proceeds of the Sub-loan exclusively for the purpose of the Sub-project which only includes eligible items as specified;
- (2) To submit the evidence of use of the proceeds of the Sub-loan (e.g. receipt or bill, invoice from contractors);
- (3) To submit their financial statements for every accounting term, at least on an annual basis, until the full repayment of the Sub-loan;
- (4) To enable the PFI, BB-PIU, MOF-BFID or JICA **in association with PWD** to inspect the Sub-project, if the PFI, BB-PIU, MOF-BFID or JICA so requests;
- (5) To follow all the environmental regulations established by GOB and JICA's guidelines for environmental and social consideration;
- (6) To allow BB-PIU and the PFI to suspend, terminate or withdraw the Sub-loan when a violation is observed; and
- (7) To allow PWD-PIU and TRP to review the design and inspection for the sub-project.

It is important for PFI to accept that a sub-loan agreement with an End-borrower should allow preliminary approval of PFI. The preliminary approval is an essential key for the End-borrower to take further steps into detail design and construction contract stages. Based on the preliminary approval of loan provided by PFI, the End--borrower affords to accept and start technical procedures. PFI will provide final approval of loan to the End-borrower upon submission of draft contract of construction together with all necessary documents.

The final approval of PFI to the End-borrower will effectuate the construction contract. The relevant procedures on the above are shown **in ANNEX-VI.**

## 2. Eligible End-borrowers and Sub-Projects

The TSL Project aims at strengthening the factory building of RMG sector and private buildings through:

- ✓ provision of market-based long-term finance to building safety through the accredited PFIs; and
- ✓ provision of technical assistance to banks and financial institutions.

thereby contributing to the development of financial market and improvement of vulnerability of urban city on sustainable basis in Bangladesh. PFIs will select bankable end-borrowers who have completed Advanced Simplified Evaluation (ASE) of PWD on first-come first-served basis.

### 2.1. Eligibility Criteria for End-borrowers

PFI will provide a Sub-loan, which is a long-term loan to an eligible end-borrower. i.e. an owner of RMG factory, a building owner of RMG factory and a private building owner.

#### 2.1.1. Legal Status

Eligible End-borrowers of RMG factories shall be members of any of following association:

- (1) Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
- (2) Bangladesh Knitwear Manufacturers and Exporters Association (MKMEA)

However, for the case of private building owner, an owner of private building shall firstly receive the guidance of the procedures of TSL at BB-PIU since BB-PIU is an entry unit of the TSL Project. And based on the understanding, the private building owner will be advised to make an application for ASE by BB-PIU.

#### 2.1.2. Size of Sub-loan

The size of eligible End-borrower of RMG factory shall be determined appropriately considering the area of RMG factories in number of employees in Dhaka and Chittagong areas. As shown in the table below, there are 5,853 RMG factories in both areas, out of which 93% for own building factories and 98% for rented factories are categorized in the factory where 2000 workers employed. It is therefore, recognized that the size of Sub-loan of the Project will be recommended to be the RMG factory with having less than 2,000 employees in either case of a rented factory or an own building factory.

**Table 2-1: RMG factories and number of employees in Dhaka and Chittagong areas**  
(as of middle of 2014)

Possession Form	Dhaka		Chittagong		Total	
	No	%	No	%	No	%
<b>Own building factories</b>	<b>2926</b>	<b>58%</b>	<b>398</b>	<b>50%</b>	<b>3324</b>	<b>57%</b>
<b>Employees less than 2000</b>	<b>2739</b>	<b>94%</b>	<b>358</b>	<b>90%</b>	<b>3097</b>	<b>93%</b>
<b>Employees more than 2000</b>	<b>187</b>	<b>6%</b>	<b>40</b>	<b>10%</b>	<b>227</b>	
<b>Rented factories</b>	<b>2130</b>	<b>42%</b>	<b>399</b>	<b>50%</b>	<b>2529</b>	<b>43%</b>
<b>Employees less than 2000</b>	<b>2092</b>	<b>98%</b>	<b>394</b>	<b>99%</b>	<b>2486</b>	<b>98%</b>
<b>Employees morethan 2000</b>	<b>38</b>	<b>2%</b>	<b>5</b>	<b>1%</b>	<b>43</b>	
<b>Total Number of RMG Factories</b>	<b>5056</b>	<b>86%</b>	<b>797</b>	<b>14%</b>	<b>5853</b>	<b>100%</b>

In case the buildings with more than 2,000 employees apply the TSL Project, the lending might be considered in consideration with the nature of the objectives and status.

### 2.1.3. Eligible Geographical Location

Under the TSL Project, factories of RMG sector and private buildings shall be located in the metropolitan areas of Dhaka and Chittagong city only.

### 2.1.4. Ineligible Investments for financing under the TSL Project

Purchase of land or land use rights and payment of tax and import duties are not eligible for financing. The ineligible investments under the TSL Project are described in ANNEX V: Ineligible Investment Activities List.

## 2.2. Financial and technical Procedures for the End-borrower

For the purpose of smooth implementation of the Project and early realization of borrowings to the end-borrower, the procedures containing financial and technical aspects useful for all stakeholders under the building safety TSL Project are as follows.

### (1) Eligible Applicant:

Eligible applicant is a person who meets following conditions;

- An owner of RMG factory or building owner of RMG and knitwear sectors who employs less than 2,000 workers and holds a membership of BGMEA or BKMEA, and who is ready to carry out the Advanced Simplified Evaluation (ASE) and subsequent construction works such as retrofitting, re-building or relocation of his factory.  
(Note: Condition of determining construction methods is described in Technical Guidance for the TSL Project as ANNEX -XII)
- Private building owner is also eligible applicant provided that Project Management Committee (PMC) recognized necessity and urgency of strengthen his building.

### (2) Eligibility to Finance:

- Cost necessary for the seismic resilient building safety (retrofitting, rebuilding and/or relocation)
- Cost for strengthening fire safety measures of buildings through installation of fire protection door, fire extinguishing equipment
- Cost for working equipment/facilities for the buildings necessary for operation of business in seismic designed buildings (only financed when End-Users borrow the loans to ensure the seismic resilient building safety)
- Cost for working capital during the suspension of the business by construction of seismic resilient building (only financed when End-Users borrow the loans to ensure the seismic resilient building safety)



- (3) Financing and Technical Process (See the Table and the Flow chart procedures attached hereunder):
- a) End-borrower visits BGMEA or BKMEA and he/she receives the brief explanation on JICA USBP loan and the Application for Advanced Simplified Evaluation (ASE).
  - b) End-borrower visits BB-PIU with the Application and receives the detailed explanation of procedures and scheme of JICA loan.
  - c) End borrower accepts the ASE and BB-PIU submits his accepted application for ASE to PWD-PIU.
  - d) PWD-PIU will explain the details about ASE and rough cost estimation to the End borrower.
  - e) End borrower agrees to the details about ASE to be conducted by PWD-PIU.
  - f) PWD-PIU conducts ASE and estimates cost, and submits the result to the End-borrower. At this time, the End-borrower is advised by both BB-PIU and PWD-PIU the method of construction, retrofitting, rebuilding or relocation and how to approach to PFI.
  - g) End-borrower prepares necessary financial documents together with the result of cost estimate of ASE and business plan and submits them to PFI for sub-loan request.
  - h) PFI conducts its due diligence, appraises, decides on preliminary approval and sends it to the End-borrower.
  - i) End-borrower, based on the preliminary approval of PFI, requests for conducting detailed building Survey and detail design in line with agreed construction method.
  - j) Upon request, PWD-PIU conducts detailed design works and estimates the accurate cost.
  - k) End-borrower submits the result of detail design approved by the Technical Review Panel (TRP) and accurate cost to PFI for final approval for sub-loan.
  - l) PFI evaluates the relevant financial and technical documents submitted by the End-borrower and make final decision for the request for sub-loan in its due diligence.
  - m) PFI submits the approved sub-loan proposal to BB-PIU and request BB-PIU for allocation of pre-finance.
  - n) BB-PIU will make sure that the loan proposal submitted is as per the Operating Guidelines and will disburse loan in accordance with the loan proposal to PFI's account.
- (4) Percentage of Coverage: 100 percent of the project cost will be financed under this program.
- (5) Interest Rate: Will be fixed at 9% or less. A maximum of 4 or 5 percent spread on BB financing rate can be charged by the PFIs.
- (6) Collateral: Decided by PFIs following the BB prudential guidelines.
- (7) Repayment: Up to 15 years repayment period with 2 years grace period (assuming the retrofitting or rebuilding must be completed in 2 years), which will be decided by PFIs.

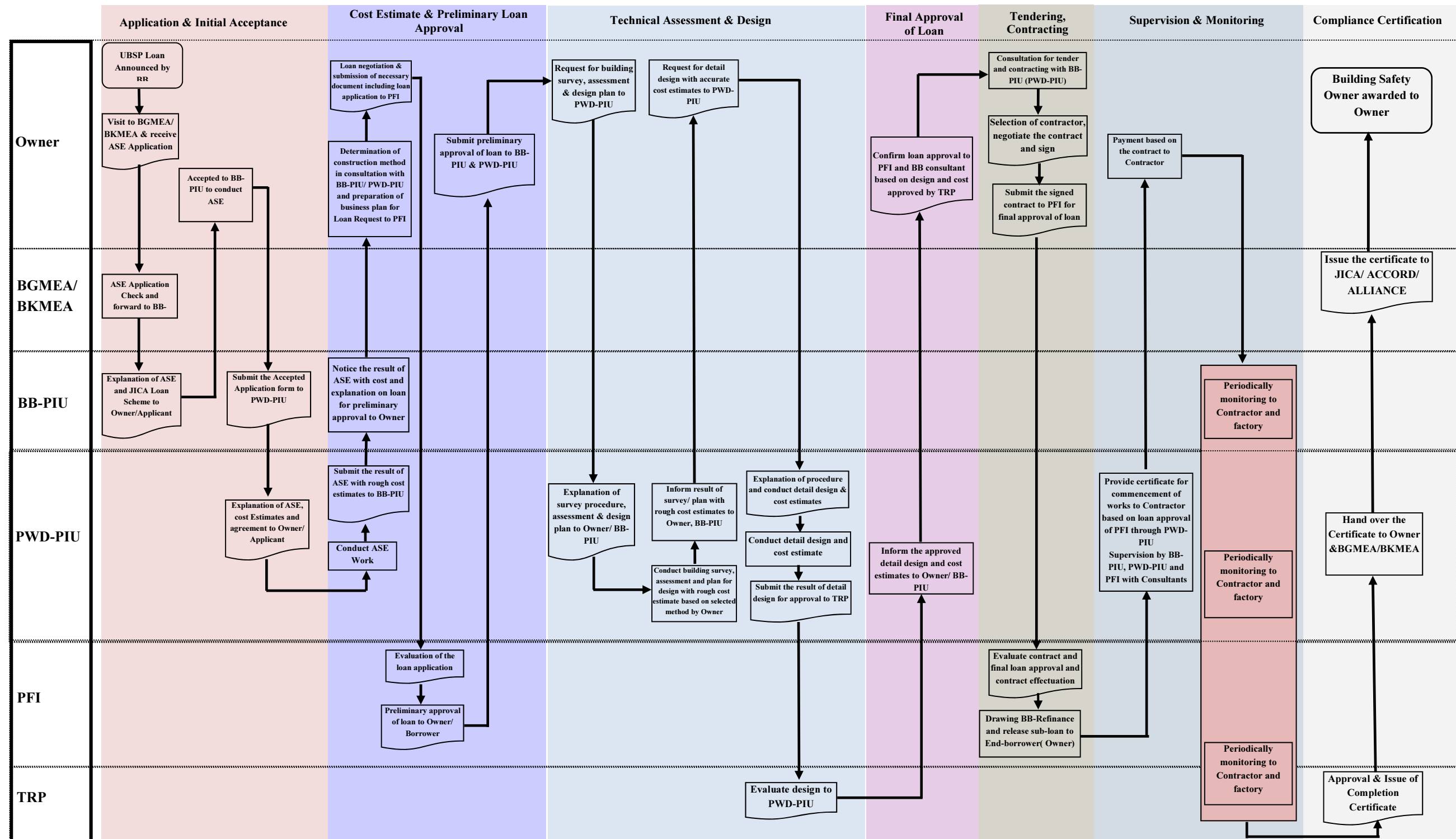
**Table 2-2: Financial and Technical Procedures**

NO	By	Action	To	Remarks
1	JICA, BB-PIU, BGMEA/BKMEA and PWD-PIU	Announcement of JICA loan with related explanation on financing and technical procedures	Owner and PFIs	
2	Owner	Visiting BGMEA/BKMEA to receive the Application for ASE.	BGMEA/BKMEA	
3	BGMEA/BKMEA	Acceptance of Application Form with formality check	Owner	first screening
4	BGMEA/BKMEA	Forward Accepted Application Form	BB-PIU	
5	BB-PIU	Explanation of ASE including fire safety and deviation and JICA Loan scheme and its procedures in detail	Owner	
6	Owner	Accepted to conduct ASE	BB-PIU	
7	BB-PIU	Submit the Accepted Application Form for ASE	PWD-PIU	
8	PWD-PIU	Detail explanation of ASE, cost estimates and agreement on conduct of ASE for factory	Owner	
9	PWD-PIU	Conduct ASE work	PWD-PIU	
10	PWD-PIU	submit the result of ASE with rough cost estimates	BB-PIU	
11	BB-PIU/PWD-PIU	Notice the result of ASE with rough cost estimates Explanation on loan/technical against preliminary approval	Owner	
12	Owner	Determination of construction method Retrofitting or Rebuilding or Relocation in consultation with PIU	BB-PIU/PWD-PIU	
13	Owner	Preparing the documents and business plan necessary for loan based on the result	In consultation with BB-PIU	
14	Owner	Negotiate loan based on rough cost estimates, Submit necessary document of the application for loan	PFI	
15	PFI	Evaluate the loan application attached with technical documents for building safety with rough cost estimate.	(Owner)	
16	PFI	Conduct due diligence and preliminary approval of loan (Preliminary Bank clearance)	Owner	
17	Owner	Submit preliminary approval	BB-PIU & PWD-PIU	
18	Owner/BB-PIU	Request for building survey, assessment and plan for design with rough cost estimates	PWD-PIU	
19	PWD-PIU	Explanation of procedure for survey and assessment and plan for design based on the method selected by Owner	Owner/BB-PIU	
20	PWD-PIU	Conduct building survey, assessment, plan for design and rough cost estimates	at factory and at PWD	
21	PWD-PIU	Inform result of survey/plan with rough cost estimates	Owner, BB-PIU	
22	Owner/BB-PIU	Request for detail design with accurate cost estimates	PWD-PIU	
23	PWD-PIU	Explanation of procedure for detail design and cost estimates	Owner/BB-PIU	
24	PWD-PIU	Conduct detail design and cost estimates	at factory and at PWD	
25	PWD-PIU	Submit the result of detail design for approval	TRP	
26	TRP	Evaluate design	PWD-PIU	
27	PWD-PIU	Inform the approved detail design and cost estimates	Owner/BB-PIU	
28	Owner	Confirm loan approval based on cost estimate by detail	PFI, BB	

NO	By	Action	To	Remarks
		design	consultant	
29	Owner	Consultation for Tender and Contracting	BB-PIU (PWD-PIU)	
30	Owner	<i>Tendering, selection of contractors from shortlist</i>	Contractor	<i>support from PWD-PIU</i>
31	Owner	Negotiate the contract and sign the Contract	Contractor	
32	Owner	Submit the signed contract	PFI	
33	PFI	Evaluate contract, and Final Loan Approval (Effectuation of Contract)	Owner	
34	BB-PIU, PFI	Drawing BB-Refinance and release sub-loan to Owner	Owner	
35	Owner	Commencement of construction works based on Bank clearance	Contractor	
36	PWD-PIU, BB-PIU, PFI	Supervising construction work, and provide certificate for works	Contractor	
37	Owner	Payment based on the contract	Contractor	
38	TRP/BB-PIU/ PWD-PIU	Periodically Monitoring	Contractor and factory	3 times
39	TRP	Approval of Completion and issue of Completion Certificate	PWD-PIU, BB-PIU	after Final Inspection
40	PWD-PIU, BB-PIU	Hand over the Certificate	Owner, BGMEA, copy to BKMEA	
41	BGMEA/BKMEA	Received the certificate	JICA/ACC ORD/ ALLIANCE	
42	MoHPW/PWD-PIU	Provide Safety Building Award	Owner (Factory)	

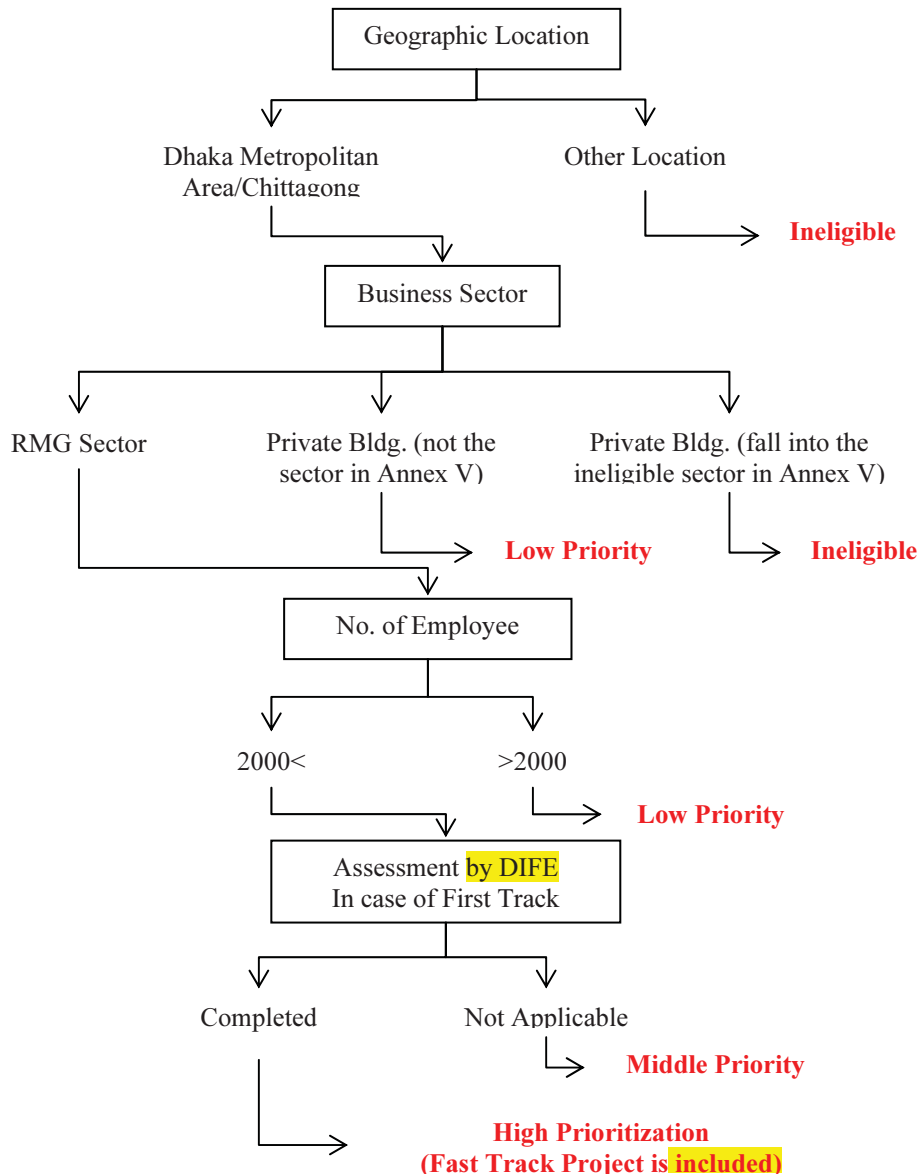
A flowchart on the financial and Technical Procedures is also attached hereto.as a figure 2.1.

Figure 2.1: Flowchart of Financing and Technical Process of UBSP Loan



### 2.3. Prioritization of processing of the TSL Project

Given the conditions mentioned in 2.1 and 2.2, prioritization of lending the TSL is illustrated as below.



### 2.4. Social and Environmental Consideration

The Sub-project shall pay due consideration on the social and environmental impacts associated with and be required to be in accordance with JICA Environmental Guidelines<sup>2</sup> attached as Annex XI. Under the Guidelines, no investment activity will be financed by the TSL scheme, which is likely to have significant adverse impact on the environment, and which could be classified as Category A.

<sup>2</sup> The governing rule for the environmental and social consideration for the Project is; the one adopted by JICA, “Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations”, 2002.

## **2.5. Revision of Eligibility Criteria**

Any change in the eligibility criteria used under the TSL Project shall be first reviewed and approved by TRC and then reviewed and concurred by JICA.

Eligible items are considered as follows;

- Loans to ensure the seismic resistant building safety (retrofitting, rebuilding and/or relocation)
- Loans to strengthen fire safety measures of buildings through installment of fire protection door, installation of fire extinguishing equipment
- Loans to working equipment/facilities for the buildings necessary for operation of business in seismic designed buildings (only financed when End-Users borrow the loans to ensure the seismic resistant building safety)
- Loans to working capital during the suspension of the business by construction of seismic resistant building (only financed when End-Users borrow the loans to ensure the seismic resistant building safety)

## **2.6. Preference to Export Development Fund (EDF)**

Export Development Fund (EDF) will be applicable to end-borrowers of the TSL Project. End-Borrower who borrows the loan for building safety will reach the first pass to EDF from BB through consultation with respective PFI. The condition for utilization of EDF is only for export oriented purpose. The flow of using EDF is that, first of all, end-borrower will borrow the TSL and make any retrofitting or remediation of the building and once the works are to be completed, end-borrower will request PFIs to use EDF for future capital investment for export purpose. The detailed process for usage of EDF will be circulated by BB by referring EDF master circular.

### 3. Financing Scheme

JICA will lend to the GOB at its standard term of ODA loan to GOB. These funds will be on-lent to PFIs, which would then re-lend the fund to private sector end-borrowers. In order to contribute to the improvement of the vulnerability of private buildings, the TSL Project is to provide long-term loans for building safety and short-term loans for fire safety equipment and facilities and working capital covering for the construction period while the factory's operation has been suspended.

#### 3.1. Terms and Conditions of Sub-loan

The PFI shall assume all lending risks associated with extending of Sub-loans under the TSL Project. The terms and conditions of the Sub-loan scheme under the TSL Project are outlined in **Annex VI**. The Sub-loan is the term used to express the loan to be provided by the PFI to the End-borrower which includes the credit funded by the OLL from BB-PIU and by the PFI's own funding source. A Sub-loan also means the combined total of the credit for fixed investment and for working capital during the construction financed to the End-borrower. The sub-loan amount shall be applicable to the total amount of the financing for the eligible items as mentioned above to the End-borrower.

As indicated in Section 3 of the Participation Agreement, there are specific conditions required for Sub-projects as shown below:

- ✓ Sub-loan for Sub-project will not be used to finance such items as: purchase of land, land use rights, payment of tax and import duties, and cost of such activities as resettlement and other compensation cost.

Sub-loan shall be made on terms whereby PFI shall obtain, by written contract (a sub-loan agreement) with the End-borrower, or by other appropriate legal means, rights adequate to protect the interest of PFI, including the right to:

- (1) require the End-borrower to use the proceeds of Sub-loan exclusively for the purpose of Sub-project which only includes eligible items as specified above;
- (2) require the End-borrower to carry out and operate the Sub-project with diligence and efficiency and in accordance with sound technical, financial, resettlement, environmental<sup>3</sup> and managerial standards, including the implementation of the action plan for displaced persons, and to maintain adequate records;
- (3) require the End-borrower to submit their financial statements for every accounting term, at least on an annual basis, until the full repayment of sub-loans;
- (4) inspect, by itself or jointly with representatives of BB-PIU, MOF-BFID or JICA, if they shall so request, such constructions, fire safety equipment and facilities, goods, plants and installations, as the case may be, included in the Sub-project, the operation thereof, and any relevant records and documents;
- (5) obtain all such information as JICA, MOF-BFID, BB-PIU or PFI may reasonably request relating to the foregoing and to the administration, operations and functional conditions of the End-borrower, and to the benefits to be derived from the Sub-project;
- (6) involve review of design and inspection of the sub-project by PWD-PIU and TRP
- (7) involve any remedies against the End-borrower, including suspension, termination or withdrawal of the Sub-loan, which will be available to PFI by law, in event of

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<sup>3</sup> established by GOB

- failure of the End-borrower to perform its obligation under contract with PFI; and
- (8) take any legal action against the End-borrower in case of default following the prevailing rules and regulations and prudential regulations/ guidelines of BB.

### 3.2. Terms and Conditions of On-lending Loan (OLL)

Basic terms and conditions of the OLL from BB to the accredited PFIs are outlined in **Annex VII**.

The principal and interest payments of OLLs shall be made in accordance with the schedule of amortization of each Loan as prepared by BB-PIU. These payments of interests and repayments of principal shall be realized by debiting them against the current account of the concerned PFI maintained with BB. Then, principals of OLLs shall be credited to Revolving Fund Account (RFA), and one-fifth (1/5) of interests on OLLs to Revenue Account of BB and four-fifth (4/5) to Revenue Account of MOF, respectively.

In such cases, no overdue of interest and principal payment is expected. However, the PFI may request BB, in advance, to make delay in debiting the PFI's account on valid ground like liquidity problem, Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements etc. In such cases, PFI should pay a **penalty of 3%** above the Bank Rate (the rate of interest of OLL) on due amount applied for. Note that maximum of only 3 working days may be allowed with condition that penal interest shall be charged for the number of days actually elapsed from the due date. On the contrary, in case of prepayment of OLL, BB-PIU will not impose any penalty, which is different from the general practice in term lending by banks.

Interest on OLLs shall be calculated on accrual basis of the number of days actually elapsed.

### 3.3. Revision of Terms and Conditions

Any change in the terms and conditions of the OLL as well as the Sub-loan specified above, which would materially change the structure and/or nature of the TSL scheme, shall be approved by the **PMCI and JICA**. Such revision shall, in principle, be applied to uncommitted loans only. The application of such revision to an outstanding or committed loan shall be subject to an agreement between the related parties.

### 3.4. Financing Method

Both refinancing and pre-financing methods will be allowed for the disbursement of OLL, depending on the amount of each Sub-loan.

Under the Refinancing Method, the PFI makes disbursement of the Sub-loan prior to submitting its Request for On-lending to BB-PIU, whereas under the Pre-financing Method, the PFI makes disbursement after it receives the disbursement of OLL from BB-PIU. Disbursement under the Pre-financing Method will be made on a loan-by-loan basis, not making a certain amount of deposits in a PFI account. **For Sub-loans below Tk 7.0 million<sup>4</sup>, PFIs shall be allowed to use the Refinancing Method only, while, for Sub-loans equal to or above Tk 7.0 million, PFIs can exercise the option to choose Refinancing Method or Pre-financing Method.** Considering

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<sup>4</sup> Any change in the cut-off amount of Tk 7.0 million used for differentiating financing methods (refinancing versus pre-financing) under the TSL Project shall be reviewed, approved by the Project Management Committee 1, and reported to JICA.



expected size of sub-loans for building safety project, Refinancing Method will normally be applied.

The OLL in use of the Refinancing method can be extended only for Sub-loans that have been disbursed one (1) month prior to PFI's request of the respective OLL<sup>5</sup>.

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<sup>5</sup> If a Sub-loan is disbursed in more than one installment, this cut-off date should be counted from the latest disbursement.

## **4. Participating Financial Institution (PFI)**

### **4.1. Accreditation Criteria for PFI**

The eligible PFIs for the OLL under the TSL scheme shall be screened by the accreditation criteria<sup>6</sup> set forth in Appendix-3 of the Minutes of Discussion, which is shown in Annex VIII. The principal items of criteria are following, inter alia:

- (1) Legality (licensed, approved and supervised by BB),
- (2) Operational Experiences (minimum 3 full years with audited records),
- (3) Commitment to long term loans for building safety,
- (4) Capital Adequacy (compliance with the minimum capital requirement and CAR),
- (5) Profitability (profitable operation for 2 consecutive years),
- (6) Non-Performing Loans (NPL ratio not exceeding 10%),
- (7) CAMELS rating (not classified as problem bank or early warning bank), and
- (8) Prudential regulations (transparency, governance, risk management).

### **4.2. Accreditation Assessment**

BB-PIU shall invite applications from banks and financial institutions, examine their eligibility vis-à-vis the accreditation criteria, list up eligible PFI candidates, obtain JICA's concurrence, approve the final list of eligible PFIs, and report it to the Project Management Committee 1.

### **4.3. Accreditation Procedure**

In order for the above process, BB-PIU shall establish the accreditation procedure which includes the following:

- (1) Application from banks and financial institutions,
- (2) Due diligence of banks and financial institutions, and
- (3) Monitoring and review of PFI's compliance with accreditation criteria.

### **4.4. Entry or Exit of PFIs**

At the time of annual review of PFIs, applications for new entry and/or exit shall be considered. Any change in the list of accredited PFIs at the time of annual review shall be approved by BB-PIU subject to JICA's review and concurrence, and be reported to the Project Management Committee 1.

### **4.5. Loss of Eligibility**

Irrespective of the timing, whether at the time of the annual review or else, PFIs that are found to be failing to meet the accreditation criteria will be required to submit remedial plans for examination by BB-PIU. If the submitted plans are deemed sufficient to endorse that the non-compliance is likely to be solved within a reasonable time limit, BB-PIU may agree to allow those banks and financial institutions to maintain the PFI status conditioning the time limit. Otherwise, BB-PIU shall take actions to stop disbursing new On-lending Loans until the PFI becomes fully accredited again.

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<sup>6</sup> Any change in the accreditation criteria shall be reviewed and approved by the Project Management Committee 1 subject to JICA's review and concurrence.

## **5. Sub-loan by PFI**

### **5.1. Pre-conditions for Sub-loan**

The TSL Project is made possible with the funds to be provided by JICA and with the administering and intermediary role played by BB-PIU, it is imperative to have it clearly understood and accepted by the End-borrower that BB-PIU and JICA may intervene the credit appraisal, implementation, administration, monitoring as well as review of the Sub-loan. The PFI shall have the End-borrower agree the pre-conditions of the Project as have been stated earlier in Section 3.1.

### **5.2. Application for Sub-loan to be prepared by the End-borrower**

The End-borrower will firstly visit the association of either BGMEA or BKMEA and receive the explanation of the outline of JICA/TSL and based on the understanding of the TSL scheme, the End borrower will also receive the application form for conducting Advanced Simplified Evaluation (ASE) at the association. BGMEA or BKMEA shall have the End-borrower prepare an application for ASE and submit it to the BB-PIU.

The End-borrower will receive the detailed procedures on the JICA/TSL from BB-PIU. At that time, the End-borrower should commit a definite intention to strengthen his/her factory building utilizing JICA/TSL scheme to BB-PIU.

Based on the commitment shown by the End-borrower, BB-PIU will submit the application for ASE to PWD-PIU.

PWD-PIU will start ASE and finish ASE with a cost estimates by construction method, such as retrofitting, rebuilding and/or demolish with new construction.

Based on the understanding of the result of technical evaluation, the End-borrower will submit the Application for Sub-loan to PFI.

Any part of the information that is required under the Project but is not required under the prevailing commercial practice must be provided additionally by the End-borrower to PFI. The application shall contain, among others, the information required for the credit appraisal and for examining the compliance of the Sub-loan with the eligibility criteria of the Project.

### **5.3. Credit Appraisal and Approval of Sub-loan by PFI**

#### **5.3.1. Credit Appraisal**

The following is the principles to be adopted by the PFI for instituting the rules and procedures for credit appraisal and sanctioning of Sub-loans under the Project. In cases where the prudential regulations and guidelines issued by BB are amended, the PFI is required to update its rules and procedures accordingly.

Upon receipt of the Application for Sub-loan, the PFI conducts the credit appraisal in accordance with its own guidelines for commercial lending established by following the Prudential Regulations issued by Bangladesh Bank.

The PFI licensed under Non-Bank Financial Institution (NBFI), similarly complies with the Prudential Regulations for NBFI 2010 issued by BB. A thorough credit and risk assessment

should be conducted prior to sanctioning the Sub-loan. The results of the assessment should be presented in the Credit Assessment Report within the PFI that originates from the relationship officer in charge and is reviewed by the Credit Risk Management Unit for identification and probable mitigation of risks. The PFI examines and approves the Sub-loan in accordance with the same procedure, standard and quality of credits as the ones for the PFI's normal lending practice for commercial and industrial investment loans. In the credit appraisal process, the Application for Sub-loan shall be evaluated/ assessed by Credit Risk Management Unit. The PFI shall examine risk areas of the Application for Sub-loan including but not limited to the risks associated with; the End-borrower, the industry, the market environment, the supplier/ buyer, the technology adopted, the financial performance, the credit background, the adherence to lending guidelines, the purpose of credit, the project implementation, the security, and social and environmental considerations<sup>7</sup>, etc.

It is noted for PFI that lending to building safety normally requires long term loan and PFI is required to provide preliminary intention for loan to the End-borrower when the result of ASE submitted by the End-borrower. Final approval of loan will be provided by PFI to the End-borrower when the detail design with detailed cost estimate is conducted by PWD-PIU.

### **5.3.2. Collateral**

A special attention is invited to the issue of collateral conditions for the Sub-loan. Under the TSL Project, the requirement of collateral for the Sub-loan rests upon the determination to be made by the PFI in accordance with the PFI's own policy and guidelines and in compliance with the rules and regulations prevailing in Bangladesh.

### **5.3.3. Credit Approval Process**

The approval process must reinforce the segregation of the Relationship Officer from the approving authority. The relationship officer should be the owner of the customer relationship and must be held responsible to ensure the accuracy of the entire credit application submitted for approval. The relationship officer must be familiar with the lending guidelines of the financial institution and should conduct due diligence on new borrowers and guarantors. The results of credit assessment should be recommended for approval by the relationship team and forwarded to Credit Risk Management for review and assessment. The credit should subsequently be approved by proper approval committee. The earlier guidelines issued by BB, "Managing Core Risks of Financial Institutions: Credit Risk Management"<sup>8</sup> specifies the Approval Process to be followed by the banks and financial institutions together with the indicative delegated approval authority levels. The documents encompass the five levels of layers for the Application for Loan by the borrower passes through before it will be eventually approved by the financial institution. The layers are conceived to be comprised of; (i) relationship officer/ manager, (ii) zonal/ head office credit risk officer, (iii) head of credit risk management team & head of business units, (iv) credit committee, and (v) executive committee/ board.

## **5.4. Credit Risk Management at PFI**

The Project envisages that the PFI bears the credit risk of the End-borrower and the Sub-loan/ project. The credit risk is the possibility that the borrower or counter party including the guarantor, will fail to meet agreed obligations. The management of the credit risk poses to be the most crucial task for the PFI and, as such, policies and procedures should be solidly established

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<sup>7</sup> The guidelines applied to the Project is "JBIC Guidelines for Confirmation of Environmental and Social Considerations (April 2002)"

<sup>8</sup> Bangladesh Bank, "Managing Core Risks of Financial Institutions: Credit Risk Management", July 2005

and strictly enforced at the banks and financial institutions. In addition to the compliance with the laws, regulations and regulatory guidelines, the PFI needs to establish a solid system for credit risk management. BB not only regulates the credit risk management among the scheduled banks and NBFIs through establishing rules and regulations but also provides guidelines for the banks and financial institutions to follow in solidifying the credit risk management of the banks and financial institutions. The examples of the guidelines are contained in such materials as “Managing Core Risks of Financial Institutions: Credit Risk Management” (2005), both issued by BB.

The guidelines have been compiled by the Focus Group established within BB to introduce the Industry’s Best Practices. The document has been prepared with the aim at providing directional guidelines to the banks and financial institutions so that the banks and financial institutions will improve risk management culture, establish minimum standards for segregation of duties and responsibilities, and assist in the on-going improvement of the banks and financial institutions. The document is composed of the components similar to the first documents; (i) policy & strategy guidelines comprised of: lending guidelines, credit assessment & risk grading, approval authority, segregation of duties, and internal audit; (ii) preferred risk management structure & responsibilities comprised of: preferred risk management structure, and key responsibilities; (iii) procedural guidelines comprised of: approval process, credit administration, credit monitoring and credit recovery.

For the implementation of the Project, the PFI is recommended to learn from and follow the guidelines provided by BB for strengthening its institutional capability in credit risk management.

#### **5.5. Compliance with the Eligibility Requirement and Operating Guidelines**

The eligibility criteria and terms and conditions of On-lending Loan (OLL) and of Sub-loan have been established in prior sections of this Operating Guidelines. The PFI examines the Application and other documents submitted to check whether it complies with the qualifying conditions established by the Project. The conditions for eligibility is prescribed in the Loan Agreement dated XXX, 2015 signed between JICA and the Government of Bangladesh and the Project Memorandum related to the Loan Agreement dated XXX, 2015 signed between the both parties. The PFIs and the End-borrowers are guided to abide by this Operating Guidelines for handling the Sub-projects as well as the Sub-loans.

#### **5.6. Compliance with the Banking Regulations**

In conducting the credit appraisal and approval of the Application, the PFI ensures that the Sub-loan examined is in compliance with the prevailing banking rules and regulations imposed by the Government and/or the regulatory authority concerned.

For reference, the Prudential Regulations for Small Enterprise Financing issued by Bangladesh Bank in 2004 may be applied to the loan to building safety since RMG factories are categorized in small medium enterprises in general. Therefore, following regulations may reasonably be regarded as the minimum requirement for building safety financing when the PFI extends Sub-loan to the End-borrower under the Project;

- ✓ Sources and capacity of repayment and cash flow backed lending,
- ✓ Personal guarantees,
- ✓ Per party exposure limit,
- ✓ Securities,

- ✓ Loan documentation,
- ✓ Margin requirement,
- ✓ Credit Information Bureau clearance,
- ✓ Minimum condition for taking exposure,
- ✓ Proper utilization of loan,
- ✓ Restriction on facilities to related parties, and
- ✓ Classification and provisioning for assets.

In addition, the PFI under the scheduled banks has to comply with the Prudential Regulation for Banks 2009 of BB for all of their Sub-loans under TSL. The PFI under NBFBI license similarly has to comply with the Prudential Regulation for NBFBI 2010.

### **5.7. Social and Environmental Consideration**

The PFI shall be primarily responsible for examining the social and environmental impacts associated with the Sub-loan/ project in accordance with JICA Environmental Guidelines<sup>9</sup>. The PFI shall ensure that the End-borrower is required to submit the Environmental Clearance Certificate (ECC) when applying for a Sub-loan, together with all documents required for the issuance of ECC in accordance with the domestic laws and regulations (such as Environmental Impact Assessment (EIA), Initial Environmental Examination (IEE), and so forth). BB-PIU shall examine the social and environmental impacts associated with the Sub-loan/ project in accordance with JICA Environmental Guidelines, by requiring the PFI to certify that the Sub-loan/ project is compliant with JICA Environmental Guidelines as well as the domestic laws and regulations and that the PFI has collected all the documents mentioned above when applying for OLL. BB-PIU shall ensure the PFI to be compliant and the PFIs cause the End-borrower to comply.

BB-PIU shall assess and monitor the social and environmental impacts associated with the Sub-loan/ project, and inform its compliance with JICA Environmental Guidelines to JICA by submitting On-going Sub-Project Summary Report quarterly. The relevant articles of JICA Guidelines are quoted for easy reference in ANNEX XI to this Operating Guidelines.

Any Sub-project that is classified in Category A under the JICA Guidelines shall not be eligible for financing under the Project. Although it is defined that there shall be no Sub-project with significant adverse impact on the environment under the Project and limited negative impacts are expected for the Project, BB-PIU shall immediately report to JICA, and cause the PFI to report to BB-PIU, any negative effect if and whenever it is observed during the implementation of the Sub-project.

### **5.8. Sub-loan Agreement**

The PFI, after completing its process of credit appraisal for the Sub-loan applied, enters into the Sub-loan Agreement between the PFI and the End-borrower. The Sub-loan Agreement shall contain those requirement specified in Sub-section 1.4.5 above.

### **5.9. Disbursement of Sub-loan**

The Project allows the two methods of financing; i.e. (i) Refinancing Method and (ii) Pre-

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<sup>9</sup> The governing rule for the environmental and social consideration for the Project is; the one adopted by JICA, "Japan Bank for International Cooperation Guidelines for Confirmation of Environmental and Social Considerations", 2002. The guidelines are accessible through the URL of; [http://www.jica.go.jp/english/publications/jbic\\_archive/environmental\\_guidelines/pdf/guide.pdf](http://www.jica.go.jp/english/publications/jbic_archive/environmental_guidelines/pdf/guide.pdf)

financing Method, depending upon the amount of the Sub-loan to be sanctioned as mentioned in Section 3.4 above. Under the Refinancing Method, the PFI makes disbursement of the Sub-loan prior to submitting its Application for On-lending to BB-PIU, whereas under the Pre-financing Method, the PFI makes disbursement after it receives the disbursement of OLL from BB-PIU, while conducting and approving the Sub-loan prior to applying BB-PIU for On-lending. Should it happen that the disbursements for the **fixed investment** and for the working capital are to be made separately on different dates, such disbursements shall be treated as the partial disbursements of the single Sub-loan.

## **6. On-lending Loan by BB-PIU**

### **6.1. Pre-conditions for OLL**

In taking steps for BB-PIU to provide funds for OLL under the Project, BB-PIU has to ensure that the following pre-conditions are duly met;

- (1) The PFI has been duly accredited and appointed in accordance with the procedures established by the Project; and
- (2) The PFI has not failed to make debt servicing without any reason that are deemed justifiable by BB-PIU and has no debt outstanding in arrear at the time of requesting BB-PIU for OLL.

### **6.2. Preparation of Application for On-lending Loan by PFI**

The PFI, after completing its process of credit appraisal for the Sub-loan, prepares the Application for On-lending Loan under the TSL Project with specific details of the End-borrower, the Sub-loan/ project and submits it to BB-PIU. The PFI ensures that the information contained in the Application for On-lending Loan is true and correct on the End-borrower, the Sub-project and the Sub-loan.

#### **6.2.1. Examination of the Application for On-lending Loan by BB-PIU**

The PFI is allowed to submit the Application for On-lending Loan twice a month. In case of the frequency of twice a month found infeasible by BB-PIU, BB-PIU may bring the issue to the Project Management Committee 1 to decide to reduce the frequency to once a month. The deadline for such submission in each month shall be fixed and announced by BB-PIU in advance.

Upon receipt of the Application for On-lending Loan, BB-PIU examines the contents described in the Application and confirms that the descriptions are in compliance with the eligibility criteria and terms and conditions of the TSL Project, which are summarized to include but not limited to the following areas and items;

- ✓ Eligible investment items,
- ✓ Size of Sub-loan,
- ✓ Rate of interest,
- ✓ Repayment term with grace period,
- ✓ Securities (collateral),
- ✓ Financing structure, and
- ✓ Social and environmental consideration.

Given the criteria as above, BB-PIU shall verify at least the followings against the eligibility criteria and the terms and conditions of Sub-loan stipulated in the Operating Guidelines;

- i) Legal form of the End-borrower,
- ii) Eligibility of the End-borrower,
- iii) Eligibility of the Sub-project,
- iv) Purpose and usage of funds, and
- v) Terms and conditions of the Sub-loan appraised (the ratio of financing, amount, interest rate, maturity, etc.)

Upon confirming the compliance with the eligibility requirement and the terms and conditions



of Sub-loan, BB-PIU shall notify the PFI the result of its examination. The period for issuing such Notice should not exceed ten (10) business days from the date of receiving the PFI's Application for On-lending Loan with all valid documents to the date of sending the Notice. In case where the frequency of disbursement is reduced to once a month, the period for issuing the Notices may be extended proportionately.

### **6.3. Disbursement of OLL**

The Project allows the two methods of financing; i.e. Refinancing Method and Pre-financing Method as has been stated in Section 3.4 above, depending upon the amount of the Sub-loan to be sanctioned.

Upon confirming the compliance with the eligibility requirement and the terms and conditions of Sub-loan, BB-PIU releases the funds for OLL to the account designated by the PFI. The release of funds to the designated account of the PFI should be made within ten (10) business days upon receipt of the PFI's Application for On-lending Loan accompanied by the required and valid documents irrespective of the handling methods of Refinancing Method or Pre-financing Method. In case where the frequency of disbursement is reduced to once a month, the period for making disbursement may be extended proportionately. Notwithstanding of the above, for the Sub-loan under Pre-financing Method, BB-PIU shall withhold the funds up till the time PFI shall notify BB-PIU to the effect that the preparation for disbursement of the Sub-loan has finished and the funds to be disbursed under OLL shall be immediately released to the End-borrower. Should it happen that the disbursements for the fixed investment and for the working capital are to be made separately on different dates, such disbursements shall be treated as the partial disbursements of the single OLL.

In order to maintain the records and accounts of OLL disbursement, BB-PIU shall confirm at least the followings;

- i) Confirmation of the voucher for the credit entry of the disbursed funds to the PFI's account,
- ii) Receiving from the PFI the copy of the End-borrower's receipt of the funds disbursed under Sub-loan addressed to the PFI,
- iii) Entry of the date, amount and other particulars of OLL/ Sub-loan disbursement to the OLL/ Sub-loan control book (prospectively equipped in the computerized TSL management system).

### **6.4. Amendment of Application for On-lending Loan**

For the PFI who receives the negative answer of Non-Compliance for the Application for On-lending Loan, BB-PIU shall not release the funds up till the Application for On-lending Loan is amended so that the Application for On-lending Loan to become fully complying with the terms and conditions of the Project. Upon examining the Request for Amendment of the Terms and Conditions of Sub-loan and confirming the Amendment of the Request to be in full compliance, BB-PIU releases the funds for OLL to the account designated by the PFI.

### **6.5. Suspension of Disbursement under the TSL Project**

In case where the OLL and/or the Sub-loan is not deemed in conformity with the eligibility requirements and terms and conditions established for the OLL and Sub-loan under the TSL Project, including but not limited to the eligibility of the End-borrower, investment activities

and items, and the accreditation criteria for the PFI, BB-PIU and/or the PFI shall be disallowed and/or suspended to disburse the OLL and/or the Sub-loan by JICA.

## **7. Debt Servicing, Rescheduling and Event of Default**

### **7.1. Payment of Interest and Principal on OLL**

Irrespective of the payment schedules established by the PFI for the Sub-loan, the payment of principal and interest on the OLL is to be made quarterly for the Fixed Investment Loan, whereas the principal of the Working Capital Loan is to be repayable on the due date, while it is renewable up to five years. The PFI is obliged to make payment of principal and interest on the due dates to the account of BB-PIU irrespective of its collection of the principal and interest from the End-borrower.

### **7.2. Prepayment of Principal**

#### **7.2.1. Sub-loan**

Upon request by the End-borrower, the PFI may accept the prepayment of the Sub-loan, provided that the request for prepayment is the genuine wish of the End-borrower and not the one coerced by the PFI. The prepayment to be made by the End-borrower shall be appropriated to the installments of principal in the inverse order starting from the last one. The PFI notifies BB-PIU for the prepayment and makes the arrangement for the prepayment of OLL accordingly. The PFI may impose **penalty** for prepayment such as an Early Settlement Charge on the part of Sub-loan funded by the OLL from BB-PIU, subject to the Sub-loan Agreement entered. The End-borrower shall not be allowed to apply for the Sub-loan under the Project for the same Sub-project.

#### **7.2.2. On-lending Loan**

Upon receiving the Report of Prepayment of Sub-loan from the PFI, BB-PIU confirms the reason and conditions of the prepayment is in order and acceptable, BB-PIU sends the Acknowledgement of Notice for Prepayment in which BB-PIU accepts the prepayment of OLL and informs the procedures for the prepayment of OLL. The BB-PIU will not impose any penalty for prepayment of the OLL.

### **7.3. Rescheduling**

#### **7.3.1. Sub-loan**

Upon request by the End-borrower, the PFI may examine and, if judged to be appropriate, accept the rescheduling of the Sub-loan at its discretion. The PFI may allow the rescheduling to be done in accordance with the BB's regulatory guidelines. When the rescheduling is made for any of the Sub-loans, the PFI notifies it to BB-PIU and requests BB-PIU to allow the corresponding rescheduling of the OLL.

#### **7.3.2. On-lending Loan**

Rescheduling of OLL may be granted by BB-PIU for the Sub-loans facing the difficulties of debt servicing due to the occurrence of events such as; natural calamities, economic disasters, unforeseen occurrences caused by the out-side forces such as the foreign restrictions on Bangladesh trade, force majeure cases, etc. Upon receiving the Request for Rescheduling of OLL from the PFI, BB-PIU examines the reason and conditions necessitating the rescheduling, checks the rescheduled conditions in the light of the eligibility criteria of the Project and verifies the compliance with the prudential regulations concerned.

#### **7.4. Non-payment of Sub-loan on Due Dates**

Should the PFI find any of its Sub-loans failing to make payment on due date, the PFI notifies BB-PIU the non-payment of the Sub-loans. The PFI is obliged to make payment of principal and/or interest of OLL irrespective of its receipt of payment from the End-borrower on the Sub-loan. The PFI starts the collection process when the End-borrower has failed to meet one or more contractual payment. The PFI takes steps for recovery of the Sub-loan in accordance with the PFI's own rules and procedures that have been established following the regulations issued by Bangladesh Bank.

## **8. Fund Management**

### **8.1. Accounts Established**

L/A between JICA and GOB stipulates that the Project is required to open and maintain the Designated Account, the Project Operating Account and the Revolving Fund Account with BB.

An account called “Designated Account” shall be opened being denominated in Japanese Yen and maintained at BB in the name of the Project on behalf of Government of Bangladesh to receive disbursement from JICA under JICA’s Advance Procedure. The amount received at the Designated Account shall be transferred to the Project Operating Account from which the disbursement of OLL to the PFI shall be directed.

The Advance Procedure is adopted in combination with the Statement of Expenditure (SOE) Method for the Project. Under the SOE Method, the expenditures financed from JICA Loan with exception of the fees paid to the consultants shall be entered and audited annually by an independent auditor. The audit report needs to be submitted to JICA annually until five years after completion of the Project. The Request for Replenishment to be submitted to JICA shall accompany the Statement of Expenditure covering the expenditures during the period for which BB-PIU is seeking disbursement and replenishment of the funds.

Another account called “Project Operating Account” shall be opened and maintained at BB in the name of the Project on behalf of Government of Bangladesh to which the disbursed funds from JICA shall be transferred from the Designated Account before being spent for disbursement of OLL to the PFIs. The Project Operating Account shall be audited annually by an independent auditor and the Audit Report needs to be furnished to JICA annually in the same manner with the above.

A separate and distinct account called “Revolving Fund Account” shall be opened and maintained at BB in the name of the Project on behalf of Government of Bangladesh to which the principal portion of repayment from PFIs shall be credited for subsequent application for funding the second and succeeding generations of OLLs. The Revolving Fund Account shall be audited annually by an independent auditor and the Audit Report needs to be furnished to JICA annually in the same manner with the above two accounts.

While the Designated Account is to be maintained in JPY, the OLLs to PFIs will be made in Bangladesh Taka. The exchange risk between JPY and Taka shall be borne by the Government of Bangladesh (GOB).

### **8.2. Receipt of Funds from JICA**

The procedures required to be taken for receiving the funds from JICA are prescribed in the Advance Procedure for Japanese ODA Loans which is attached and incorporated as a part of the Loan Agreement.

JICA shall, upon receipt of the request for disbursement in the prescribed format, make the initial disbursement of the Loan in the amount stipulated in the Loan Agreement.

The replenishment of the account shall be made by JICA upon receipt of the request for replenishment accompanied by the following documents;

- (1) Statement of Expenditure(SOE), and
- (2) Supporting documents evidencing each payment and its usage.

### **8.3. Flow of Funds**

The funds received at the Designated Account from JICA shall be transferred by BB-PIU under authorization of MOF-BFID to Project Operating Account from which the disbursement of OLL to the PFI shall be made. For making disbursement of OLL to PFIs, BB-PIU debits the Project Operating Account and credit the account designated by the PFI. For disbursing the second and succeeding generations of OLLs, BB-PIU may utilize the funds accumulated in the Revolving Fund Account for disbursement.

In recovery of OLL on due dates, BB-PIU shall inform the PFI of the forthcoming due dates and inform that the recovery shall be made by debiting the PFI's account at BB for the amount coming due on the specified due dates. On due dates notified, Accounts and Budgeting Department of BB shall debit to the account of PFI for the amount instructed by BB-PIU.

### **8.4. Revolving Fund Account**

The funds accumulated in the Revolving Fund Account shall be used for disbursement of the second and succeeding generations of OLL to PFIs. The disbursement of the second and the succeeding generations of OLLs shall be made by debiting the Revolving Fund Account and crediting the PFI's account.

### **8.5. Management of Funds and Fund Accounts**

BB-PIU shall submit to JICA the Statements of the Accounts mentioned above for each of the fiscal year. The Designated Account, the Project Operating Account, the Revolving Fund Account and Statement of Expenditure to be prepared for the Expenditures Financed from JICA Loan shall be audited annually by an independent auditor to be appointed and employed by BB at its own cost and the Audit Report shall as stipulated in the L/A be furnished to JICA annually within six (6) months after the end of each fiscal year of BB-PIU, i.e. by December of each year, until five (5) years after the completion of the disbursement from JICA.

### **8.6. Management Information System (MIS)**

For the effective control of the operation, BB-PIU is recommended to develop its own management information system. Based on the IT system developed for the management of the OLL, BB-PIU should be able to establish the basic MIS that will keep the management informed of the operation of BB-PIU, the irregularities and the outlook towards the future. The key area for managerial control includes but not limited to; the progress of operation in approving OLLs, the control of irregularities of rejected and/or pending applications for OLL, the monitoring of the monthly performance in new approval, disbursement of funds, recovery of principal and interest, fund flow, and the maturity control of the principal and interest payments.

## **9. Promotion of the TSL Project**

### **9.1. Publicity Campaign**

The success of the Project depends upon the raising of awareness among factory owners of RMG sector and private building owners of the country on the availability of the lending facility for financing the long and medium term investment by the building owners for strengthening of their building safety. BB-PIU ensures to implement publicity measures such as conducting awareness raising campaign, distributing of brochure/pamphlets and/or holding of seminars or workshops. BB and the PFIs are expected to participate in such publicity promotional activities in cooperation with BGMEA/BKMEA.

### **9.2. Advisory Services**

In order to make the Project better accessible and easily available, the PFIs are recommended to establish or assign a particular unit of their branch networks to provide advisory services to the prospective RMG factory owners concerning on how factory owners of RMG sector and private building owners can make use of the funds provided by the TSL Project.

The advisory services that the PFIs are expected to render include but not limited to the following assistances;

- i) Guidance on the basic terms and conditions of financing under the TSL Project,
- ii) Guidance on the requirement for the End-borrower to follow at one time upon delivery of application form,
- iii) Guidance for filling up the application form,
- iv) Sufficient time allowed for question and answer, and
- v) Consultation on the preparation of the application form.

### **9.3. Capacity Building of PFIs' Staff**

For effective implementation of the TSL Project, the PFI is in need of constant training and improvement of the capacity of its staff for accurate handling of the Sub-projects and Sub-loans.

The PFI shall establish a systematic training program for its staff in charge. BB-PIU may be requested by the PFI for assisting the establishment of such training programs and its execution. Bb-PIU may extend assistances to the PFI in such manners as in sending its staff for delivering lecturers, in developing and providing training materials, in extending on-site advices to the branch offices.

## **10. Monitoring**

An effective credit monitoring is a key element that ensures the soundness of the whole performance and leads to the ultimate success of the Project. The institutions concerned are asked to exert the utmost diligence in closely monitoring and following up the progress of the Project.

### **10.1. Monitoring by PFI**

The PFI is responsible for monitoring the progress of the Project at the level of End-borrowers and Sub-loans individually and collectively. The PFI is obliged to monitor closely, the progress of the Sub-loan through site visits and management interviews. For individual Sub-project monitored, the PFI shall report the findings from monitoring activities to BB-PIU whenever deemed necessary by the PFI and/or requested by BB-PIU. In addition, the PFI shall report to BB-PIU regularly the results of its monitoring by creating the reports of On-going Sub-project Summary Report and Status of Current Repayment and Overdue.

### **10.2. Measurement of Monitoring Indicators**

Aside from the monitoring of the individual Sub-project and Sub-loan, the PFI shall collect and report the qualitative and quantitative data of Monitoring Indicators that should be indispensable for BB-PIU to compile the Quarterly Report to JICA.

### **10.3. Monitoring of Social and Environmental Impact**

BB-PIU shall assess and monitor the social and environmental impacts associated with Sub-loan/ project, and inform JICA their compliance with JICA Environmental Guidelines to JICA by submitting Quarterly On-going Sub-Project Summary Report. Although it is defined that there shall be no Sub-project with significant adverse impact on the environment under the TSL scheme and limited negative impacts are expected for the Project, BB-PIU shall immediately report to JICA, and cause the PFI to report to BB-PIU, any negative effect if and whenever it is observed during the implementation of Sub-project.

### **10.4. Monitoring and Coordination by BB-PIU**

BB-PIU remains responsible for monitoring the progress of the Project at the level of the PFIs and the PFIs' management of Sub-loans individually and collectively. BB-PIU remains obliged to monitor closely, regularly at pre-determined intervals, the progress of the Project through site visits to the PFIs and the Sub-projects.

For the TSL for building safety, BB-PIU also remains responsible for proper coordination with PWD-PIU regarding the technical procedures, such as technical evaluation, construction methods, Detail Design and cost estimation conducted by PWD. BB-PIU shall play a vital role in coordination for acceleration of both technical and financial procedures conducted by PFI and PWD.

### **10.5. Project Status Report**

BB-PIU, in cooperation with PWD-PIU, shall report the findings from monitoring and coordination activities in sending JICA and PMC1 the Quarterly Progress Report whose format is exemplified under the title of Project Status Report in the M/D;



**(1) Project Description (Relevance)**

- (1)-1. Project Objective,
- (1)-2. Necessity and Priority of the Project, and
- (1)-3. Rationale of the Project Design.

**(2) Project Implementation (Efficiency)**

- (2)-1. Project Scope,
- (2)-2. Implementation Schedule,
- (2)-3. Project Cost,
- (2)-4. Organization for Implementation,
- (2)-5. Precautions (Measures to be adopted/ points which require special attention), and
- (2)-6. Photographs of Output of the TSL Project.

**(3) Benefits Derived from the TSL Project (Effectiveness)**

- (3)-1. Operational and Physical Condition of each Facility Developed/ Supplied by the TSL Project,
- (3)-2. Precautions (Measures to be adopted/ points which require special attention),
- (3)-3. Environmental and Social Impacts,
- (3)-4. Qualitative and Quantitative Data of Monitoring Indicators,
- (3)-5. Monitoring Plan for the Indicators, and
- (3)-6. Achievement of the Project Objective.

**(4) Operation and Maintenance (Sustainability)**

- (4)-1. O&M and Management, and
- (4)-2. O&M Cost and Budget.

**(5) Evaluation**

- (5)-1. JICA and Borrower/Executing Agency Performance,
- (5)-2. Overall Evaluation, and
- (5)-3. Lessons Learnt and Recommendations.

**10.6. Monitoring by Project Management Committee 1 (PMC1)**

The PMC1 is established for managing the TSL Project under UBSP to approve the content of the Operational Guidelines in its establishment, and in case of their modifications if necessary, to approve the accreditation criteria and selection of PFIs and to annually review the performance of the PFIs after checking the Annual Reports. The TSL Project is monitored and administered by PMC1 by at least quarterly meeting.

**10.7. Inspection for Building Safety**

For the purpose of monitoring of the Project, BB-PIU, PWD-PIU, TRP, PMC1 and JICA may initiate visits for inspection to the End-borrowers and the Sub-projects. The following sites and parties may be visited for such inspection and relevant records and documents may be examined;

- (1) BB-PIU, PWD-PIU, TRP, PMC1 and JICA
- (2) PFIs, including their branch offices, and
- (3) End-borrowers' sites of Sub-projects.

Depending upon the cases, JICA may entrust TRP/BB-PIU/PWD-PIU to conduct inspection on

its behalf. BB-PIU and PFIs shall cause necessary arrangement to be appropriately made enabling such inspections to be carried out orderly.

#### **10.8. Impact Assessment**

JICA conducts the impact assessment twice under the TSL Project, the first one expected in half way through the implementation period (two and a half year after the commencement) to be conducted by Consultants employed under this Project, and the second one expected as a part of the ex-post evaluation at two years after the completion of the TSL Project. Necessary baseline data will be collected from the ones stored at BB-PIU and the PFI. The PFI is obliged to keep the records, data and information of the Sub-project and the End-borrower including the financial statement until the full discharge of the debt. BB-PIU shall submit to JICA necessary evaluation results prepared by BB-PIU including the Operation and Effect Indicators.

## **11. Reporting**

The results of monitoring activities of the PFIs are channeled into BB-PIU for overseeing, reviewing and examining. BB-PIU stores those data and materials for analysis and compilation of its reporting to the parties concerned, including JICA, GOB, etc. JICA requires the following reports to be submitted regularly at the intervals stated. The formats for reporting are included in the Project Memorandum signed between JICA and the Government of Bangladesh.

### **11.1. On-going Sub-Project Summary Report**

The PFI shall provide BB-PIU with the Report on Periodical Review of Sub-Project on a quarterly basis (as of the end of March, June, September, and December of each year) within fifteen (15) days after the end of each quarter for preparing BB-PIU's Report "On-going Sub-Projects Summary Sheet" to JICA to be submitted quarterly until five years after the completion of the TSL Project<sup>10</sup>.

### **11.2. Current Repayment and Over-due Status Report**

To be submitted annually until five years after the Completion of the Project in the Format "Appendix 27 of M/D". The PFI shall provide BB-PIU with the data required by BB-PIU for preparing BB-PIU's Report to JICA in a similar form within fifteen (15) days after the end of each quarter.

### **11.3. Quarterly Progress Report**

To be submitted quarterly until the Completion of the Project in the form of "Project Status Report (PSR)" shown as Annex 1 of M/D together with the up-to-date list of the accredited PFIs.

### **11.4. Project Completion Report**

To be submitted within six months after the completion of the TSL Project in the form of "PSR" as shown in Annex 1 of M/D.

### **11.5. Audit Report**

Audit shall be made on the "Statements of Designated Account, Project Operating Account and Revolving Fund Account" and the "Statements of Expenditures" by an independent auditor and be submitted to JICA annually within six months after the end of each fiscal year until five years after the Completion of the Project in the form as determined by the auditor in reference to the standard format shown in Appendix 28 of M/D.

### **11.6. PFI Performance Review**

To be submitted annually until five years after the completion of the TSL Project in the form in which BB-PIU reports the result of annual review to the Project Management Committee 1.

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<sup>10</sup> The Completion of Project is defined as (i) the last JICA's disbursement for Two Step Loan under the Loan Agreement of the Project or (ii) the expiry of the Loan Agreement period of the Project, whichever comes first.

### **11.7. PFIs' Annual Reports**

Aside from the above-mentioned reporting to the BB-PIU, PFI is requested to submit Annual Reports (including the balance sheet, the profit and loss statement, and the auditor's report) annually until five years after the completion of the TSL Project.

## **PART 2: PROCEDURE**

### **12. Participating Financial Institution (PFI)**

#### **12.1. Accreditation Procedure**

##### **12.1.1. Application by banks and financial institutions**

In order to facilitate BB-PIU to follow the accreditation procedure stated in 12.1.2 below, the Application by banks and financial institutions must include following information and data, inter alia:

- a) Copy of License for banking or financing;
- b) Audited financial statements for latest three (3) full years, together with the latest Annual Report, which show profitable operation in latest two (2) consecutive years; and
- c) Copy of Risk Assessment Procedures.

The other information and data such as Capital Adequacy Ratio, Non-Performing Loans (NPL) Ratio, CAMELS Rating, and Compliance with Prudential Regulations shall be obtained from other Departments of BB.

##### **12.1.2. Due diligence of banks and financial institutions by BB-PIU**

Selection will be made on the basis of the financial information consisting of the information provided in the Application by banks and financial institutions and CAMELS<sup>11</sup> data. BB-PIU will examine the information and data on an item by item base to each bank whether the information and data would satisfy the level of each item or not. The examination of each item and aggregate assessment shall be performed in accordance with the Accreditation Assessment Form and its attachment form to summarize the financial statements attached herewith as Annex IX and X, respectively. Those applicant banks evaluated as unsatisfactory level in any one of the criteria will automatically lose eligibility for PFI. BB-PIU may further discuss on unfavorable or adverse information of the applicant, if any, and make decision on whether the applicant be excluded from PFIs or not. BB-PIU is authorized to accredit PFIs among those which have been qualified in the assessment. The final decision of the BB-PIU will be informed to the applicant together with the evaluation made after JICA concurrence obtained and report to PMC1.

If additional banks or financial institutions appear to be included in PFIs during the implementation of the TSL Project, the whole procedures stated above should be exercised for decision-making.

##### **12.1.3. Monitoring and annual review of PFI compliance with accreditation criteria**

As part of its monitoring activities, BB-PIU shall request PFIs to submit each PFI's audited financial statements and the financial data required for assessing the PFI, immediately after the completion of auditing every year. Based on the collected financial data plus in-house information and data, BB-PIU shall accredit PFIs in accordance with the accreditation criteria described in Section 4.1 above. The results of accreditation assessment shall be authorized by the Project Director of BB-PIU and reported to the PMC1.

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<sup>11</sup> "CAMELS" stand for Capital adequacy, Assets quality, Management ability, Earnings, Liquidity and Sensitivity. Therefore CAMELS evaluation has the six components.

## **13. Sub-loan by PFI**

### **13.1. Application for Sub-loan to be prepared by the End-borrower**

For the application to be prepared by the End-borrower, the PFI shall use its own **format** for Application of Sub-loan. In preparing the formalities required for the Project, the PFI is guided by BB's Credit Policies and Programs in which it is stipulated that each bank/financial institution shall follow a separate business strategy in financing building safety loan with least formalities in executing documentation to ensure easy and speedy loan sanction and disbursement process. Any part of the information that is required under the Project but is not required under the prevailing commercial practice must be provided additionally by the End-borrower to PFI. The application shall contain, among others, the information required for the credit appraisal and for examining the compliance of the Sub-loan with the eligibility criteria of the Project. Upon receipt of the Application from the End-borrower, the PFI assigns its own number to each of the Sub-loan which is distinct and self-indicative as the Sub-loan under the Project. The PFI conducts credit appraisal and verification of the compliance, based on the Application submitted by the End-borrower and uses the information submitted for transcription into Form A-1, Application for On-lending (OLL) and Form A-2, Request for Disbursement of OLL for submission and application to BB-PIU for the disbursement of OLL.

### **13.2. Credit Appraisal and Approval of Sub-loan by PFI**

The PFI conducts credit appraisal and verification of the compliance with the banking regulations and with the eligibility requirement established for the Project. The credit appraisal and verification of the compliance with the banking regulations shall be conducted based on the policy and procedural rules established by the PFI whereas the verification of the compliance with the eligibility requirement for the Project shall be conducted based on the Operating Guidelines that demonstrate the relevant terms and conditions to be satisfied by the Sub-loan/project.

#### **13.2.1. Credit Appraisal and Verification of Compliance with the Regulations**

The approval process may vary among the PFIs. The typical procedures to be followed for the credit appraisal and verification of compliance with the banking regulation, however, appear to be as follows<sup>12</sup>;

- 1) Before the submission of the application for Sub-loan, the End-borrower is requested to apply for conducting Advanced Simplified Evaluation (ASE) for deciding the construction method and with cost estimates required for construction works;
- 2) The End-borrower fills up the Application for Sub-loan with accurate and sufficient information together with the result of ASE and cost estimates;
- 3) The End-borrower shall provide CIB undertakings, the financial statements, other information, papers and documents required by the relationship officer in charge at the branch office;
- 4) Each PFI's relationship officer in charge at the branch shall evaluate the End-borrower's Application with due diligence, accomplish the relevant tasks and prepares the Credit Assessment Report;
- 5) The Credit Assessment Report shall be forwarded to zonal office or to head office for review by the Zonal Credit Risk Officer (ZCRO) or Head Office Credit Risk Officer (HCRO);

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<sup>12</sup> Bangladesh Bank, "Managing Core Risks of Financial Institutions: Credit Risk Management; Industry Best Practices", July 2005

- 6) ZCRO or HCRO informs the results of review to the branch office;
- 7) ZCRO/HCRO supports the Credit Assessment and forward the recommendation for approval to Head of Business Unit (HOBU) and to Head of Credit Risk (HOCR) for onward recommendation;
- 8) HOCR informs the result of review to ZCRO;
- 9) HOCR and HOBU supports the Credit Assessment Report and forward the recommendation for approval to Credit Committee;
- 10) Credit Committee informs the decision as per the delegated authority to HOCR and HOBU;
- 11) Credit Committee forwards the Credit Assessment Report to Executive Committee/Board for approval within their respective authority; and
- 12) Executive Committee/Board informs the decision to HOCR and HOBU.

### **13.2.2. Verification of the Compliance with the Eligibility Requirement of the Project**

The verification of the compliance with the eligibility requirement shall be the task that is unique to the Project. The following procedures shall be adopted by the PFI to ensure the accuracy and correctness of the information provided on the End-borrower, the Sub-project and the Sub-loan submitted to BB-PIU;

- 1) In filling the Application for Sub-loan, the End-borrower shall provide information required under the Project in addition to what are presented in the procedure described above for credit appraisal;
- 2) The appraisal officer of PFI shall evaluate the End-borrower's Application and the information provided with due diligence, accomplish the relevant tasks and prepares the Eligibility Assessment Report which the PFI should develop according to its own rules and practices; and
- 3) The Eligibility Assessment Report thus created by the appraisal officer shall accompany the Credit Assessment Report through the layers of authority for final approval.

### **13.3. Compliance with the Eligibility Requirement and the Operating Guidelines**

The PFI checks and verifies the contents of the Application for Sub-loan under the Project submitted by the End-borrower against the eligibility requirement and the Operating Guidelines. The result of the verification shall be reflected into the preparation of Form No. A-1, Application for On-lending Loan. The PFI can reflect the compliance of the Sub-loan by entering the check marks into entry boxes for compliance in the Form No. A-1, Application for On-lending Loan. The PFI is recommended to prepare a checklist based on which the Eligibility Assessment Report should be created for verifying the Sub-loan's compliance with the Eligibility Requirement and the Operating Guidelines and to accompany the Credit Assessment Report to be submitted for credit approval to the competent officer of the PFI.

### **13.4. Compliance with the Banking Regulations**

In conducting the credit appraisal and approval of the Application, the PFI ensures that the Sub-loan examined is in compliance with the prevailing banking rules and regulations imposed by the Government and/or the regulatory authority concerned. In addition, the PFI under the scheduled banks has to comply with the Prudential Regulation for Banks 2009 of BB for all of their Sub-loans under TSL. The PFI under NBF1 license similarly has to comply with the Prudential Regulation for NBF1 2010. The procedures of the PFI established for appraising the normal credits can be adopted for the purpose of the compliance with the Banking Regulations.

### **13.5. Social and Environmental Consideration**

In conducting the credit appraisal of the Application for Sub-loan, the PFI classifies the Sub-project in accordance with the JICA Environmental and Social Considerations. The category classified shall be reported to BB-PIU in Form A-1, Application for OLL.

Any Sub-project that is classified in Category A under the JICA Guidelines shall not be eligible for financing under the Project. Any Sub-loan originally classified in Categories other than A and granted with the Sub-loan but was later re-classified as Category A, if it happens to be such case, the Sub-loan has to go through the environmental review process. The End-borrower and related parties must submit Environmental Impact Assessment (EIA) Report for Category A projects. For projects that will result in large-scale involuntary resettlement, basic resettlement plans must be submitted. The PFI is obliged to obtain and confirm the environmental clearance through such measures as; obtaining the Environmental Clearance Certificate (ECC), Initial Environmental Examination (IEE), Environmental Initial Assessment (EIA), etc. The PFI reports BB-PIU the steps and measures taken for such clearance. BB-PIU shall enter into discussion based on the reports submitted by the PFI to cope with the situation. JICA undertakes its environmental reviews based on the EIA and other reports prepared by the End-borrower and submitted through the PFI and BB-PIU.

For the Sub-loan classified as Category B, the scope of environmental review may vary from project to project, but it is narrower than that for Category A projects. JICA undertakes its environmental reviews based on information provided by the End-borrower and related parties. Where EIA procedure has been conducted, the EIA report may be referred to, but it is not a mandatory requirement.

For the Sub-project classified as Category C, environmental reviews will not proceed beyond the screening and no further work will be required.

### **13.6. Sub-loan Agreement**

In addition to the normal process of credit appraisal and sanctioning of commercial loans, the PFI confirms and endorses the compliance of the Sub-loan by examining the items falling under the requirement for compliance mentioned above. The result of the examination shall be described in Form A-1, Application for OLL and in Form A-2, Request for Disbursement of OLL. Upon approving the Application for the Sub-loan, the PFI proceeds to the next step of negotiating the loan contract to be mutually signed between the PFI and the End-borrower. The contents of the Sub-loan Agreement shall be in compliance with the specifics described in Section 3.1. The sequential flow of work for the credit approval and disbursement at the PFIs can be referred to the attached Chart A, Workflow for Sub-loan Appraisal and Disbursement <Refinancing Method> and Chart B, Workflow for Sub-loan Appraisal and Disbursement <Pre-financing Method>.

### **13.7. Disbursement of Sub-loan**

Upon signing the loan contract, the PFI makes disbursement of the Sub-loan to the account designated by the End-borrower on the following timing;

#### **13.7.1. Disbursement under Refinancing Method**

For the Refinancing Method of OLL, the disbursement of funds should be made to the designated account of the End-borrower after completion of the PFI's appraisal process and signing of the loan contract but prior to the disbursement of OLL against delivery of title



document covenanted.

**13.7.2. Disbursement under Pre-financing Method**

For the Pre-financing Method, the PFI shall first re-negotiate with the End-borrower for amending the loan contract which might become necessary depending upon the outcome of the examination of OLL made by BB-PIU. Upon signing the loan contract, the PFI shall make disbursement to the End-borrower's account immediately after receiving the funds disbursed by BB-PIU for OLL against delivery of title documents covenanted.

## **14. On-lending Loan by BB-PIU**

### **14.1. Pre-conditions of OLL**

Upon receiving the Application for OLL from the PFI, BB-PIU checks its record to confirm that the PFI duly satisfies the pre-conditions for requesting the Sub-loan to be financed by the Project. The pre-conditions include that the PFI has been duly selected and appointed under the Project and that the PFI has no debt outstanding in arrear at the time of requesting BB-PIU for the OLL. The sequential activities work for approving and disbursing the OLL can be referred to the attached Chart A, Workflow for Sub-loan Appraisal and Disbursement <Refinancing Method> and Chart B, Workflow for Sub-loan Appraisal and Disbursement <Pre-financing Method>.

### **14.2. Preparation of Application for On-lending Loan by PFI**

Based on the Application for Sub-loan and accompanied documents submitted by the End-borrower, the PFI prepares and submits to BB-PIU Form A-1, Application for OLL and Form A-2, Request for Disbursement of OLL. Under the Refinancing Method, the PFI submits Form A-1 and Form A-2 together, whereas under the Pre-financing Method, Form A-1 shall be submitted first and submission of Form A-2 shall be withheld up till the time when the PFI will complete the preparation for the disbursement of the Sub-loan.

Form A-1, Application for OLL should be described with the following fundamental information;

- (1) Applicant of the Sub-loan,
- (2) Summary of the Sub-project,
- (3) Terms and Conditions of the Sub-loan,
- (4) Compliance with the Eligibility Requirement under the Project,
- (5) Terms and Conditions of the OLL, and
- (6) The result of Advanced Simplified Evaluation (ASE) issued by PWD-PIU
- (7) Related Request being made for On-lending Loan under the Project.

Form A-2, Request for Disbursement of OLL should be described with the following information;

- (1) Request for Disbursement of the OLL,
- (2) Specifics of Partial Disbursements if applicable, and
- (3) Account to be credited.

The PFI ensures that the information above provided is true and correct on the End-borrower, the Sub-project and the Sub-loan.

In the Application for OLL, the PFI certifies that the Sub-loan/project is compliant with JICA Environmental Guidelines as well as the domestic laws and regulations and that in receiving the Application for Sub-loan, the PFI has collected the environment related documents required such as Environmental Clearance Certificate (ECC), Environmental Impact Assessment (EIA), Initial Environmental Examination (IEE), etc.

### **14.3. Examination of the Application for OLL by BB-PIU**

For each and every Form A-1, Application for OLL submitted, PIU first assigns one each unique

number as BB-PIU's End-borrower ID Number and BB-PIU's OLL Number. The End-borrower ID Number is structured as the abbreviated code of the PFI + the branch code + the PFI's borrower code and BB-PIU's OLL Number is as the abbreviated code of the PFI + sequential number of OLL for the PFI + contract year of OLL.

At BB-PIU the Forms A-1, Application for OLL and A-2, Request for Disbursement of OLL shall be received at its TSL Administration and Appraisal Section, the officer in charge at the section shall check and verify the Sub-loan's compliance with eligibility criteria. After examining and verifying the eligibility, the officer in charge shall submit the result to the appropriate authority for approval through the Project Director. The examination and approval process shall accompany, among others, the following sequential steps of actions;

**[Process Flow at TSL Administration and Appraisal Section of BB-PIU]**

- ✓ Receiving the Application for On-lending Loan and Request for Disbursement of OLL,
- ✓ Assigning BB-PIU's number to each Application,
- ✓ Entering the Application into the OLL Control Book,
- ✓ Examining the compliance with the eligibility criteria,
- ✓ Submitting the result of examination to the appropriate authority through the Project Director,
- ✓ Obtaining approval of the appropriate authority on the OLL and disbursement of the funds,
- ✓ Entering the approval date into the OLL Control Book,
- ✓ Preparing the Notices of Results to PFIs,
- ✓ Preparing the letter instruction to Accounts and Budgeting Department for fund transfer by the Desk Officer,
- ✓ Presenting the letter instruction by the Officer in charge to the Project Director for approval,
- ✓ Ensuring the deposit of Demand Promissory Note duly signed by PFI at BB-PIU,
- ✓ Delivering the letter instruction to Accounts and Budgeting Department, and
- ✓ Entering the disbursement date and amount into the OLL Control Book.

Upon confirming the compliance with the eligibility requirement and the terms and conditions of Sub-loan, BB-PIU shall notify the PFI the result of its examination by sending Form B-1.1, Notice of Compliance of the Application for OLL under Pre-financing Method or Form B-1.2, Notice of Non-compliance of the Application for OLL under both Pre-financing and Refinancing Methods. For positive result of the examination under the Refinancing Method, the notice of compliance shall not be sent, instead the PFI shall be advised such result by the Notice of Disbursement of OLL (Form B-2).

**14.4. Disbursement of OLL**

Upon confirming the compliance with the eligibility requirement, BB-PIU releases the funds for OLL to the account designated by the PFI. BB-PIU notifies the completion of disbursement of OLL to the PFI by sending Form B-2, Notice of Disbursement. For the Sub-loan under Pre-financing Method, BB-PIU shall withhold the funds up till the time PFI shall notify BB-PIU in using Form A-2, Request for Disbursement of OLL to the effect that the preparation for disbursement of the Sub-loan has finished and the funds to be disbursed under OLL shall be immediately released to the End-borrower.

The PFI, receiving the funds in disbursement of OLL, acknowledges its receipt of disbursed funds to BB-PIU by sending Form A-3, Receipt of Disbursed Funds under OLL for both the Refinancing Method and the Pre-financing Method. Under Pre-financing Method, the PFI

notifies BB-PIU its completion of disbursement of Sub-loan to the End-borrower after the receipt of the disbursed funds of OLL and its disbursement under Sub-loan by sending Form A-4, Report on Disbursement of Sub-loan under Pre-financing Method.

In order to maintain the records and accounts of OLL disbursement, BB-PIU shall confirm at least the followings;

- i) Confirmation of the voucher for the credit entry of the disbursed funds to the PFI's account shall be obtained from the Accounts and Budgeting Department,
- ii) Receiving from the PFI the copy of the End-borrower's receipt of the funds disbursed under Sub-loan addressed to the PFI, being accompanied to the Form A-2, Request for Disbursement of OLL in case of the OLL provided under the Refinancing Method and to the Form A-3, Receipt of Disbursed Funds under OLL in case of the OLL provided under the Pre-financing Method,
- iii) Entry to be made at BB-PIU of the date, amount and other particulars of OLL disbursement to the OLL control book (prospectively equipped in the computerized TSL management system).

#### **14.5. Amendment of Request for On-lending Loan**

For the PFI who receives the negative answer by Form B-1.2, Notice of Non-Compliance of the Application for OLL, BB-PIU shall not release the funds until the time when the Application for OLL is amended in using Form A-5, Request for Amendment of the Terms and Conditions of OLL and Sub-loan/project and the Request becomes fully complying with the terms and conditions of the Project. Upon examining the Request for Amendment of the Terms and Conditions of Sub-loan, BB-PIU notifies the PFI its result by sending Form B-3, Notice of Acceptance/Non-Acceptance of the Request for Amendment. Upon sending the affirmative notice, BB-PIU releases the funds for OLL to the account designated by the PFI. For the Pre-financing method, the release of the funds shall be made by BB-PIU to the PFI upon receipt of the notification from the PFI informing its readiness to disburse the funds by using the Form A-2 Request for Disbursement of OLL.

The Request for Amendment of the Terms and Conditions of Sub-loan shall be received at its TSL Administration and Appraisal Section, The sequential steps of process shall be followed in a same manner as has been mentioned above for the new application with exception of the assignment of BB-PIU's number for the Sub-loan. The Request for Amendment shall be processed under the number originally assigned to the Sub-project at its first submission. Other steps of the sequence shall remain unchanged.

For the Pre-financing Method, there may be a case in which BB-PIU finds a necessity to revise the terms and conditions once approved for OLL before its disbursement. BB-PIU may send Form B-4, Notice of Change of the Terms and Conditions Approved for OLL to the PFI. Upon obtaining the consent of the End-borrower, the PFI proceeds to amend the terms and conditions of the Sub-loan accordingly.

The PFI may use Form A-5, Request for Amendment of the Terms and Conditions of OLL and Sub-loan/project for both cases of Refinancing Method and Pre-financing Method.

## **15. Debt Servicing, Rescheduling and Event of Default**

### **15.1. Notice of Due Dates on On-lending Loan**

The PFI is obliged to make payment of principal and interest on the due dates to the account designated by BB-PIU irrespective of its receipt of the Notice of Due Dates from BB-PIU and its collection of the principal and interest from the End-borrower. The collection of the OLLs shall be handled by the Treasury and Recovery Section of BB-PIU. The due dates of the OLLs are supervised by the section for timely and effective management by using the Form D-11.1, Due Dates of Principal & Interest in Next Month and Form D-11.2, Due Dates of Principal and Interest in the Month after Next. The IT system shall generate the recovery information report periodically according to which the Officer in charge at the section shall be able to take the actions for recovery without fail. At around one month prior to the due dates of the principal and/or interest of OLL, BB-PIU sends Form B-5, Notice of Due Dates of Principal and Interest to the PFI for reminding the PFI of the up-coming due dates. The schedule of recovery shall be informed to the Accounts and Budgeting Department for vigilance. The sequential activities and flow of funds for debt servicing of the OLL can be referred to the attached Chart C, Workflow for Debt Servicing,

### **15.2. Payment of Interest and Principal on On-lending Loan**

Upon receipt of payment by the PFI, BB-PIU notifies its receipt of payment by sending Form B-6, Receipt of Payment of Principal and/or Interest. The recovery process shall accompany, among others, the following sequential steps of actions;

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#### **[Process Flow at Treasury and Recovery/General Administration Section of BB-PIU]**

- ✓ Monitoring the maturities of the OLLs,
- ✓ Sending the Notice of Due Dates to PFI and its copy or summary sheet to the Accounts and Budgeting Department,
- ✓ Preparing the letter instruction to Accounts and Budgeting Department for disposal of received funds to the effect that the principal portion shall be credited to Revolving Fund Account, 1/5<sup>th</sup> of the interest received to BB's Revenue Account and the remaining portion of the interest to MOF's account,
- ✓ Approval and sending of the letter instruction for disposal by the Project Director to the Accounts and Budgeting Department,
- ✓ Receiving the notice from the Accounts and Budgeting Department for in-coming transfer of funds,
- ✓ Confirming the accuracy of the fund transfer,
- ✓ Report to the Project Director for recovery,
- ✓ Preparing the Form B-6, Receipt of Payment of Principal and Interest,
- ✓ Approval of the receipt of funds by the Project Director,
- ✓ Sending the Form B-6, Receipt of Payment of Principal and Interest to the PFI, and
- ✓ Entering the recovery date and amount to the OLL Control Book.

### **15.3. Prepayment of Principal**

#### **15.3.1. Sub-loan**

The PFI notifies BB-PIU prepayment of Sub-loan by sending Form A-6, Report of Prepayment of Sub-loan. The sequential activities work for prepayment of the OLL can be referred to the attached Chart D, Workflow for Prepayment.

### **15.3.2. On-lending Loan**

Upon receiving Form A-6, Report of Prepayment of Sub-loan, BB-PIU confirms the reason and conditions of the prepayment is in order and acceptable, BB-PIU sends Form B-9, Acknowledgement of Notice on Prepayment in which BB-PIU accepts the prepayment of OLL and instructs the PFI on the manner of prepayment. Upon receipt of the funds for prepayment at the designated account, BB-PIU sends the PFI Form B-10, Receipt of Prepayment and Claim for Accrued Interest in which BB-PIU notifies the PFI receipt of the prepaid funds of OLL and the amount of interest claimed for the prepaid OLL. Alternatively, if the date of prepayment of OLL can be fixed in advance, the claim on interest can be included in the Form B-9, Acknowledgement of Notice on Prepayment for quicker settlement.

At BB-PIU, the Form A-6, Report of Prepayment of Sub-loan shall be received at its Treasury and Recovery/General Administration Section. The prepayment shall be handled by the Officer in charge at the section in similar steps as the scheduled payment. Instead of the advance information on the up-coming repayment, the section shall inform the Accounts and Budgeting Department for the notified prepayment whenever informed by the PFI. The steps to be taken after the receipt of the incoming transfer shall be the same as in case of the scheduled repayment.

## **15.4. Rescheduling**

### **15.4.1. Sub-loan**

The PFI notifies BB-PIU rescheduling of the Sub-loan and requests BB-PIU to allow corresponding rescheduling of the OLL by sending Form A-8, Request for Rescheduling of OLL. The sequential activities work for rescheduling of the OLL can be referred to the **attached Chart E**, Workflow for Rescheduling,

### **15.4.2. On-lending Loan**

Upon receiving Form A-8, Request for Rescheduling of OLL, BB-PIU examines and confirms the reason and conditions of the rescheduling in view of the eligibility criteria of the Project and compliance with the Prudential Regulations concerned.

At BB-PIU the Forms A-8, Request for Rescheduling of OLL shall be received at its TSL Administration and Appraisal/Refinance/Pre-finance/Coordination Section, the officer in charge at the section shall check and verify the Sub-loan's compliance with eligibility criteria. After examining and verifying the eligibility, the officer in charge shall submit the result to the appropriate authority for approval through the Project Director. The examination and approval process shall accompany, among others, the following sequential steps of actions;

#### **[Process Flow at TSL Administration and Appraisal/Refinance/Pre-finance/Coordination Section of BB-PIU]**

- ✓ Receiving the Request for Rescheduling from the PFI,
- ✓ Entering the Request into the OLL Control Book,
- ✓ Examining the compliance with the eligibility criteria,
- ✓ Submitting the result of examination to the appropriate authority through the Project Director,
- ✓ Obtaining approval of the appropriate authority on the rescheduling,
- ✓ Entering the approval date into the OLL Control Book,
- ✓ Preparing the Notices to PFIs, and
- ✓ Entering the rescheduled maturity and installment schedule into the OLL Control Book.

After confirming the eligibility compliance and regulatory clearance, and the reschedule is approved by the competent authority, BB-PIU sends Form B-11, Approval for Rescheduling of OLL to PFI.

## **15.5. Non-payment on Due Dates**

### **15.5.1. Sub-loan**

Should the PFI find any of its Sub-loans failing to make payment on due date, the PFI notifies BB-PIU the non-payment of the Sub-loan by sending Form A-7, Notice of Non-payment of Sub-loan. The Notice shall be received at Treasury and Recovery/General Administration Section of BB-PIU. The non-payment shall be reported immediately to the appropriate authority through the Project Director. The process shall accompany, among others, the following sequential steps of actions;

#### **[Process Flow at Treasury and Recovery/General Administration Section of BB-PIU]**

- ✓ Receiving the Notice of Non-payment from the PFI,
- ✓ Submitting the report of non-payment of Sub-loan to the appropriate authority through the Project Director,
- ✓ Searching BB-PIU file if there exists any Sub-loan outstanding for the same End-borrower reported for non-payment,
- ✓ Hearing the measures for recovery from the PFI and urging the PFI to take appropriate actions, and
- ✓ Providing a caution notice to the other PFIs lending to the same End-borrower, if found through the search efforts, of the non-payment at the first PFI.

## 16. Fund Management

### 16.1. Accounts Established

The procedure to handle the Designated Account is stipulated in the “Advance Procedure” attached to the Loan Agreement under Schedule 7. The Designated Account shall be audited annually by an independent auditor to be appointed and employed by BB at its own cost and the Audit Report needs to be furnished to JICA annually within six months after the end of each year, i.e. by December of each year until five years after the completion of the Project.

Another account called “Project Operating Account” shall be opened and maintained at BB in the name of the Project on behalf of Government of Bangladesh to which the disbursed funds from JICA shall be transferred from the Designated Account before being spent for disbursement of OLL. The Project Operating Account shall be audited annually by an independent auditor to be appointed and employed by BB at its own cost and the Audit Report needs to be furnished to JICA annually within six months after the end of each year, i.e. by December of each year until five years after the completion of the Project.

A separate and distinct account called “Revolving Fund Account” shall be opened and maintained at BB in the name of the Project on behalf of Government of Bangladesh to which the principal portion of repayment from the PFIs shall be credited for subsequent application for funding the second and succeeding generations of OLLs. The Revolving Fund Account shall be audited annually by an independent auditor to be appointed and employed by BB at its own cost and the Audit Report needs to be furnished to JICA annually within six months after the end of each year, i.e. by December of each year until five years after the completion of the Project.

### 16.2. Receipt of Funds from JICA

For requesting the initial disbursement under the Project, BB-PIU shall submit the Request for Initial Disbursement as per Form JICA-RID attached to the Schedule 7 of the Loan Agreement. JICA shall, upon receipt of the request for disbursement in the prescribed format, make initial disbursement of the Loan in the amount not exceeding one billion Japanese Yen as stipulated in the Loan Agreement.

For requesting the replenishment of funds for the Designated Account, BB-PIU shall submit the Request for Replenishment as per Form JICA-RPM attached to the Schedule 7 of the Loan Agreement. Replenishment of the account shall be made by JICA upon receipt of the request for replenishment accompanied by the following documents;

- (1) Statement of Expenditure as per Form C-2, and
- (2) Supporting documents such as the copies of the receipts issued by the PFI and by the End-borrower evidencing each payment and its usage.

Towards the latter part of the replenishment phase of the Account, there will be a stage of operation called the “recovery phase” under which JICA will reduce the percentage of replenished funds against the amount stipulated in the Request for Replenishment. Through the operation, the Advance Procedure intends to match the cumulative total amount of disbursements including the initial disbursement with the cumulative total amounts of the expenditures to be expressed in the **column No.12, “Disbursed Amount of BB-PIU’s OLL”** of SOEs.



### 16.3. Flow of Funds

The funds received at the Designated Account from JICA shall be transferred by BB-PIU to Project Operating Account from which all the disbursement of OLL shall be made. For making disbursement of OLL to the PFIs, BB-PIU debits the Project Operating Account and credit the account designated by the PFI. For disbursement of the second and subsequent generations of OLLs, BB-PIU shall utilize the funds accumulated in the Revolving Fund Account for disbursement to the PFIs.

In recovery of the OLL extended, Form B-5, Notice of Due Dates of Principal and/or Interest shall be sent by BB-PIU to the PFI prior to the due date in which BB-PIU shall inform the PFI that the PFI's account at BB shall be debited for the amount coming due on the specified due dates. On the due date notified, Accounts and Budgeting Department of BB shall debit the account of the PFI for the amount instructed by BB-PIU. Out of the proceeds collected from the PFI's account, the Accounts and Budgeting Department shall credit the principle portion of the proceeds to the Revolving Fund Account whereas the interest portion is split into two parts, out of which 1/5<sup>th</sup> shall be credited to BB's Revenue Account and 4/5<sup>th</sup> to MOF's account.

### 16.4. Management of Funds and Fund Accounts

BB-PIU shall submit to JICA the Statement of the Accounts mentioned above for each of the fiscal year. The formats are exemplified as Form C-1, Statements of Designated Account, Project Operating Account, and Revolving Fund Account and Form C-2, Statement of Expenditure. The Designated Account, the Project Operating Account, the Revolving Fund Account and Statement of Expenditure to be prepared for the expenditures financed from JICA Loan shall be audited annually by an independent auditor. The standard formats of audit report as required by JICA for the Designated Account attached to Appendix 28 of M/D, Project Operating Account, Revolving Fund Account and Statement of Expenditure are attached to L/A and M/D.

### 16.5. Management Information System (MIS)

For the effective control of the operation, BB-PIU is recommended to develop its own management information system. Based on the IT system developed for the management of the OLL, BB-PIU should be able to establish the basic MIS and its outputs which include but not limited to the following reports;

- ✓ Form D-1: Report of New On-lending Loan Registered,
- ✓ Form D-2: On-lending Loan Status,
- ✓ Form D-3.1: List of Applications for OLL Rejected,
- ✓ Form D-3.2: List of Pending Applications for OLL,
- ✓ Form D-3.3: List of Rescheduled OLLs and Sub-loans,
- ✓ Form D-3.4: List of Sub-loans in Arrear,
- ✓ Form D-4: Monthly Activity Report: New Approval of OLL,
- ✓ Form D-5: Monthly Activity Report: Disbursement of OLL,
- ✓ Form D-6: Monthly Activity Report: Recovery of Principal under OLL,
- ✓ Form D-7: Monthly Activity Report: Interest Received under OLL,
- ✓ Form D-8: Monthly Activity Report: Fund Flow,
- ✓ Form D-9: Monthly Performance of OLL,
- ✓ Form D-10: Due Date Table of OLL,
- ✓ Form D-11.1: Due Dates of Principal and Interest in Next Month,
- ✓ Form D-11.2: Due Dates of Principal and Interest in the Month after Next,

- ✓ Form D-12.1: PFI-wise Due Dates of Principal and Interest in Next Month, and
- ✓ Form D-12.2: PFI-wise Due Dates of Principal and Interest in the Month after Next.

The management of BB-PIU should be able to use the Forms of D-1, D-2, D-3.1 and D-3.2 above to monitor the actual progress of approval process of the OLL. The Applications for OLL that have been rejected shall be reflected into the Form D-3.1 and the Applications whose processing are pending shall be reflected into the Form-3.2. The management should keep their close eye on those irregular Applications to monitor their progress for recovery and for disbursement. The performance of OLLs can be monitored by having the Forms of D-4 through D-9. The Forms will keep the management well informed of the monthly progress and performance in OLL, including the new approval of OLL, the disbursement made during the month, the recovery of the principal, the collection of interest, the fund flow and the balance of OLL in the aggregate figure. The collection of the principal and interest in the future shall be supported by the Forms D-10 through D-12.2. The Form D-10, Due Date Table of OLL should form the basis for the maturity and collection control, based on which the Forms of D-11.1 and D-11.2, Due Dates of Principal and Interest are produced for the use of BB-PIU for effective maturity control and the Forms D-12.1 and D-12.2, PFI-wise Due Dates of Principal and Interest are produced for the monitoring of PFIs for their debt servicing. PFI-wise Due Dates of Principal and Interest can be used as the basis for BB-PIU's issuing the Form B-5, Notice of Due Dates of Principal and Interest.

## **17. Promotion of the Project**

### **17.1. Publicity Promotion**

BB-PIU takes a leadership role in developing the publicity promotion. It will organize various means of promotion including but not limited to; posters, booklet, brochure, video, newspaper advertisement, TV run messages, etc. BB-PIU, with the assistance of the consultants, plans, prepares and executes the publicity promotion in active utilization of the means and media discussed. BB-PIU will consider and discuss the publicity promotion with the parties concerned for building safety promotion including but not limited to; MOPH, BGMEA, BKMEA, etc. in seeking the opportunities of co-working for promoting the Project. Participation of the PFIs in such activities is expected.

### **17.2. Advisory Services**

The advisory services that the PFIs are expected to render to the End-borrowers;

- i) Guidance on the basic terms and conditions of financing under the Project,
- ii) Guidance on all the requirement for the End-borrower to follow at one time upon delivery of application form,
- iii) Guidance for filling up the application form, and
- iv) Sufficient time allowed for preparation, question and answer.

### **17.3. Capacity Building of PFIs' Staff**

BB-PIU in cooperation with PWD-PIU may be requested by the PFI for assisting the establishment of training programs and its execution. Both PIUs may extend assistances to the PFI in such manners as; holding seminars/workshop for the Project inviting the PFIs' staff; sending lecturers to the training program that the PFI organizes; developing and providing training materials; extending on-site advices to the branch offices, etc. For general training of building safety finance, Bangladesh Institute of Bank Management (BIBM) and Bangladesh Bank Training Academy (BBTA) are providing several courses in financing which can be availed by the PFI for strengthening its institutional capacity in building safety lending. The PFI is requested to report the performance of the capacity building activities when submitting Form C-4.2, PFI Report on Monitoring Indicators.

## 18. Monitoring

### 18.1. Monitoring by PFI

The PFI is obliged to monitor closely, the progress of the Sub-loan/project through site visits and management interviews, in particular, focusing on the following aspects of the Sub-project;

- 1) Progress of Individual Sub-project
  - ✓ Progress and completion of the construction of the Sub-project,
  - ✓ Proper usage of the Sub-loan proceeds,
  - ✓ Construction cost and period,
  - ✓ Orderly start-up and performance in operation, and
  - ✓ Social and Environmental Protection.
  
- 2) Financial Conditions of End-borrower
  - ✓ Overall business performance of the enterprise,
  - ✓ Overall cash flow of the enterprise,
  - ✓ Assets and liabilities,
  - ✓ Trend of profits,
  - ✓ Sufficiency in working capital,
  - ✓ Constraints in financing,
  - ✓ Difficulty in debt servicing, and
  - ✓ Change in overall employment.
  
- 3) Overall Soundness of the Sub-loan Portfolio
  - ✓ Number of Sub-loans approved,
  - ✓ Amount disbursed in Sub-loans,
  - ✓ Amount collected from Sub-loans,
  - ✓ Sub-loans rescheduled,
  - ✓ Sub-loans in arrear,
  - ✓ Sub-loans in default, and
  - ✓ Sub-loans classified as non-performing loan.

For individual sub-project monitored, the PFI shall report the findings from monitoring activities in sending Form A-9, Monitoring Report of Sub-project whenever a material deviation from the original project plan in the monitoring items described above is identified or anticipated. In addition, the PFI shall submit Form C-3.2, PFI Report on On-going Project Summary containing all of the PFI's Sub-loans outstanding at the end of the quarter to BB-PIU within fifteen (15) days after the end of each quarter. In addition, the PFI shall report the status of current repayment and overdue annually by submitting Form C-5.2, PFI Report on Current Repayment and Overdue Status to BB-PIU within fifteen (15) days after the end of each year.

### 18.2. Measurement of Monitoring Indicators

The PFI shall collect the data specified in Form C-4.2, PFI Report on Monitoring Indicators, for the baseline and actual achievement and submit to BB-PIU for each quarter up till five (5) years after the completion of the Project within fifteen (15) days after the end of the quarter. The data required as the Monitoring Indicators are comprised of the following items;

- 1) Operation and Effect Indicators
  - ✓ Total loan outstanding of the PFIs to building safety, and
  - ✓ Ratio of building safety lending in total loan outstanding of the PFIs.

2) Supporting Indicators

- ✓ Number of Sub-loan cases disbursed under the Project,
- ✓ Cumulative amount of Sub-loans disbursed under the Project,
- ✓ TSL loan (Sub-loan) outstanding of the PFIs to building safety,
- ✓ TSL (Sub-loan) ratio in total building safety loan outstanding of the PFIs,
- ✓ Total outstanding of the PFIs' medium and long term lending to building safety,
- ✓ Ratio of the medium and long term lending in total loan outstanding of the PFIs,
- ✓ Collection ratio of TSL (Sub-loan),
- ✓ Ratio of the amount of Sub-loans in arrear in total Sub-loan outstanding (infection ratio),
- ✓ Ratio of the numbers of Sub-loans in arrear in total number of Sub-loans, and
- ✓ Number of seminars held by BB-PIU to the PFIs.

The PFI shall compile the report of its performance for the Monitoring Indicators and submit to BB-PIU within fifteen (15) days after the end of each quarter.

### **18.3. Monitoring of Social and Environmental Impact**

The PFI is held responsible for monitoring the social and environmental impact of the Sub-project. The result of the monitoring by the PFI shall be reported to BB-PIU by the periodical as well as the ad-hoc report. The periodical reporting shall be made by submitting the Form C-3.2, PFI Report on On-going Sub-project Summary within which the columns are assigned for reporting of the Environmental Category of the Sub-project based on JICA's Environmental and Social Guidelines and the adverse impact, if any, that has been observed.

### **18.4. Monitoring by BB-PIU**

BB-PIU shall execute following courses of actions to discharge its monitoring obligation under the Project;

- 1) To collect the reports generated by the PFIs in Forms C-3.2, PFI Report on On-going Sub-project Summary, C-4.2, PFI Report on Monitoring Indicators and C-5.2, PFI Report on Current Repayment and Overdue Status,
- 2) To aggregate the collected data and grasp the total picture on the progress of the Project,
- 3) To analyze the compiled data,
- 4) To conduct field survey/inspection of the PFIs and the Sub-projects, should it be found necessary by BB-PIU,
- 5) To grasp and assess the performance of the PFIs individually,
- 6) To identify weakness and/or problems,
- 7) To develop the measures for solution and/or improvement,
- 8) To prepare the Project Status Report to be submitted to JICA quarterly, and
- 9) To give guidance to the PFIs.
- 10) To coordinate with PWD-PIU including the design and inspection to be submitted to TRP

### **18.5. Periodical Reporting**

BB-PIU shall report the findings from monitoring activities in sending JICA and Project Management Committee 1 the Quarterly Progress Report whose format is exemplified under the

title of Project Status Report in the M/D. For compilation of the Project Status Report, BB-PIU shall require the PFI to submit periodically the pertinent data and information in the forms of Form C-3.2, PFI Report on On-going Sub-project Summary, Form C-5.2, PFI Report on Current Repayment and Overdue Status, Form C-4.2, PFI Report on Monitoring Indicators and other ones that would be reasonably requested.

#### **18.6. Monitoring by Project Management Committee 1**

Project Management Committee 1 convenes at least quarterly and discusses policy issues relevant to the implementation and management of the Project, including but not limited to the following;

- ✓ Approval of the Operating Guidelines,
- ✓ Approval of the Accreditation Criteria of PFIs,
- ✓ Review of the performance of the Project,
- ✓ Review of the PFIs' performance, and
- ✓ Discussion of issues that may arise requiring the Committee's judgment, including the frequency of disbursement of OLL.

The approval and decision above made shall be sent to JICA for concurrence before such will be put into operation. The Committee and the Committee member shall be informed of the feedbacks of lessons learnt that should be used for reflection into the policy formulation in the areas related to the Project, etc.

#### **18.7. Inspection**

The inspection shall be initiated by MOF-BFID, BB and/or BB-PIU in cooperation with PWD-PIU. It will involve physical visits to the End-borrower and to the Sub-project and therefore, the PFI and the End-borrower shall be required to accept such and to extend cooperation required by the Inspecting Institution and its Inspector. No standard procedure is established for executing the inspection.

#### **18.8. Impact Assessment**

For meeting the requirement of impact assessment by JICA, necessary baseline data will be collected from the ones stored at BB-PIU and the PFI. The PFI is obliged to keep the records, data and information of the Sub-loan/project and the End-borrower including the financial statement until the full discharge of the debt. BB-PIU shall submit necessary evaluation results prepared by itself to JICA in support of the impact assessment including the Operation and Effect Indicators.

## 19. Reporting

JICA requires the following reports to be submitted regularly at the intervals stated. The formats for reporting are included in the Project Memorandum dated xxx, 20xx signed between JICA and the Government of Bangladesh. The flow of work for monitoring and reporting can be referred to the attached Chart F, Workflow for Monitoring,

### 19.1. On-going Sub-projects Summary Report

To be submitted quarterly until five years after the Completion of the Project in the Format “Appendix 31 to M/D”<sup>13</sup>. The PFI shall provide BB-PIU with the pertinent data required by BB-PIU for preparing the report to JICA in the Form C-3.2, PFI Report on On-going Sub-project Summary, within fifteen (15) days after the end of each quarter.

### 19.2. Current Repayment and Over-due Status Report

To be submitted annually until five years after the Completion of the Project in the Format “Appendix 27 to M/D”. The PFI shall provide BB-PIU with the pertinent data required by BB-PIU for preparing the report to JICA in the Form C-5.2, PFI Report on Current Repayment and Overdue Status, within fifteen (15) days after the end of each quarter.

### 19.3. Quarterly Progress Report

To be submitted quarterly until the Completion of the Project in the form of “Project Status Report (PSR) stipulated above and shown as Annex 1 of M/D” together with the up-to-date list of accredited PFIs.

### 19.4. Project Completion Report

To be submitted within six months after the Completion of the Project in the form of “Project Status Report as shown in Annex 1 of M/D”.

### 19.5. Audit Report

The Audit shall be made on the Statement of Designated Account, Project Operating Account, Revolving Fund Account and Statement of Expenditures by an independent auditor and be submitted to JICA annually within six months after the end of each fiscal year until five years after the Completion of the Project. To be submitted quarterly until five years after the Completion of the Project in the form as determined by the auditor in reference to the standard format being attached to L/A in Attachment I and V, and shown in Appendix 28 of M/D.

### 19.6. PFI Performance Review

To be submitted annually until five years after the Completion of the Project in the form, BB-PIU reports the result of annual review to the Project Management Committee 1.

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<sup>13</sup> The Completion of Project is defined as (i) the last JICA’s disbursement for Two Step Loan under the Loan Agreement of the Project or (ii) the expiry of the Loan Agreement period of the Project, whichever comes first.

**19.7. PFIs' Annual Reports**

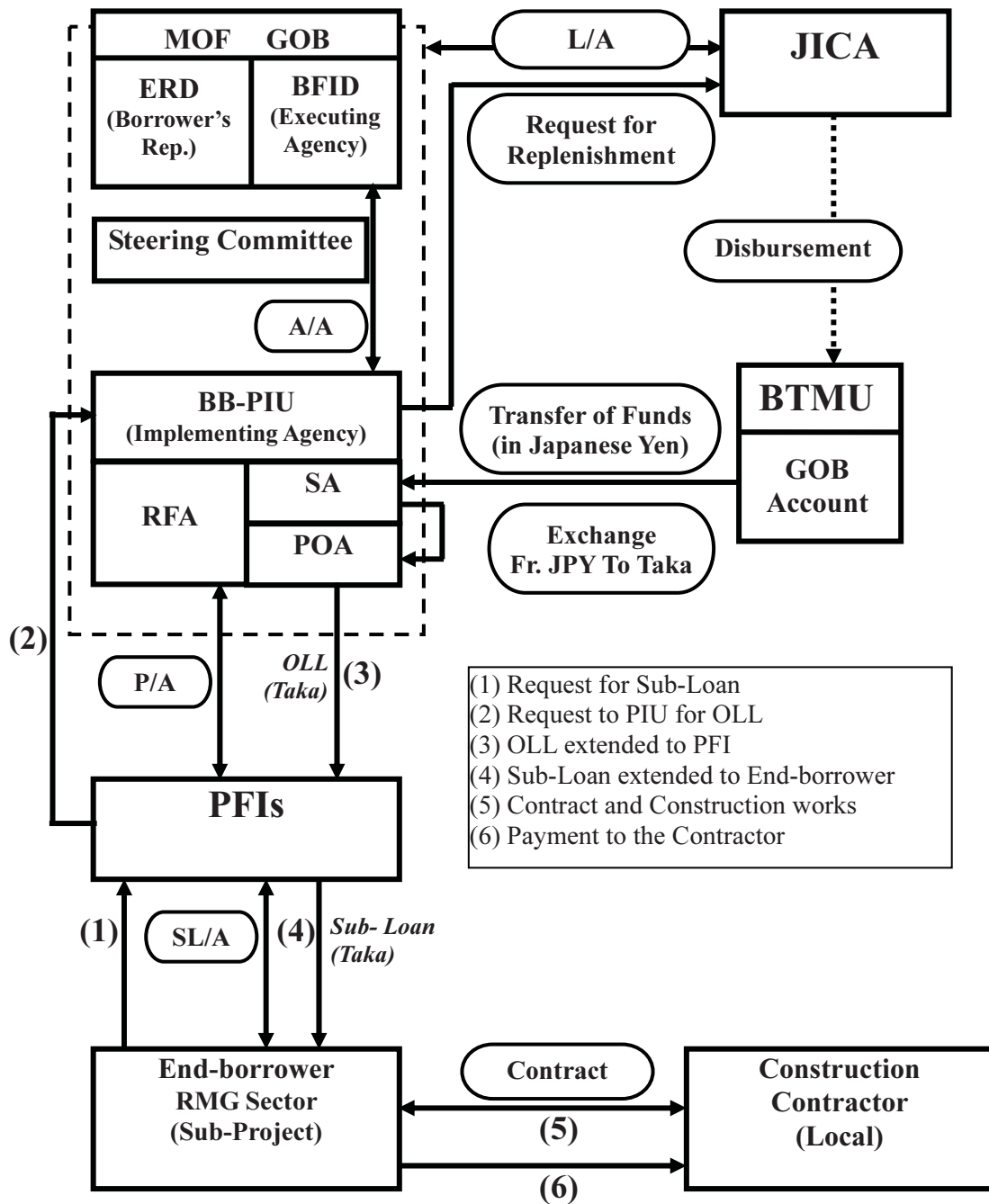
To be submitted annually until five years after the Completion of the Project.



**ANNEX I: Requirement for Modification of Policy Guidelines**

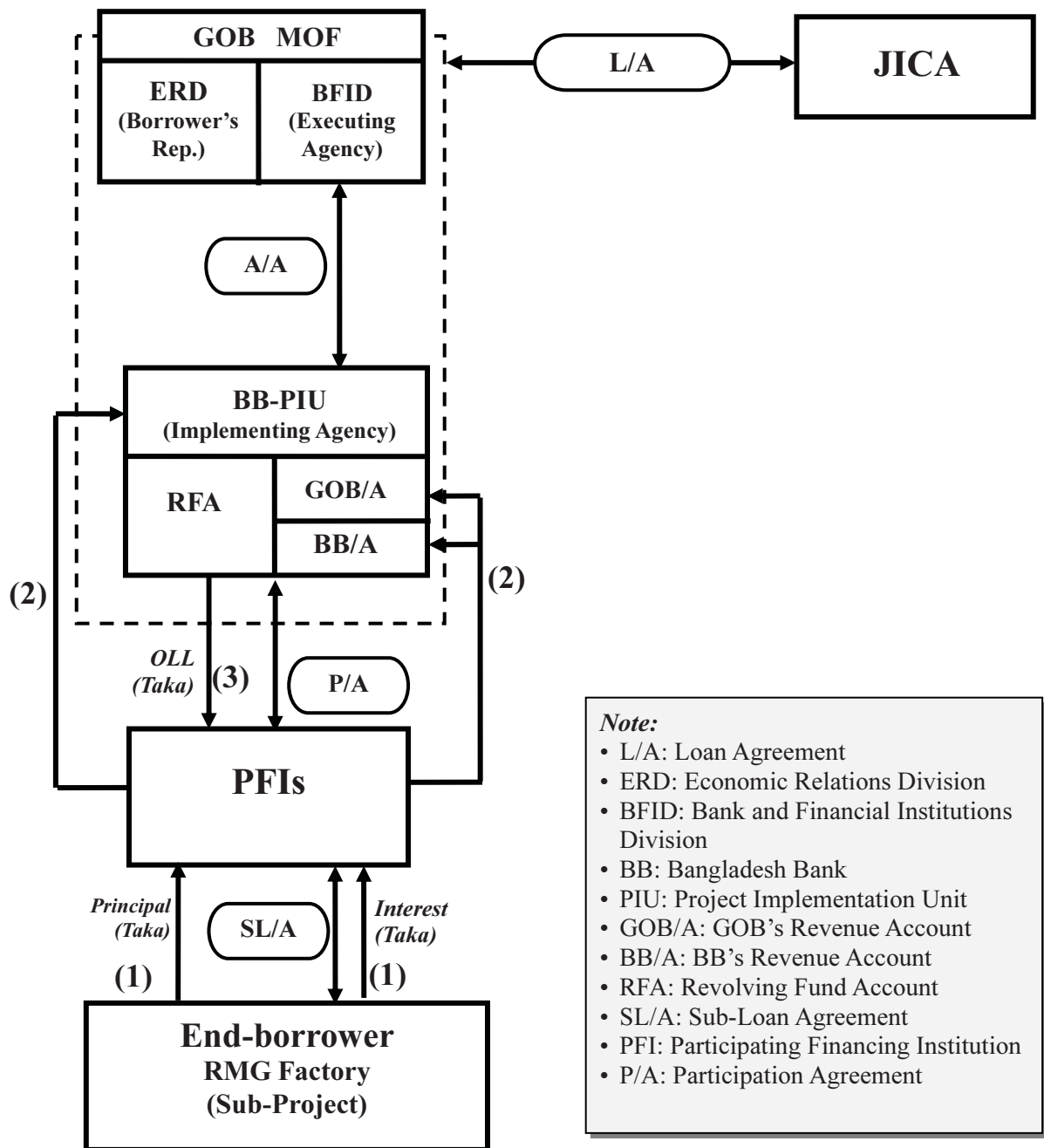
<b>Guideline</b>	<b>Authority for significant modification</b>	<b>Reporting Requirement</b>
<b>Steering Committee</b>		
composition	Ministry of Housing and Public Works/MOF-BFID/ JICA	-
member	-	Ministry of Housing and Public Works/MOF-BFID
<b>Project Management Committee1</b>		
composition	MOF-BFID/ JICA	-
member	-	MOF-BFID
<b>Project Implementation Unit</b>		
organogram	MOF-BFID	JICA
functions	MOF-BFID	JICA
<b>Administration Agreement</b>		
covenants	-	JICA
<b>Participation Agreement</b>		
terms and conditions	Project Management Committee 1/ JICA	-
eligibility criteria	Project Management Committee 1/ JICA	-
other covenants	Project Management Committee 1 Committee	JICA
<b>Sub-loan Agreement</b>		
obligations	Project Management Committee 1 Committee	JICA
<b>Participating Financial Institutions (PFIs)</b>		
accreditation criteria	Project Management Committee 1/ JICA	-
list of accredited PFIs	BB-PIU/ JICA	Project Management Committee 1

**ANNEX II: Key Players and Funds Flow of the TSL Project (Disbursement)**



Note: SA : Special Account  
 RFA : Revolving Fund Account  
 OLL : On Lending Loan  
 BTMU : Bank of Tokyo Mitsubishi UFJ  
 POA : Project Operating Account  
 SL/A : Sub-Loan Agreement  
 D/D : Detail Design

**ANNEX III: Key Players and Funds Flow of the TSL Project (Repayment)**



**Note:**

- L/A: Loan Agreement
- ERD: Economic Relations Division
- BFID: Bank and Financial Institutions Division
- BB: Bangladesh Bank
- PIU: Project Implementation Unit
- GOB/A: GOB's Revenue Account
- BB/A: BB's Revenue Account
- RFA: Revolving Fund Account
- SL/A: Sub-Loan Agreement
- PFI: Participating Financing Institution
- P/A: Participation Agreement

(1) Repayment of Interest and Repayment of Principal  
 (2) Repayment of Interest and Repayment of Principal on OLL  
 (3) OLL extended to PFI

## ANNEX IV: Participation Agreement

### Participation Agreement between Bangladesh Bank and .....

This Agreement is signed on the day of \_ 20\_\_

#### BETWEEN

The Bangladesh Bank established by the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972), having its head office at Motijheel Commercial Area, Dhaka (hereinafter called BB),

#### And

a)<sup>14</sup> duly established under Companies Act of 1913/1994 and carrying on its business under BB's license No. dated having its head office, at , Dhaka (hereinafter called the Participating Bank).

b)<sup>15</sup> duly established under Companies Act of 1994 and carrying on its business under BB's license No. dated having its head office, at , Dhaka (hereinafter called the Participating Financial Institution).

#### Preamble

Whereas:

- (A) Japan International Cooperation Agency (JICA) has provided a loan fund of Japanese Yen xxxx million to Government of Bangladesh (GOB) under Urban Building Safety Project (Loan No. BD-Pxx dated 2015) for strengthening factories of RMG sector and private buildings in Dhaka Metropolitan area and Chittagong city (hereinafter called the "TSL Project") introduced by BB through its XXXX Circular No. dated , 2015, to provide On-lending Loans to banks and financial institutions for lending to Building Safety, Fire Safety and other items stipulated in the Operating Guidelines;
- (B) Bangladesh Bank has been entrusted with the responsibility to administer the TSL Project on behalf of GOB under the Administration Agreement dated xxxx, 2015;
- (C) It is requested to enter into a participation agreement between BB and the lending banks and non-bank financial institutions interested to avail of the On-lending Loan facilities out of JICA fund; and
- (D) Whereas the PFI fulfills the eligibility criteria as set forth in clause of xxx Circular No. , dated 2015 and is willing to avail of the On-lending Loan facility from the above mentioned fund on terms and conditions described in the said Circular.

Now, therefore, the parties hereto hereby agree as follows:

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<sup>14</sup> Applicable for Private Banks

<sup>15</sup> Applicable for Financial Institutions

## Article – I

### **Definition:**

#### **Section 1**

Unless the context otherwise requires, the terms used in the preamble to this Agreement have the respective meaning therein set forth and the following additional terms have the following meaning:

- (a) “Bank” means any banking company operating in Bangladesh having license from Bangladesh Bank.
- (b) “SMESPD” means SME and Special Programmes Department of Bangladesh Bank.
- (c) “BB-PIU” means a unit established at SMESPD of BB to specifically handle all relevant tasks related to the TSL Project.
- (d) “Financial Institution” means any non-bank financial institution engaged in financing and leasing business having license from Bangladesh Bank.
- (e) “PFI” means a Participating Financial Institution; either bank or non-bank financial institution.
- (f) “On-lending Loan” means the loan granted by Bangladesh Bank to banks or non-bank financial institutions under this TSL Project.
- (g) “RMG” means Ready Made Garment.
- (h) “End-borrower” means an enterprise (small/ medium) satisfying the criteria described in paragraph 13 of this Agreement for receiving a Sub-loan from a PFI.
- (i) “Sub-loan” means a loan provided by the PFI to a owner of factory or owner of factory building of RMG and an owner of private building as described in paragraph 13 of this Agreement.
- (j) “Sub-project” means an investment project of an end-borrower to be financed by a Sub-loan.

## Article – II

### **Objectives and Target End-borrower:**

#### **Section 2**

The PFI declares its commitments to the objectives of the TSL Project introduced by BB through SMESPD Circular No. dated and to this end, carries out its building safety lending program with due diligence and efficiency and in conformity with the Operating Guidelines for the TSL Project attached to the said Circular and appropriate administrative, financial and banking practices.

### **Section 3**

- (1) BB shall provide On-lending Loan against the loans made or to be made by the PFI to an end-borrower mentioned below for strengthening building safety through retrofitting, rebuilding or relocation, fire safety equipment and related facilities, working capital during construction and production equipment.

End-borrower shall be a factory owner or building owner of RMG factory who employs less than 2,000 employees.

- (2) The PFI will be required to submit Demand Promissory Note amounting equal to the disbursement each time it receives refinancing or pre-financing under this Agreement.

### **Article – III**

#### **Terms and Conditions for the On-lending Loans and Sub-loans**

### **Section 4**

- (1) The On-lending Loan will be available only for loans having following maturities:
  - (a) Long term : More than 5 years and up to 15 years.
  - (b) Medium term: Not less than 2 years and up to 5 years.
  - (c) Short term : 1 year,
- (2) The On-lending loans shall be repaid by the PFI in accordance with fixed repayment schedule as prepared by BB. Repayment terms for On-lending Loans of different maturities shall be as under:

#### **Long term:**

Repayable within fifteen years, including grace period during construction, from the date of disbursement in equal quarterly installments.

#### **Medium term:**

Repayable within five years, including grace period during construction, from the date of disbursement in equal quarterly installments.

#### **Short term:**

Repayable within one year from the date of disbursement.

### **Section 5**

- (1) BB shall charge interest on the On-lending Loan at the prevailing Bank Rate. The

PFI shall apply the interest rate **less than 9%** on the Sub-loans made to the End-borrowers.

- (2) For each Sub-loan, PFI shall specify to End-borrower and BB the effective rate of interest inclusive of all charges and fees as well as the method of calculating the interest rates, such as the declining balance method or the flat rate method.

### **Section 6**

On-lending Loan facilities will be made available to the PFI on “first come first served” basis and subject to the availability of balance in the Project Operating Account and the Revolving Fund Account. Bangladesh Bank shall reserve the right to meet the request for On-lending Loans of the PFIs in part or in full as considered appropriate by BB out of the available fund.

### **Section 7**

BB shall have the discretion to refuse any request for On-lending Loan made by the PFI if such request in BB’s consideration does not conform to the objectives, terms and conditions of the On-lending Loan scheme set forth in its **SMESPD Circular No. dated xxx**

### **Section 8**

In case the PFI is found to have received On-lending Loan under the scheme on the basis of such statement and information which may subsequently prove to be false or incorrect, BB shall have the right to impose and receive penalty at the rate of double the Bank Rate on the amount of the On-lending Loan as well as to recall the entire outstanding loans with interest by way of debiting the current account of the concerned PFI.

### **Section 9**

- (1) In case that a PFI fails to repay any installment of loans as per the repayment schedule, BB may realize the installment amount plus applicable interests by debiting them against the current account of the concerned PFI maintained with BB.
- (2) In case the PFI requests BB, in advance, to make delay within 3 working days in repayment of the principal and payment of interest on On-lending Loan on valid ground, PFI shall pay a penalty of 3% above the Bank Rate on due amount applied for.

## **Article – IV**

### **Miscellaneous**

### **Section 10**

The PFI shall be duly established and operating under the laws of the Country and shall:

- (a) maintain a sound financial structure, a health portfolio, and the organization,

management, staff and other resources required for the efficient carrying out of its activities;

- (b) conduct its operation and affairs including interest rate policies in accordance with sound financial principles and practices:
- (c) maintain a lending and investment policy conducive to the growth and development of RMG sector and maintain suitable procedures and adequate number of suitably qualified staff to enable it effectively to:
  - (i) appraise the financial, technical, environmental and economic feasibility of Sub-projects and to make Sub-loans to End-borrowers in accordance with sound lending and investment policy and in keeping with the principles, terms and conditions set forth in **BB's SMESPD Circular No. xxx dated xxx 2015** as well as the Operating Guidelines for the TSL Project;
  - (ii) supervise and monitor the proper use of the Sub-loans by End-borrowers; and
  - (iii) undertake not to assign, amend, abrogate or waive any of its agreements with the End-borrower providing for loans or investments or any provision thereof without the approval of BB.

## **Section 11**

The PFI shall make Sub-loans to the End-borrowers on terms by written contract or by other appropriate legal means to obtain rights adequate to protect the interests of BB, GOB and JICA, and comply with the obligations under the Participating Agreement in order to achieve the purpose of the TSL Project including the right to:

- (a) inspect by BB itself or jointly with representatives of the GOB and/or the JICA, such constructions, goods and sites, works, equipment included in the investment Sub-project of the End-borrowers, the operation thereof, and any relevant records and documents;
- (b) obtain all such information as BB, GOB or JICA shall request relating to the forgoing and to the administration, operation and financial conditions of the End-borrower and to the benefit to be derived from the concerned Sub-project, including but not limited to the evidence of use of the proceeds of the Sub-loan, financial statements for every accounting term;
- (c) suspend or terminate the right of the End-borrower to the use of the proceeds of the Sub-loan upon failure by such End-borrower to perform its obligations under its contract with the PFI; and
- (d) cause to comply with all the environmental regulations established by GOB and JICA's guidelines for environmental and social consideration; and
- (e) cause PWD and Technical Review Panel (TRP) to review the design and inspection for the sub-projects.



**Section 12**

Sub-loan under the TSL Project shall be used by End-borrowers exclusively for the purpose of the Sub-project, including (i) construction works for retrofitting, rebuilding or relocation, (ii) Fire safety equipment and installation of firewall, (iii) working capital during construction (only with (i) above), (iv) equipment and machineries (only with (i) above).

**Section 13**

This Agreement shall stay in force until BB notifies the PFI the termination of granting On-lending Loan facilities. This notification shall be made in writing at least three months before it becomes effective.

**Section 14**

Any provision of the Agreement can be amended if necessary on mutual agreement of the contracting parties.

Witness:

For and on behalf of

Bangladesh Bank

.....

.....

(Authorized Representative)

Witness:

For and on behalf of

(Participating Bank/ Financial Institution)

.....

.....

(Authorized Representative)

## ANNEX V: Ineligible Investment Activities List

No investment activity will be financed by the TSL scheme, which is likely to have significant adverse impact on the environment, and which could be classified as Category A pursuant to 'JICA Guidelines for Confirmation of Environmental and Social Considerations'. Category A, in principle, includes projects in sensitive sectors (i.e., sectors that are liable to cause adverse environmental impact) or with sensitive characteristics (i.e., characteristics that are liable to cause adverse environmental impact) and projects located in or near sensitive areas, as follows:

### Sensitive Sectors

#### Sensitive Areas

Projects in the following areas or their vicinity

- (1) National parks, nationally-designated protected areas (coastal areas, wetlands, areas for ethnic minorities or indigenous peoples and cultural heritage, etc. designated by national governments)
- (2) Areas considered to require careful consideration by the country or locality
  - <Natural Environment>
    - a) Habitats of rare species requiring protection under domestic legislation, international treaties, etc.;
    - b) Areas in danger of large-scale salt accumulation or soil erosion; or
    - c) Areas with a remarkable tendency towards desertification
  - <Social Environment>
    - a) Areas with unique archeological, historical or cultural value;
    - b) Areas inhabited by ethnic minorities, indigenous peoples or nomadic peoples with traditional ways of life and other areas with special social value

### Prohibited Investment Activities List

- (1) Production or activities involving harmful or exploitative forms of forced labor<sup>16</sup> or child labor<sup>17</sup>;
- (2) Production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals<sup>18</sup>, pesticides, and herbicides<sup>19</sup>, (b) ozone-depleting substances<sup>20</sup>, (c) polychlorinated biphenyls<sup>21</sup> and other hazardous chemicals<sup>22</sup>, (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora<sup>23</sup>, and (e) trans-boundary trade in waste or waste products<sup>24</sup>;

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<sup>16</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

<sup>17</sup> Child labor means the employment of children whose age is below 14.

<sup>18</sup> A list of pharmaceutical products subject to phase-outs or bans is available at <http://www.who.int>.

<sup>19</sup> A list of pesticides and herbicides subject to phase-outs or bans is available at <http://www.pic.int>.

<sup>20</sup> A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phase-out dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

<sup>21</sup> A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

<sup>22</sup> A list of hazardous chemicals is available at <http://www.pic.int>.

<sup>23</sup> A list is available at <http://www.cites.org>.

<sup>24</sup> As defined by the Basel Convention; see <http://www.basel.int>.

- (3) Production of or trade in weapons and munitions, including paramilitary materials;
- (4) Production of or trade in alcoholic beverages, excluding beer and wine<sup>25</sup>;
- (5) Production of or trade in tobacco<sup>18</sup>;
- (6) Gambling, casinos, and equivalent enterprises<sup>18</sup>;
- (7) Production of or trade in radioactive materials<sup>26</sup>, including nuclear reactors and components thereof;
- (8) Production of, trade in, or use of unbonded asbestos fibers<sup>27</sup>;
- (9) Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests;
- (10) Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats; and
- (11) Production or activities that impinge on lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.

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<sup>25</sup> This does not apply to project sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to a project sponsor's primary operations.

<sup>26</sup> This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and/or adequately shielded.

<sup>27</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

### ANNEX VI: Terms and Conditions of Sub-loans

Lender	The PFIs (The eligible banks and financial institutions)																																																							
Borrower	Clients of PFIs are factory owners or building owners of RMG factory where less than 2,000 workers employed. For the owner of commercial building will be approved by TRP.																																																							
Location	RMG factory or commercial building located in Dhaka and Chittagong Areas.																																																							
Currency:	Bangladesh Taka																																																							
Reference Amount	<p>1) In case of Rebuilding: 476 million Taka 2) In case of Relocation: 383 million Taka 3) In case of Retrofitting: 121 million Taka</p> <p>The above mentioned amounts are just reference amount in different construction methods neither the limit nor the ceiling amount of Sub-loan. Reference amounts based on the difference in construction methods are introduced for the purpose of providing supportive indications on the financial appraisal works which should be useful in particular for the preliminary approval considered by PFI.</p> <p>The table below shows estimated maximum cost required for strengthening a factory by three methods, retrofitting, rebuilding and relocation. All costs include standard level of fire safety facilities, water and electrical works set under BNBC. Area of factory is referred to the Labor Act 2006 which stipulates as 9.5 cubic meters require a person which is equivalent 3.17 square meters per person.</p> <p>It is noted that all costs in the table will be reviewed from time to time.</p> <p style="text-align: right;">(Million Taka)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Number of Employee</th> <th>Area of factory (a)</th> <th>Rebuilding (b)</th> <th>Relocation (c)</th> <th>Retrofitting</th> </tr> </thead> <tbody> <tr> <td>1,000</td> <td>3,167</td> <td>238</td> <td>191</td> <td>60</td> </tr> <tr> <td>1,500</td> <td>4,750</td> <td>357</td> <td>287</td> <td>91</td> </tr> <tr> <td>2,000</td> <td>6,333</td> <td>476</td> <td>383</td> <td>121</td> </tr> <tr> <td>2,500</td> <td>7,917</td> <td>595</td> <td>479</td> <td>151</td> </tr> <tr> <td>3,000</td> <td>9,500</td> <td>714</td> <td>575</td> <td>181</td> </tr> <tr> <td>3,500</td> <td>11,083</td> <td>833</td> <td>671</td> <td>212</td> </tr> <tr> <td>4,000</td> <td>12,667</td> <td>952</td> <td>767</td> <td>242</td> </tr> <tr> <td>4,500</td> <td>14,250</td> <td>1,071</td> <td>862</td> <td>272</td> </tr> <tr> <td>5,000</td> <td>15,833</td> <td>1,190</td> <td>958</td> <td>302</td> </tr> <tr> <td colspan="2">Construction Unit Cost/m<sup>2</sup></td> <td>75,190</td> <td>60,523</td> <td>19,090</td> </tr> </tbody> </table> <p>(Note)</p> <p>(a) Expected area of factory in meeting to number of employees. (b) Rebuilding costs include demolishing works. (c) Relocation costs not include demolishing works and land.</p>	Number of Employee	Area of factory (a)	Rebuilding (b)	Relocation (c)	Retrofitting	1,000	3,167	238	191	60	1,500	4,750	357	287	91	2,000	6,333	476	383	121	2,500	7,917	595	479	151	3,000	9,500	714	575	181	3,500	11,083	833	671	212	4,000	12,667	952	767	242	4,500	14,250	1,071	862	272	5,000	15,833	1,190	958	302	Construction Unit Cost/m <sup>2</sup>		75,190	60,523	19,090
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Terms and Conditions	
Maturity:	<ol style="list-style-type: none"> <li>1) Retrofitting; <ul style="list-style-type: none"> <li>• Grace period: from the date of sub-loan contract to the completion of the construction.</li> <li>• Repayment period: Maximum 5 years after the grace period</li> </ul> </li> <li>2) Rebuilding; <ul style="list-style-type: none"> <li>• Grace period: From the date of the sub-loan contract to the completion of the construction specified in the construction contract.</li> <li>• Repayment period: Maximum 15 year after grace period.</li> </ul> </li> <li>3) Relocation; <ul style="list-style-type: none"> <li>• Grace period: From the date of sub-loan contract to the completion of the contract specified in the construction contract.</li> </ul> </li> <li>4) Fire safety only; <ul style="list-style-type: none"> <li>• Grace period: None</li> <li>• Repayment period: 1 year from the date of sub-loan contract</li> </ul> </li> </ol>
(Working Capital)	During construction period
Interest rate:	To be determined by arrangement between PFI and Borrower <b>less than 9%</b> in compliance with the rules and regulations prevailing in Bangladesh
Repayment Schedule:	To be determined by arrangement between PFI and Borrower in compliance with the rules and regulations prevailing in Bangladesh
Prepayment:	To be determined by arrangement between PFI and Borrower in compliance with the rules and regulations prevailing in Bangladesh
Security:	Land and buildings, if necessary third party's guarantee will be considered as security which will be determined by arrangement between PFI and Borrower in compliance with the rules and regulations prevailing in Bangladesh
Miscellaneous	The sub-project under the TSL Project shall be subject to the review of the design and inspection to be done by PWD-PIU and Technical Review Panel in order to conform with the relevant law and regulations.

**ANNEX VII: Terms and conditions of On-lending Loans**

Lender	BB
Borrower	Eligible PFIs
Amount	Synchronized with that of the respective Sub-loan
Currency	Bangladesh Taka
Terms & Conditions:	
Term (grace): (Working Capital)	2 - 5 years (incl. grace during construction) 5 - 15 years (incl. grace during construction)  1 year, annually renewable up to xxx years tbd by BB
Maturity:	Synchronized with that of the respective Sub-loan, i.e., Equal to the maturity of the Sub-loan
Interest rates:	Bangladesh Bank Rate (currently at 5% p.a.) tbd byBFID
Interest payment:	Quarterly (calculated on accrual basis)
Penalty:	Overdue not expected, as BB will realize the installment amount plus applicable interests by debiting them against the current account of the concerned PFI maintained with BB. However, the PFI may be allowed to make delay in payment within 3 working days on valid ground with condition that request for such delay shall be made in advance and that a penalty of 3% above the Bank Rate on due amount applied for.
Security:	In case that a PFI fails to repay any installment of loans as per the repayment schedule, BB may realize the installment amount plus applicable interests by debiting them against the current account of the concerned PFI maintained with BB.

## ANNEX VIII: Accreditation Criteria for PFIs

1. The PFIs must comply with all of the following criteria:

**(1) Legality**

- (i) Scheduled Banks duly licensed, approved and supervised by BB in accordance with the Banking Companies Act Amendment, 2013; or
- (ii) Non-Bank Financial Institutions duly licensed, approved and supervised by BB in accordance with the Financial Institutions Act, 1993.

**(2) Operational Experiences**

Banks and financial institutions must have the experience of business operation in banking and/or finance at a minimum three (3) full years with audited records. In case banks and financial institutions are of subsidiaries to other financial entities in Bangladesh or in foreign countries, the experiences of the parent companies are allowed to be counted.

**(3) Commitment to RMG sector lending**

Banks and financial institutions must have lending policies and strategy related to Ready Made Garment (RMG) sector.

**(4) Capital Adequacy**

- (i) Banks and financial institutions must fulfill the minimum capital requirement<sup>28</sup> as regulated by BB in its latest audited financial statements.
- (ii) Banks failing to meet the risk weighted capital adequacy ratio<sup>29</sup> as regulated by BB shall not be eligible for PFIs<sup>30</sup>.

**(5) Profitability**

Banks and financial institutions must have the records of the profitable financial closing for two consecutive fiscal years including the latest one.

**(6) Non-Performing Loans (NPL)**

Banks and financial institutions having NPL ratio exceeding 10% for the latest fiscal year shall not qualify for PFIs.

**(7) Problem Banks**

Banks and financial institutions that are classified as the problem bank or the early warning bank according to the CAMELS rating for BB's monitoring and supervision shall not qualify for PFIs.

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<sup>28</sup> As of November 2010, the scheduled banks are required to maintain the minimum capital of Tk 4.00 billion in net worth, of which Tk 2.00 billion has to be maintained as paid-up capital, whereas NBFIs are required Tk 0.5 billion in net worth and the minimum paid-up capital of Tk 0.5 billion.

<sup>29</sup> As of November 2010, all the banks are required to maintain the minimum capital adequacy ratio not lower than: i) 8.0% for the period between January 1, 2010 through June 30, 2010; ii) 9.0% for the period between July 1, 2010 through June 30, 2011; iii) 10.0% for the period beyond July 1, 2011.

<sup>30</sup> At present, non-bank financial institutions (NBFIs) are not subject to the restriction of risk weighted capital adequacy ratio, whereas they must maintain the minimum capital, both in net worth and paid-up capital.

2. In addition to the above criteria, if banks and financial institutions are deemed to have significant insufficiency in fulfilling the prudential regulations in the aspects, including but not limited to the following, and if such insufficiency is deemed to adversely affect their operations and management, such banks and financial institutions shall not be accredited:

- (8) **Transparency** (e.g. submission and/or disclosure of financial statements)
- (9) **Corporate Governance** (e.g. control and management of business risks or corruption)
- (10) **Risk Management** (e.g. capacity development of risk assessment and adoption of adequate procedures)



**ANNEX IX: Accreditation Assessment Form**  
 Accreditation Assessment Form

(Name of Financial Institution: \_\_\_\_\_ )

Criterion	Statement	Fulfill the Criteria (Yes or No)
(1) Legality	Financial Institution No. with BB:	
(2) Operational Experiences	Establishment Year: (Copy of audited financial statements for the latest 3 years attached)	( > 3 years )
(3) Commitment to RMG Lending	“Expansion of the Lending in RMG Sector”	
(4) Capital Adequacy		
(a) Capital in Net Worth	Taka million (as of _____ )	
(b) Paid-up Capital	Taka million (as of _____ )	
(c) Capital Adequacy Ratio	(as of _____ ) (evaluated by BB)	( > 10 % )
(5) Profitability	Net Profit Taka million (in Fiscal Year ending _____ ) Taka million (in Fiscal Year ending _____ )	( > 0 )
(6) Non-Performing Loans (NPL)	NPL Ratio: (as of _____ )	( < 10 % )
(7) CAMELS Rating	Classification: (for Fiscal Year ending _____ )	
(8) Prudential Regulations		
(a) Transparency		
(b) Corporate Governance		
(c) Risk Management	(Copy of risk management procedures attached)	
(d) Others, if any		

**ANNEX X: Financial Statements**  
Attachment to Accreditation Assessment Form

Attachment I: Financial Statements

(Name of Financial Institution: \_\_\_\_\_ )

(in Taka million)

	2008	Shares	Growth	2009	Shares	Growth	2010	Shares	Growth	Avg. Growth
		(%)	(%)		(%)	(%)		(%)	(%)	(%)
<b>Balance Sheet</b>										
Cash and cash equiv.		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Short-term liquid assets		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Loans (net)		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Other assets		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total assets</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Deposits from customers		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Due to banks & FIs		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Other liabilities		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total liabilities</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Share capital		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Other reserves		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Retained earnings		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total equity</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total liab. &amp; equity</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Income Statement</b>										
Interest income		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Non-int. income		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total revenue</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Net interest income		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Net non-interest income		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Total net income</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>(=operating income)</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Operating expenses		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Contingent risk expense		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
Net non-operating income		#DIV/0!	-		#DIV/0!	-		#DIV/0!	-	-
<b>Profit bfr tax</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Net profit</b>		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!	#DIV/0!
<b>Operational Ratios</b>										
Capital adequacy (>10%)			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
Liquidity			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
Single borrower exp. (<20%)			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
Forex exposure (<40%)			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
Loan to deposit	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!		#DIV/0!	#DIV/0!
NPL			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
RoE			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!
RoA			#DIV/0!			#DIV/0!			#DIV/0!	#DIV/0!

Source:

Note: The fiscal year ends in

## **ANNEX XI: JICA Guidelines for Environmental and Social Considerations**

**Following is the excerpts of the relevant articles from the JICA Guidelines for Confirmation of Environmental and Social Consideration that is the rule applicable to the Project.**

### **2. Process of Environmental and Social Considerations**

#### **2.1 Information Disclosure**

1. In principle, project proponents etc. disclose information about the environmental and social considerations of their projects. JICA assists project proponents etc. by implementing cooperation projects as needed.
2. JICA itself discloses important information about environmental and social considerations at the main stages of cooperation projects, in a manner in accordance with the guidelines.
3. JICA discusses frameworks with project proponents etc. in order to ensure information disclosure, and comes to an agreement in an early stage of cooperation projects.
4. The information to be disclosed includes that of environmental and social considerations and of the cooperation projects themselves.
5. Besides the information to be disclosed publicly by JICA, JICA provides information about environmental and social considerations to third parties to the extent possible in response to requests.
6. JICA encourages project proponents etc. to disclose and present information about environmental and social considerations to local stakeholders.
7. Project proponents etc. disclose information well in advance when they have meetings with local stakeholders in cooperation with JICA. On these occasions, JICA supports project proponents etc. in the preparation of documents in an official or widely used language and in a form understandable by local people.
8. JICA discloses information on its website in Japanese, English, and/or local languages, and provides related reports for public reading at its library and at related overseas offices.
9. JICA pays due consideration to the confidentiality of the commercial and other matters of Project proponents etc., taking into account their competitive relationships, and encourages them to exclude such confidential information from any documents on environmental considerations that they submit which may later be subject to public disclosure. JICA takes into account information control in Project proponents etc. and discloses their documents subject to their approval. Any information that is prohibited from public disclosure in the agreement between JICA and Project proponents etc. may be disclosed only through the agreement of Project proponents etc. or in accordance with legal requirements.

#### **2.2 Categorization**

1. JICA classifies projects into four categories according to the extent of environmental and social impacts, taking into account an outline of project, scale, site condition, etc.
2. Category A: Proposed projects are classified as Category A if they are likely to have significant adverse impacts on the environment and society. Projects with complicated or unprecedented impacts that are difficult to assess, or projects with a wide range of impacts or irreversible impacts, are also classified as Category A. These impacts may affect an area broader than the sites or facilities subject to physical construction. Category A, in principle, includes projects in sensitive sectors, projects that have characteristics that are liable to cause adverse environmental impacts, and projects located in or near sensitive areas. An

illustrative list of sensitive sectors, characteristics, and areas is provided in Appendix 3.

3. Category B: Proposed projects are classified as Category B if their potential adverse impacts on the environment and society are less adverse than those of Category A projects. Generally, they are site-specific; few if any are irreversible; and in most cases, normal mitigation measures can be designed more readily.
4. Category C: Proposed projects are classified as Category C if they are likely to have minimal or little adverse impact on the environment and society.
5. Category FI: Proposed projects are classified as Category FI if they satisfy all of the following requirements: JICA's funding of projects is provided to a financial intermediary or executing agency; the selection and appraisal of the sub-projects is substantially undertaken by such an institution only after JICA's approval of the funding, so that the sub-projects cannot be specified prior to JICA's approval of funding (or project appraisal); and those sub-projects are expected to have a potential impact on the environment.
6. When necessary, JICA can change a category even after screening. This might occur such as when a new significant impact has come to light as a result of the cooperation project process, or in other specific situations.
7. Projects may not be clearly specified at an early stage of a Master Plan Study. In such cases, the study is categorized based on its likely significant impacts. At that time, derivative, secondary, and cumulative impacts are also considered. When considering plural alternatives, projects are classified in the category of the alternative that has the most significant impact. JICA reviews the categorization accordingly after projects have been identified with a progression of studies.
8. JICA requests that Project proponents etc.. fill in the screening form found in Appendix 4; the information in this form will be a reference for the categorization of proposed projects.

## ANNEX XII: Technical Guidance for the TSL Project

This Guidance is made for the Applicant to understand the TSL Project from the engineering view point since financing to building safety will be evaluated integrally with technical aspects so as to be inseparable. For financial and technical procedures including qualification for loan necessary for the applicants is described herein 2.2 of Chapter 2 in the Operating Guidelines. It is therefore recommended for all applicants who wish to apply for building safety loan to read the Guidance in order to deepen the understandings about the loan relating to the technical aspects.

The Guidance is divided into following four steps, namely 1) screening, 2) simple evaluation, 3) survey / evaluation / design, and 4) construction, which can be compared to medical treatment such as 1) reception, 2) interview, 3) inspection / diagnosis / prescription, and 4) surgery and treatment operation.

### **STEP 1: Screening of Application Documents**

For the first step, the application documents for the building safety submitted by applicants will be reviewed. The application form consisting of six (6) key items: basic information including address of the building, ownership of the building, scale of the building, structural type of the building, drawings of the building and association they belonged will be confirmed.

In the first step, taking into account the implementation of the strengthening of buildings, both the drawings for the building permit and the current as-built drawings are most important documents. When no drawings are available, that application should not be accepted as the candidate for **the** building safety loan.

### **STEP 2: Simple Evaluations**

In the step 2, three types of evaluations will be performed. They are the (1) Simplified Evaluation, (2) Deviation Survey and (3) Advanced Simplified Evaluation.

#### **(1) Simplified Evaluation:**

Simplified Evaluation is to know the features of the building against gravity and seismic loads at the time of design and permit stage. Therefore, the architectural and/or **structure drawings** when building permit was made are necessary.

#### **(2) Deviation Survey;**

Deviation Survey will be conducted to investigate the differences between the current building and the permitted drawings for the distribution, area for number of workers, setback and configuration of stairs, etc. Therefore, the site survey at the target buildings is necessary after the owners accepted the step 2.

#### **(3) Advanced Simplified Evaluation (ASE);**

Finally, Advanced Simplified Evaluation (ASE) will be performed, which requires more site oriented information and drawings. During ASE, a rough estimate of cost for seismic strengthening is provided. The ASE provides useful information for owners to select which type of seismic strengthening methodologies is suitable. That can be utilized as referential information for the owners in negotiation with the bank.

When the owners select one of the types of strengthening from retrofitting, rebuilding and relocation, they will get into the way for borrowings and try to confirm the assurance of their banks to proceed to the next step.

However, if the owners select the type of rebuilding and relocation, they proceed to the Step 4 skipping the step 3 which is necessary only for retrofitting case.

**STEP 3: Seismic Evaluation and Seismic Design;**

The evaluation in step 3 is conducted only when the seismic retrofitting is chosen. The Detailed Seismic Evaluation and the Seismic Retrofitting Design are carried out based on the result of the Detailed Building Survey for the target building.

In the Detailed Building Survey, the current situation from the as-built drawing tested materials such as strength of concrete and the current characteristics of the building will be revealed in detail.

Then, using such information, both Detailed Seismic Evaluation and Seismic Retrofitting Design will be conducted. As the result, the detailed cost of the retrofitting works will also be estimated. It is recognized for owners that the cost estimated at this time is often different from the rough cost estimated by ASE. Therefore for loan negotiation, the owners are kindly advised to understand the change in cost estimation caused by each evaluation and to pay attention to show the estimated cost to the financing institutions.

In addition, it must be noted that in order to ensure the quality of the building safety, TRP (Technical Review Panel) will review the design based on the report submitted through PWD-PIU. Without this evaluation, the owner is not allowed to proceed to the next step.

When the Seismic Retrofitting Design is completed, taking into account the time and the cost required for the Retrofitting Construction Works, the owners have a final chance to select and decide the method of strengthening among retrofitting, rebuilding or relocation.

It is noted that PWD-PIU will be responsible for estimating cost and implementation of the building survey for the seismic retrofitting evaluation and design works. But if the owner will select the construction of new building, for such case, the cost and design for relocation and rebuilding will be prepared by the owner side utilizing loan proceeds.

**STEP 4: Seismic Retrofitting Works, and New Construction Works;**

If the owners choose the rebuilding or relocation, the owners will employ a design consultant and using the loan for the New Building Design including demolition of the existing building.

And when the detail design of retrofitting or new building for rebuilding and relocation is completed with the cost estimation, the owner can get into the construction stage. Then, the owners will select a contractor through tendering and start construction works.

But it should be advised for the owners that before the commencement of the construction works, the loan shall be approved by the bank. After the loan has been approved, the owners will implement the Seismic Retrofitting Construction Works by the selected contractor. For the purpose of realizing the high quality of the construction, the construction works shall be supervised and inspected by a certain consultant under the top supervision of PWD-PIU.

It should be noted that, with regard to every construction works, from the view point of quality management, TRP will review the result of intermediate and completion inspection with the view point from compliance to the BNBC.

## **Appendix 10 Checklist for ESMS of Bank etc.**

## **Appendix 10: Checklist and current information for ESMS**

- 1. Checklist for ESMS of the Bangladesh Bank (BB)**
- 2. Current Information of Bangladesh Development Bank Limited (BDBL)**
- 3. ESMS Checklist and Current Information of the City Bank Limited (CBL)**
- 4. Current information of the Eastern Bank Limited (EBL)**
- 5. ESMS and Current Information of the Bangladesh House Building Finance Corporation (BHBFC)**
- 6. Current information of the Investment Corporation of Bangladesh (ICB)**
- 7. ESMS Checklist and Current Information of the IDLC Finance Limited (IDLC)**
- 8. ESMS Checklist and Current Information of the National Housing Finance and Investment Ltd. (NHFIL)**
- 9. ESMS and Current Information of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)**



## Checklist for ESMS of the Bangladesh Bank (BB)

No.	Questions	Comment
<b>1. Policy</b>		
(1)	Do you have any formal environmental policy or procedures like “the Green Banking in Bangladesh” and “Environmental Risk Management Guideline”? If yes, please describe them and provide appropriate documentation. If no, does the financial intermediary/executing agency have any plan to set such policy or procedures?	There is Policy Guidelines for Green Banking which is applicable for banks and FIs. Environmental Risk Management (ERM) [ERM is a part of green banking] Guidelines for Banks and FI is also existent for assessing environmental risk in financing by banks and FIs beyond specific threshold. Incorporation of social risk into these guidelines is under process.
(2)	Are there any types of projects in which you will not take part due to the environmental risks? (e.g., projects involving handling of hazardous wastes or endangered plants or animals).	Environmental Due Diligence i.e. Environmental Risk Rating is mandatory above threshold (Page 16, ERM Guidelines).
<b>2. Procedures</b>		
(3)	Do you have any environmental procedures such as screening, categorization and environmental review? If yes, please describe or provide us the documents.	Required organizational procedures for ERM have been prescribed in ERM Guidelines (Page 21-23) and technical procedures have been specified in (Page 25-27).
(4)	Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable JICA’s requirements.	Linkage of ERM with banking and national law on environment has been addressed in the technical manual of ERM Guidelines (Page 25-27).
(5)	How are environmental considerations taken into account in the credit review and approval process for project loans or equity investments?	The process of integration of environmental consideration into credit review and approval has been described in ERM Guidelines (Page 21-23).
(6)	How are environmental issues taken into account in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company?	Same as above.
<b>3. Organization and Staff</b>		
(7)	Please provide us with the organization chart of your Environmental and Social Management System (ESMS).	Bangladesh Bank has a separate department named ‘Green Banking and CSR Department’ to address the issues related to Environmental and Social Management System (ESMS) headed by a General Manager.
(8)	Who is responsible for environmental and social management within your agency? (name/role and title)	Mr. Khondkar Morshed Millat, Deputy General Manager, Green Banking and CSR Department
(9)	Are there any staffs with training for environmental and social considerations in your agency? If so, describe.	There are staffs who have training and hands on experience on environmental and social considerations working with Mr. Millat.
(10)	Are there any technical staffs with an engineering/industry background	The academic background of the team members working with Mr. Millat

	responsible for technical analysis of credit proposals?	comprises of Civil Engineering, Business Administration, Bank Management, Development Economics.
(11)	What experience, if any, does your agency have of hiring or dealing with environmental consultants?	Bangladesh Bank in association with IFC is upgrading the Environmental Risk Management Framework incorporating social risk.
(12)	What was the budget allocated to the ESMS and its implementation during a year? Please provide budget details including staff costs and training as well as any actual costs.	The confidentiality clauses of the agreement between Bangladesh Bank and IFC do not allow to respond to this query.
<b>4. Monitoring and Reporting</b>		
(13)	Do you receive environmental and social monitoring reports from subproject companies that you finance?	Being the central bank, BB does not finance directly to any project or sub-project. Under its refinancing window, it provides refinance to banks. These are monitored strictly. Apart from that, BB monitors the green banking and ERM activities of banks and FIs on quarterly basis.
(14)	Please describe how you monitor the subproject company and their subprojects' social and environmental performance.	There are uniform formats for banks and FIs for submitting their reports to BB on the progress of green banking and ERM activities.
(15)	Is there an internal process to report on social and environmental issues to senior management?	After detailed scrutiny, the reports submitted by BB and FIs are consolidated and a comprehensive report is presented to senior management.
(16)	Do you prepare any social and environmental reports: - For other multilateral agencies or other stakeholders - E&S reporting in the Annual Report	The quarterly review report on Green Banking activities including ERM is regularly published in BB website.
<b>5. Experience</b>		
(17)	Have you signed any national or international agreements or declarations concerning environmental issues?	The Honorable Governor of Bangladesh Bank is an esteemed member of United Nations Environment Programme. At national level, Bangladesh Bank is a member of National Climate Fiscal Framework and National Clean Development Mechanism Project.
(18)	Have you ever received any criticism of its environmental record? If so, what was the criticism?	Bangladesh Bank has been highly acclaimed by different national and international stakeholders for its proactive initiatives in environmental concerns.
(19)	Do you carry out environmental audits of its properties to analyze health and safety issues, waste disposal, etc.?	Bangladesh Bank has initiated its own Carbon Footprint Measurement which is underway.
(20)	Please state any difficulties and/or constraints related to the implementation of the ESMS.	1. Environmental awareness, 2. Lack of coordination among key stakeholders.
<b>6. Need of Capacity Development and Improvement Plan (Improvement and the need for capacity building measures)</b>		
1. More training on updated ESMS issues are needed. 2. The relevant staffs of BB should be involved in more ESMS projects.		

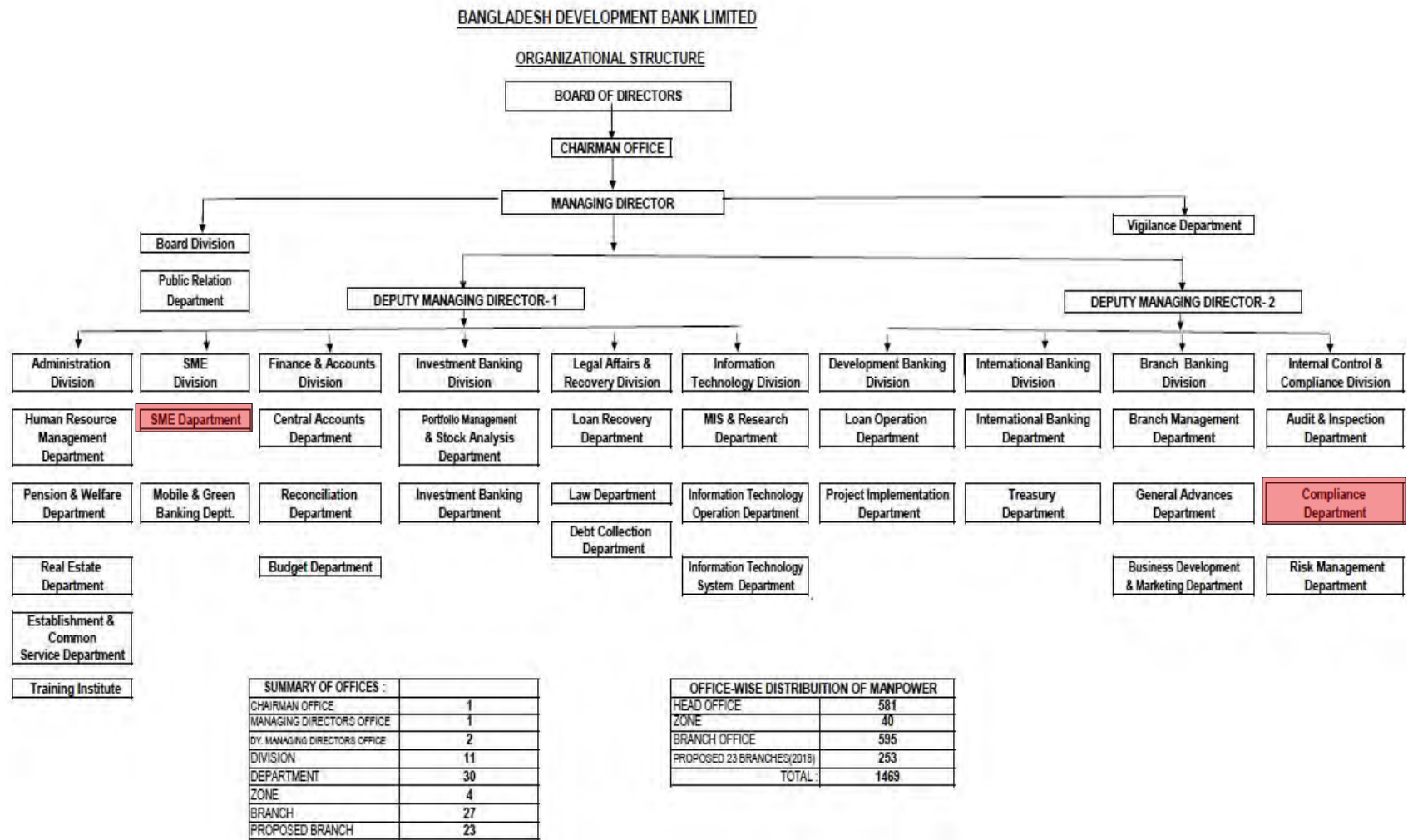
**Current Information of Bangladesh Development Bank Limited (BDBL)**

The Bangladesh Development Bank Ltd is a state owned specialized development bank of Bangladesh. The bank came into effect with the merger of ailing Shilpa Bank and Shilpa Rin Sangstha, which were established in 1972 to provide loans and facilities to industrial units, help set up new industries and expand investment in Bangladesh. The bank has already contracted PA with BB and published the Green Banking Policy on the web site (Refer to Table 2.7.5). Besides, the bank founded Green Banking Committee and Risk Management Committee to evaluate to finance Green product and to arrange the internal organization for Risk control.

<p><u>•Introducing green products and green financing</u></p> <p>The industries with environment-friendly business and energy saving activities will get priority to the bank in financing. It has to take steps in financing against solar plane, Effluent Treatment Plan (ETP) and other projects which are environment-friendly as well as to increase the awareness among the clients. Besides, financing can be made in following sectors:</p> <ol style="list-style-type: none"> <li>1) Financing against rain water harvesting in coastal region, water pump run by solar energy, afforestation, etc.</li> <li>2) Take initiative for financing against agro-based projects such as production of salinity tolerance crops, water tolerance corps and drought tolerance crops using surface water, use of organic fertilizer, etc.</li> <li>3) Financing against safe water supply, solid waste management, sewerage disposal, biogas plants, production of organic fertilizer, etc. environment-friendly projects.</li> <li>4) Provide loan to the officer and staffs to buy CNG converted vehicles.</li> <li>5) Financing against ETP or environmental conservation projects with low interest rate.</li> </ol>
<p>Preparation of ERM manual and guideline</p> <p>An ERM manual and guidelines has to be prepared by the bank and followed to assess and evaluate the need of industrial and current capital loans. Beside, bank can consider internally accepted environmental standard as per its existing regulations. The initiative of environment-friendly programs not only be fruitful but also provide the competitive benefit among banks. The friendly relation among banks will help to prepare effective and quality environment-friendly management guidelines.</p>

**Table Green Banking Policy by BDBL (Excerpt)**

<p>Environmental- friendly technical plan preparation</p>
<p>A bank needs to set environment-friendly objectives through technical planning to achieve its ultimate goal. To financing against environment-friendly industries as well as to introduce its internal environmental management system, a bank has to set some achievable targets and techniques that will be published in the bank’s annual report and website. It is possible to achieve the targets by introducing energy saving system in internal environmental management, such as use of renewable energy, reduce the use of electricity, gas and petrol, reduce release of greenhouse gas, introduce e-statement, electronic bill payment system, reduce the use of paper, environment-friendly office, etc. it has to increase the financing in environment-friendly industries by introducing green products and reducing financing in industries which are harmful to the environment. The major green financing are:</p>



Reference: [http://www.bdbl.com.bd/image/pdf/Organogram\\_2013.pdf](http://www.bdbl.com.bd/image/pdf/Organogram_2013.pdf)

Figure Organization Chart in BDBL

## ESMS Checklist and Current Information of the City Bank Limited (CBL)

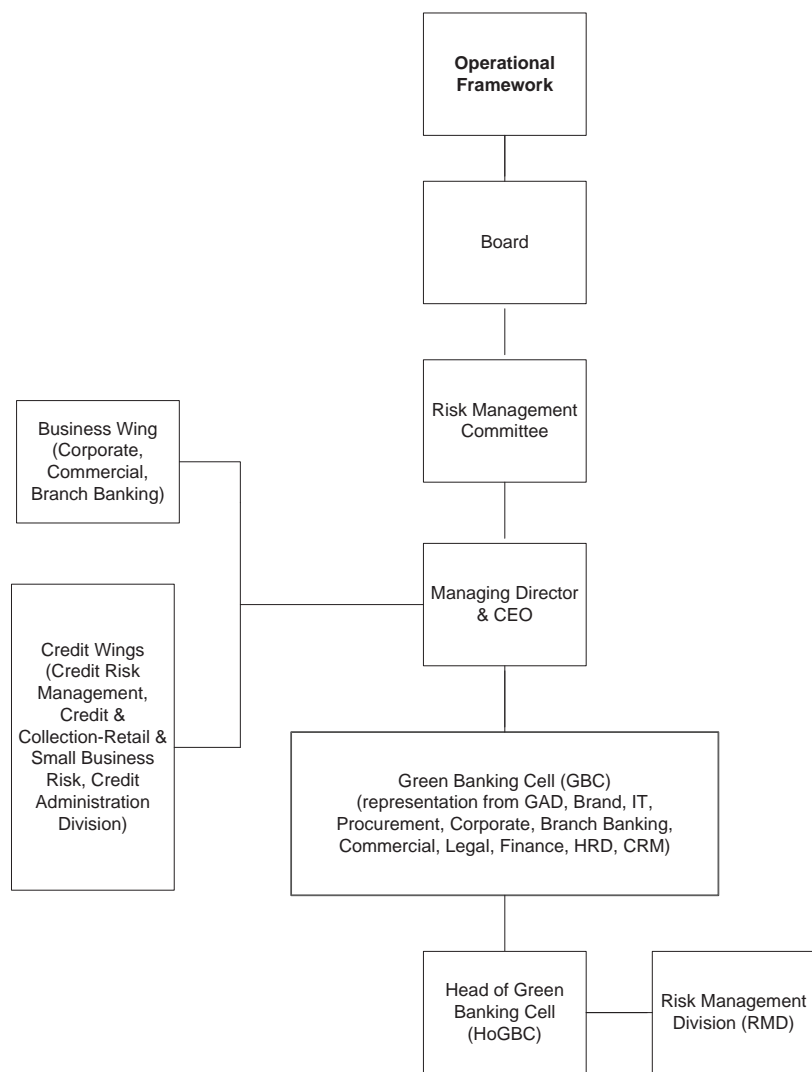
No.	Questions	Answer	Comment
<b>1. Policy</b>			
(1)	Do you have any formal environmental policy or procedures like “the Green Banking in Bangladesh” and “Environmental Risk Management Guideline”? If yes, please describe them and provide appropriate documentation. If no, does your Bank have any plan to set such policy or procedures?	Yes	Enclosed the policy document.
(2)	Are there any types of projects in which you will not take part due to the environmental risks? (e.g., projects involving handling of hazardous wastes or endangered plants or animals).	Yes	We have an “Excluded Loan Types” of credit in our Credit Policy Manual (CPM) which is designed to discourage credit to certain sectors and purposes. It contains elements to combat credit growth in sectors of Social and Environmental threats.
<b>2. Procedures</b>			
(3)	Do you have any environmental procedures such as screening, categorization and environmental review? If yes, please describe or provide us the documents.	Yes	Details of the environmental procedures are mentioned in the policy.
(4)	Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable JICA’s requirements.		We have a Project Assessment Unit comprising of three members who have engineering/industry background responsible for technical analysis of credit proposals
(5)	How are environmental considerations taken into account in the credit review and approval process for project loans or equity investments?		We have a Methodology for implementing ESRM in credit review and approval process, details of which are mentioned in the policy.
(6)	How are environmental issues taken into account in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company?		We have a Methodology for implementing ESRM in credit review and approval process, (details of which are mentioned in the policy) which is followed in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company.

<b>3. Organization and Staff</b>			
(7)	Please provide us with the organization chart of your Environmental and Social Management System (ESMS).		Mentioned in Annexure : 01
(8)	Who is responsible for environmental and social management within your Bank? (name/role and title)		Mentioned in Annexure : 02
(9)	Are there any staffs with training for environmental and social considerations in your Bank? If so, describe.	Yes	Every year we provide E&S training to the applicable staffs only. In 2013, 07 employees received such training. Moreover from this year we have introduced a Green Banking related sessions in the Orientation Program for new joiners where a number of new joiners have participated.
(10)	Are there any technical staffs with an engineering/industry background responsible for technical analysis of credit proposals?	Yes	We have a Project Assessment Unit comprising of three members who have engineering, industry and environmental background responsible for technical analysis of credit proposals.
(11)	What experience, if any, does your Bank have of hiring or dealing with environmental consultants?		No such experience.
(12)	What was the budget allocated to the ESMS and its implementation during a year? Please provide budget details including staff costs and training as well as any actual costs.		Mentioned in Annexure : 03
<b>4. Monitoring and Reporting</b>			
(13)	Do you receive environmental and social monitoring reports from subproject companies that you finance?		While considering finance proposals, we take feasibility report that includes environmental aspects. For large projects, separate environmental report is obtained.
(14)	Please describe how you monitor the subproject company and their subprojects' social and environmental performance.		Our Project Assessment Unit (PAU) visits the subproject company on regular interval and in addition to other credit related issues they also monitor the social and environmental performance. We also practice monitoring environmental and social covenants to credit us grant.
(15)	Is there an internal process to report on social and environmental issues to senior management?		In our credit proposal we have separate part for E&S issues which are presented before senior management at the time of approval. Other than this there is no other separate structured process for reporting. Additionally we prepare environmental and social reports for management, FMO, DEG, IFC central bank.
(16)	Do you prepare any social and environmental reports: - For other multilateral agencies or other stakeholders - E&S reporting in the Annual Report		Yes we prepare environmental reports for IFC and FMO on yearly basis.

<b>5. Experience</b>			
(17)	Have you signed any national or international agreements or declarations concerning environmental issues?		We have already signed agreements for credit lines with IFC, FMO and GCPF. They have some E&S covenants and we are committed with that. Next year we shall consider signing of agreement with UNEPFI (a FMO covenant on best effort basis).
(18)	Have you ever received any criticism of its environmental record? If so, what was the criticism?	No	
(19)	Do you carry out environmental audits of its properties to analyze health and safety issues, waste disposal, etc.?	No	
(20)	Please state any difficulties and/or constrains related to the implementation of the ESMS.	No	

**Annexure: 01**

**Organizational chart for Environmental and Social Management System (ESMS)**



Appendix 10-8

**Annexure: 02**

**Name: M Azizur Rahman Shuman**

**Role: Coordinating ESRM; heading GBC, implementing and evaluating ESRM process, E&S risk screening and maintaining adequate recorded**

**Title: Head of Risk Management Division**

**Annexure: 03**

Particulars	Utilization of Fund in 2013	Budget for Green Banking 2013
<b>Green Finance</b>	<b>416.35</b>	<b>492.00</b>
<b>Direct</b>	<b>1.22</b>	<b>32.00</b>
<b>Indirect</b>	<b>415.13</b>	<b>460.00</b>
<b>Climate Risk Fund</b>	<b>-</b>	<b>0.10</b>
<b>Marketing, Training &amp; Capacity Building Fund</b>	<b>0.002</b>	<b>0.01</b>



#### Annexure: 04

The City Bank Limited is one of the oldest private Commercial Banks operating in Bangladesh. It is a top bank among the oldest five Commercial Banks in the country which started their operations in 1983. Same as BDBL, the CBL has already signed PA with the BB. Because of that, the CBL has a Green Banking Cell (GBC) for implementing green banking activities and initiatives across the organization consisting of representatives from relevant divisions. The CBL is also compliant with the environmental and social standards of IFC and FM-DEG financing.

In 2013, CBL undertook number of initiatives in light with the recently adopted slogan or moto “Go Green; Think Green & Act Green”. As a part of increasing awareness, GBC introduced screensavers in all desktop computers and laptops of CBL employees. In 2013, GBC also developed a “Green Practice Guideline” for Bank staffs and employees. As a part of green initiatives, in 2013 the Bank has installed solar panels in 2 more branches located in Bow Bazar and Jubilee Road in addition to 9 branches. As part of creating green banking awareness, Bank arranged few training programs for its employees during 2013 on environment related issues. Additionally the topic ‘Green Banking’ has been included in every comprehensive training programs of the Bank. To create awareness among CBL employees on environmental and green banking issues, GBC continued publishing its quarterly e-newsletters.

In 2013, CBL also developed a comprehensive policy guideline for implementation of environmental and social risk management in credit approval process of the Bank. This policy is designed to provide guidance on environmental and social risk management procedures that need to be followed throughout the credit approval process and Environmental Social Due Diligence Process for any proposed loan.

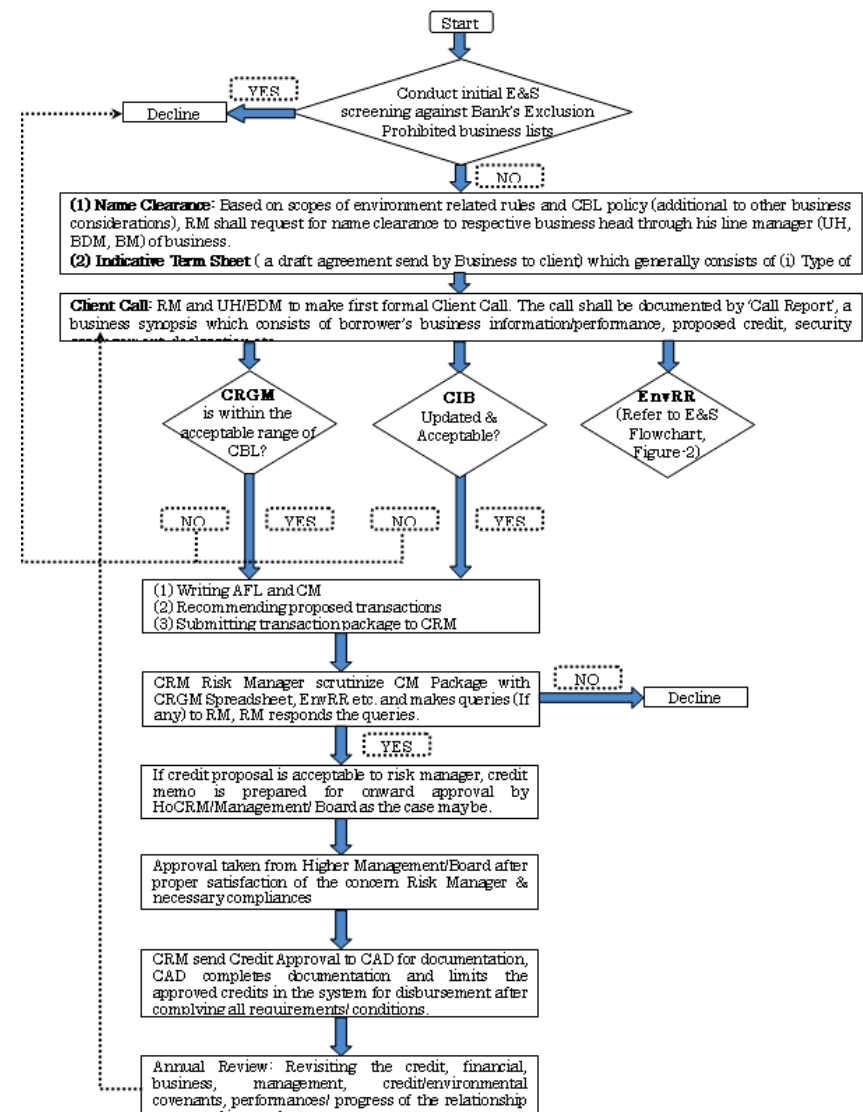


Figure Credit Approval Flowchart by the City Bank Ltd.

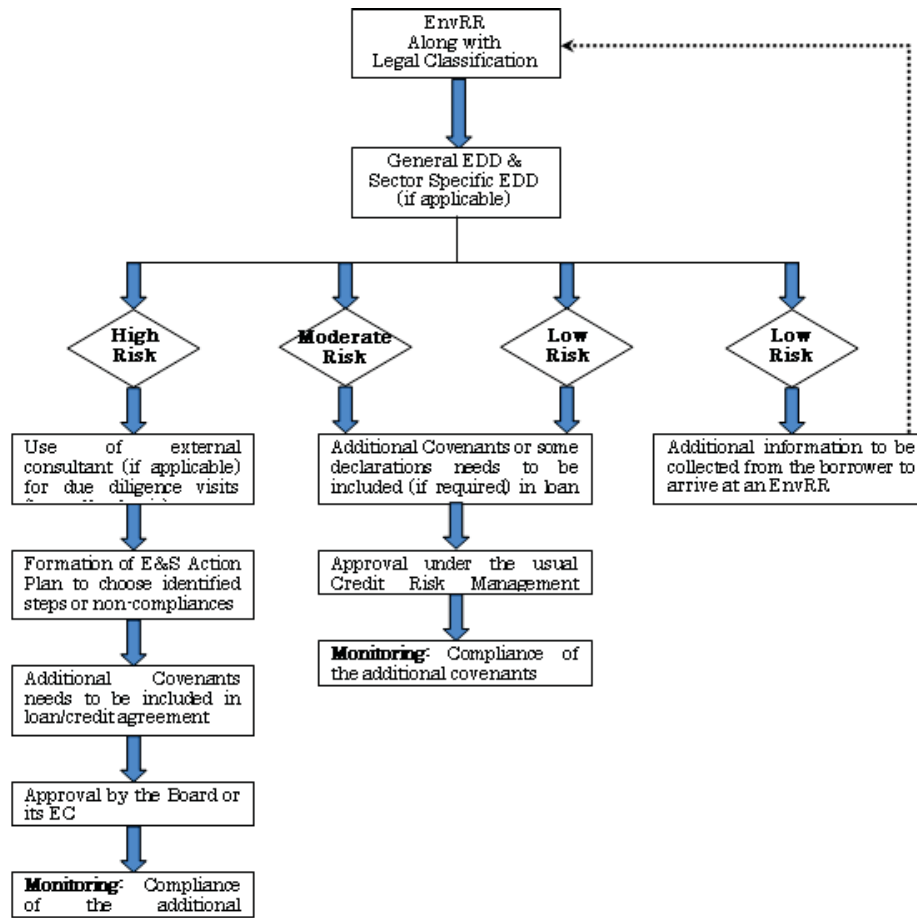


Figure Environmental Social Due Diligence Process Flowchart by the City Bank Ltd.

Reference: Supplied material by CBL

**Current information of the Eastern Bank Limited (EBL)**

Eastern Bank Limited is a commercial bank headquartered in Dhaka, Bangladesh. It was established in 1992, as a public limited company with limited liability under the bank companies’ act of 1991. The EBL is the first bank in Bangladesh to go online and provided the first “Green Loan” in Bangladesh in Solar Panel manufacturing plant which will contribute to transform the lives of 1 million people of the most remote and off-grid areas by lighting up their homes. Same as BDBL, the EBL has already signed PA with the BB and released Green Banking Policy online.

**Table Green Banking Policy by Eastern Bank Limited (Excerpt)**

Policy statements
1. Eastern Bank Limited and its subsidiaries will comply with all laws and regulations related to environmental protection, green banking other requirements.
2. The bank shall consider ‘Environmental Risk’ as a core risk for its business and shall develop effective procedures for management of environmental and social risks in its lending activities.
3. The bank shall support business activities that contribute to the protection and improvement of the environment by providing specialized 'green' products-offered under comparatively more favorable terms and conditions; specifically in the area of renewable energy, energy saving, organic farming, biodiversity conservation, green chemistry, green

transportation, water and waste management, environmental restoration, eco-tourism and agritourism.
4. The bank shall support economic activities of the flood, cyclone, and drought prone areas with soft terms of business and shall create “Climate Risk Fund” to support contingencies in adverse climatic conditions.
5. The bank recognize the environmental burden caused by consumption of resources and release of waste from own business activities and aim to protect the environment through resource recycling as well as efficient use of energy and resources. We are committed to continually minimizing our operational environmental impacts, by monitoring environmental performance; setting improvement targets; and by implementing and evaluating environmental management program that save energy and water, manage waste, recycle materials, reduce business trips, and promote green procurement and providing wide range of e-banking services.
6. The bank shall provide in-house environmental education and support and promote environmental protection activities of individual directors and employees both during and outside working hours.
7. The bank shall inform its customers, shareholders, and the general public about the targets and the performance of its environmental actions that collectively aim at improving the quality of environment and climate.
8. The bank shall support initiatives of third parties i.e. non-profit agencies, organizations or institutions that generate added value by benefiting both humans and the environment.

**Reference:** [http://www.ebl.com.bd/home/green\\_banking](http://www.ebl.com.bd/home/green_banking)

## ESMS and Current Information of the Bangladesh House Building Finance Corporation (BHBFC)

No.	Questions	Answer	Comment
<b>1. Policy</b>			
(1)	Do you have any formal environmental policy or procedures like “the Green Banking in Bangladesh” and “Environmental Risk Management Guideline”? If yes, please describe them and provide appropriate documentation. If no, does the financial intermediary/executing agency have any plan to set such policy or procedures?	No	
(2)	Are there any types of projects in which you will not take part due to the environmental risks? (e.g., projects involving handling of hazardous wastes or endangered plants or animals).		BHBFC provides financial assistance only for construction, repair or remodeling of residential houses and also to buy residential apartments.
<b>2. Procedures</b>			
(3)	Do you have any environmental procedures such as screening, categorization and environmental review? If yes, please describe or provide us the documents.	No	
(4)	Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable JICA’s requirements.		Not applicable for BHBFC
(5)	How are environmental considerations taken into account in the credit review and approval process for project loans or equity investments?		Not applicable for BHBFC
(6)	How are environmental issues taken into account in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company?		Not applicable for BHBFC
<b>3. Organization and Staff</b>			
(7)	Please provide us with the organization chart of your Environmental and Social Management System.		Not applicable for BHBFC
(8)	Who is responsible for environmental and social management within your agency? (name/role and title)		Not applicable for BHBFC

(9)	Are there any staffs with training for environmental and social considerations in your agency? If so, describe.	No	
(10)	Are there any technical staffs with an engineering/industry background responsible for technical analysis of credit proposals?	Yes	BHBFC has technical staff with engineering background responsible for technical analysis of credit proposals.
(11)	What experience, if any, does your agency have of hiring or dealing with environmental consultants?		Not applicable for BHBFC
(12)	What was the budget allocated to the ESMS and its implementation during a year? Please provide budget details including staff costs and training as well as any actual costs.		BHBFC does not allocate any budget to ESMS.
<b>4. Monitoring and Reporting</b>			
(13)	Do you receive environmental and social monitoring reports from subproject companies that you finance?	No	
(14)	Please describe how you monitor the subproject company and their subprojects' social and environmental performance.		Not applicable for BHBFC
(15)	Is there an internal process to report on social and environmental issues to senior management?	No	
(16)	Do you prepare any social and environmental reports: - For other multilateral agencies or other stakeholders - E&S reporting in the Annual Report	No	
<b>5. Experience</b>			
(17)	Have you signed any national or international agreements or declarations concerning environmental issues?	No	
(18)	Have you ever received any criticism of its environmental record? If so, what was the criticism?	No	
(19)	Do you carry out environmental audits of its properties to analyze health and safety issues, waste disposal, etc.?	No	
(20)	Please state any difficulties and/or constrains related to the implementation of the ESMS.		BHBFC does not require implementing ESMS.

## **1.0 Short brief of BHBFC**

### **1.1 Establishment**

House Building Finance Corporation was established in 1952 to provide financial assistance in the housing sector. With its establishment the concept of institutionalized housing finance was introduced for the first time for providing long term finance for construction of residential houses. After independence, the Corporation was reconstituted and renamed as 'The Bangladesh House Building Finance Corporation' (BHBFC) by the President's Order No. 7 of 1973.

### **1.2 Objectives**

BHBFC provides financial assistance for construction, repair or remodeling of residential houses to all Divisional Cities and District Towns, Upazilla Head Quarters (including growth centers) of the entire country. It is the only state owned specialized financial institution in the housing sector that has been providing housing loan to the people for the last 62 years. Since late nineties of the last century yet BHBFC continues to be one of the major sources of housing credit for the middle and lower middle income group of people of the country.

### **1.3 Management**

Bangladesh House Building Finance Corporation is governed by The President's Order No. 7 of 1973. The general direction and administration of the Corporation and its affairs vest in a Board of Directors. The Board consists of a Managing Director and not more than five other Directors appointed by the Government. The Managing Director is the Chief Executive Officer and, on behalf of the Board, directs and controls the whole affairs of the Corporation. The Government appoints one of the Directors other than the Managing Director as the Chairman of the Board.

## **1.4 Organizational Structure**

The Head Office of the Corporation is located in Dhaka. It has 14 Zonal Offices.

Out of these 14 offices 5 offices are in Dhaka City, one office in Narayanganj, one office in Savar and the rest 7 offices are situated in Chittagong, Sylhet, Rajshahi, Khulna, Barisal, Rangpur Divisional Cities and Mymensingh town. The Corporation has 15 Regional Offices located at Faridpur, Gopalganj, Tangail, Jamalpur, Kishoreganj, Comilla, Noakhali, Rangamati, Jessore, Kushtia, Pabna, Bogra, Dinajpur and Srimangal district headquarters. A Camp Office has been functioning in the district head quarter of Chuadanga.

## **2.0 Last 3 years performance at a glance:**

Taka in Crore

Description	2011-2012	2012-2013	2013-2014
Loan Sanctioned	366.47	539.25	285.18
Loan Disbursed	294.84	437.49	388.90
Loan Recoverable	545.83	542.72	538.02
Loan Recovered	418.77	451.94	461.66
% of loan recovery	76.72%	83.27%	85.80%
Amount of classified loan	362.62	259.77	192.47
% of classified loan	14.04%	9.25%	6.50%
Loan balance	2583.40	2820.03	2960.36
Profit before Tax	143.79	188.99	194.77
Tax paid to Govt.	43.15	80.14	54.00

<p><b>3.0 <u>Main information of BHBFC housing loan:</u></b></p> <p><b>3.1 <u>Present practices and business models for providing housing loan.</u></b></p> <p>a. Ceiling of loan : Maximum BDT 5.0 million (Loan ceiling depends on area/ location where the housing unit(s) to be constructed, estimated cost of the proposed building and probable rental income.</p> <p>b. Loan repayment period : Maximum 15 years</p> <p>c. Repayment grace period : 1 year</p> <p>d. Rate of interest : 10% to 12% (Simple interest)</p> <p>e. Re-payment System : Equated monthly installments.</p> <p>f. Debt equity ratio : 80:20 (other than land, minimum 20% investment is required by the borrower)</p> <p>g. Security : Primary mortgage.</p> <p>h. Plan of the proposed building : Should be approved by the concerned authority (Rajuk, City Corporation, Municipal corporation, Cant. board etc.)</p> <p>i. Soil test of land and Structural design of the building : Soil test report of Land and structural design of the proposed building should be carried-out by a qualified engineer (B.Sc.in Civil engineering.</p>	<p><b>3.2 <u>Types of housing finance products offered by BHBFC</u></b></p> <p>At present, the Corporation provides housing loan under seven categories such as :</p> <p>(I) General Loan : This type of loan is given for the construction of a single/multistoried residential house on a land/plot owned by a single person or by husband and wife jointly.</p> <p>(II) Group Loan : The port-folio is aimed at for the construction of flats on a plot owned by a group of people jointly.</p> <p>(III) Apartment/Flat Loan : The apartment/ flat loan is given for purchasing apartment /flat under construction or newly constructed.</p> <p>(IV) Extension Loan : The loan is catered for the purpose of construction of the unconstructed portion of an approved plan of a residential house already built.</p> <p>(V) Loan for Middle and Lower Middle income group of people.</p> <p>(VI) Five years Term Special Loan.</p> <p>(VII) Loan for Construction of Semi-Pucca House in the areas except in Dhaka and Chittagong Metropolitan Cities.</p> <p>BHBFC provides financial assistance for construction, repair or remodeling of residential houses to all Divisional Cities and District Towns, Upazilla Head Quarters (including growth centers) of the entire country. It is the only state owned specialized financial institution in the housing sector that has been providing housing loan to the people for the last 62 years. Since late nineties of the last century yet BHBFC continues to be one of the major sources of housing credit for the middle and lower middle income group of people of the country. Thus BHBFC don't finance the loan for SMEs and won't prepare the guideline or policy for environmental social consideration.</p>

**Current information of the Investment Corporation of Bangladesh (ICB)**

ICB has established in 1976 as a statutory company. It is mainly an investment bank and has established to enhance the industrialization and to develop a sound securities market in Bangladesh. ICB has not yet contract PA with the BB and doesn't have any formal environmental policy or procedures because they don't operate primary under the BB but the Banking Division of Ministry of Finance. However, according to the Checklist for ESMS for Financial Executing Agency, they declared that they have a definite plan to adopt a policy on the Green banking policy and ERMG immediately. But in current state, ICB always gives preconditions to the borrowers/vendors to carry

out their businesses complying all the required formalities including ECC from DoE to avoid environmental degradation and risks. Without such compliance, ICB does not provide any assistance to the borrowers/vendors. For that reason, they have also environmental procedures such as screening, categorization and environmental review and visit the project site before sanction and review the land and its present use through physical verification. If it is found that there exists any negative externalities effect on environmental whatsoever, they strongly refuse the project proposal.



## ESMS Checklist and Current Information of the IDLC Finance Limited (IDLC)

## Checklist for ESMS of the IDLC

No.	Questions	Answer	Comment
<b>1. Policy</b>			
(1)	Do you have any formal environmental policy or procedures like “the Green Banking in Bangladesh” and “Environmental Risk Management Guideline”? If yes, please describe them and provide appropriate documentation. If no, does the financial intermediary/executing agency have any plan to set such policy or procedures?	Yes	IDLC has formulated its own green banking policy in compliance with Bangladesh Bank guideline and was approved by board. Later on as per suggestion from FI Konsult, few revisions were incorporated in the proposal. (Copy attached) IDLC complies with the “Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions in Bangladesh” (dated January 2011), and any subsequent circulars, regulations and/or guidelines issued by Bangladesh Bank and other relevant regulatory bodies. Sector specific ERM policy is in process of formulation in association with FI Konsult.
(2)	Are there any types of projects in which you will not take part due to the environmental risks? (e.g., projects involving handling of hazardous wastes or endangered plants or animals).	Yes	According to IDLC’s exclusion list (Annex 2 of green banking policy) following projects are not eligible for financing due to environmental risk: <ul style="list-style-type: none"> <li>• Ozone depleting substances, PCB's (Polychlorinated Biphenyls) and other specific, hazardous pharmaceuticals, and unauthorized manufacturing of pesticides/herbicides or chemicals;</li> <li>• Wildlife or products regulated under the Convention on International Trade in Endangered Species or Wild Fauna and Flora (CITES); or</li> <li>• Unsustainable fishing methods (e.g., blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km in length) etc.</li> </ul>
<b>2. Procedures</b>			
(3)	Do you have any environmental procedures such as screening, categorization and environmental review? If yes, please describe or provide us the documents.	Yes	In compliance with ERM Guideline of Bangladesh Bank, IDLC is following checklist to determine Environmental Risk Rating in terms of Low, moderate & High. <b>Checklist is attached herewith named EnvRR</b> Review process is in under preparation stage and to be implemented by next year.
(4)	Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable	Yes	In documentation process clients are required to submit all sorts of legal paper, compliance related documentation and others as applicable. Furthermore, physical verification is conducted by respective business and CRM department.

	JICA's requirements.		
(5)	How are environmental considerations taken into account in the credit review and approval process for project loans or equity investments?	Yes	During credit review process all the industries are categorized according to ECR -1997 in terms of green, orange A, orange B and Red. Thereafter depending upon qualitative judgment through some questions they are classified as Low, Moderate or High risk clients in terms of environmental risk. Furthermore, IDLC may impose conditions if required.
(6)	How are environmental issues taken into account in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company?	Yes	IDLC credit appraisal process includes categorization of industry with respect to their risk rating and other issues. Also for manufacturing industry not having ECC are required to provide an undertaking for obtaining proper certification within specific time frame. Respective unit monitors this issue as well.
<b>3. Organization and Staff</b>			
(7)	Please provide us with the organization chart of your Environmental and Social Management System (ESMS).	Yes	<b>Attached as ESMS organizational chart</b>
(8)	Who is responsible for environmental and social management within your agency? (name/role and title)	Yes	<b>Name:</b> Mr. Asif Saad Bin Shams <b>Title:</b> GM, Head of Credit & Collection and E & S manager <b>Role:</b> Mr. Asif Saad Bin Shams is involved as head of credit and collection and also as E&S Manager of IDLC. Mr Shams is involved in overall management of E&S issues of IDLC, assisting and participating in development of ESMS system, sector specific Environmental guideline, training and orientation sessions and reporting to board.
(9)	Are there any staffs with training for environmental and social considerations in your agency? If so, describe.	Yes	Mr. Md. Mehbuboor Rahman is working in Green Banking Desk bearing a bachelor in Civil Engineering with major in Environmental Engineering and professional experience in addressing environmental and social issues. He is involved in coordinating and analyzing of environmental and social aspects of different business proposals. Furthermore, key personnel from business unit (SME, Corporate and Project Finance) and corresponding operation and CRM team has been trained up by FA Konsult on ESMS issues.
(10)	Are there any technical staffs with an engineering/industry background responsible for technical analysis of credit proposals?	Yes	Mr. Shahariar Kamal is working in central Credit Risk Management Department bearing a bachelor in Civil Engineering and skilled in environmental and industrial technical issues. Furthermore, Mr. Tahseen Amin Hemel is also working in central CRM department possessing graduation in computer science.
(11)	What experience, if any, does your agency have of hiring or dealing with environmental consultants?	Yes	IDLC hired environmental consultants for measuring carbon footprint of its different offices. Furthermore, FI Konsult is assisting in developing ESMS for IDLC. Moreover, in case of project financing, IDLC is also hiring ESIA (Environmental and Social Impact Assessment) consultants from national and international arena. IDLC is also providing advisory service in conducting ESIA and CDM (Clean Development Mechanism) registration

			as a product.
(12)	What was the budget allocated to the ESMS and its implementation during a year? Please provide budget details including staff costs and training as well as any actual costs.	Yes	Total Budget for training IDLC staffs on E&S issues was allocated as 5410 Euro (For hiring international consultant team FA Konsult) Budgetary provision for food and other stationery items are not included in this amount. However, another 5410 Euro is to be paid by IDLC in following year to the same consultant. At present, existing staffs are working with ESMS activities as an additional responsibility.
<b>4. Monitoring and Reporting</b>			
(13)	Do you receive environmental and social monitoring reports from subproject companies that you finance?	Yes	In case of project financing clients submit ESIA report formulated by reputed consultants or expatriates. Their environmental management plan is recorded and monitored and periodic interval. Furthermore, environmental clearance certificate of each industry (of specific sector) needs to be updated every year from respective government authority (Department of Environment)
(14)	Please describe how you monitor the subproject company and their subprojects' social and environmental performance.	Yes	Physical verification is made by business units in time to time. Here, business and corresponding CRM, Legal and operation unit provides advisory service to the client whenever required.
(15)	Is there an internal process to report on social and environmental issues to senior management?	Yes	Through credit appraisal process (classifying different business into different category) Furthermore, Board members review high risk clients from environmental and social point of view to assess their improvement and committed development.
(16)	Do you prepare any social and environmental reports: - For other multilateral agencies or other stakeholders - E&S reporting in the Annual Report	Yes	IDLC publishes sustainability report following GRI guideline. Such reporting covers E&S issues with respective to IDLC's operation.
<b>5. Experience</b>			
(17)	Have you signed any national or international agreements or declarations concerning environmental issues?	Yes	IDLC complies with the Bangladesh Bank guideline on Environment Risk Management (ERM) for FI and ECR-1997 (Environmental Conservation Rules) IDLC also voluntarily follows UNGC and UNEP FI principles being the <b>only listed member of UNEP FI in Bangladesh</b>

(18)	Have you ever received any criticism of its environmental record? If so, what was the criticism?	No	
(19)	Do you carry out environmental audits of its properties to analyze health and safety issues, waste disposal, etc.?	Yes	We are in process of planning environmental audits to analyze environmental and social issues.
(20)	Please state any difficulties and/or constraints related to the implementation of the ESMS.	Yes	Lack of awareness of clients and employees. Regulatory compliance with respect to E&S issues are not properly addressed by all FIs. Hence, equilibrium and level playing field is not present throughout the sector.

IDLC Finance Limited was incorporated in Dhaka as Bangladesh's pioneering leasing company in 1985. The Company was constituted through the collaboration of International Finance Corporation (IFC), German Investment and Development Company (DEG), Kookmin Bank, Korea Development Financing Corporation, The Aga Khan Fund for Economic Development, The City Bank Limited, IPDC of Bangladesh Limited and Sadharan Bima Corporation. Over the years, the shareholding structure has evolved into IDLC emerging as a 100 percent locally-owned enterprise in 2009. The IDLC also has already contracted PA with the BB and published Green Banking Policy on the web. IDLC targeted completion date for executing items in the Policy to enhance working environment and internal and financial organization system in **IDLC**.

**Table Executing Items for Institutionalizing Green Banking by IDLC**

No.	Execution Item	Particulars	Deadline
1	Governance	Formation of the GB unit	30/06/2014
		Fund Allocation for Green Financing	30/06/2014
2	E&S Risks in Credit Risk Management	Incorporation of Environmental Risk in CRM	30/06/2014
		Sector-specific Environmental Policies	31/12/2014
		FI-Specific ERM and Guideline	31/12/2014
3	In-House Environment Management	Green Office Guideline	30/06/2014
		Inventory Management	30/06/2014
		Green Branches	31/12/2014

		Green Technologies	31/12/2014
4	Green Finance, Product and Marketing	Green Finance	Phase1: 30/06/2014 Phase2: 31/12/2014
		Green Marketing	30/06/2014
		Design and Introduction of Innovative Products	30/06/2015
5	Climate Risk Fund	Creation and Utilization of Climate Risk Fund	30/06/2014
6	Training, Awareness and Green Events	Employee Training	30/06/2014
		Client Awareness and Green Events	Phase1: 30/06/2014 Phase2: 31/12/2014
7	Disclose and Reporting	Reporting on Green Banking Activities	Phase1: 30/06/2014 Phase2: 31/12/2014 Phase3: 30/06/2015
		Disclosure of Green Banking Activities	30/06/2014

[http://www.idlc.com/downloads/Green\\_Banking\\_Policy\\_final.pdf](http://www.idlc.com/downloads/Green_Banking_Policy_final.pdf)

IDLC evaluates the financial project by ERM's checklist of respective 14 sectors according to BB's ERMG. IDLC also is the only contracting institution with UNEP- Finance Initiative in Bangladesh, exchanges information with the other contracting institutions and constructs a business model for environmental social consideration.

**Table Targeted Sectors for Making Checklist for the ERM in IDLC**

No.	Sector	
1	General Purpose	
2	Agri-Business	
3	Dairy	
4	Cement	
5	Chemicals	Fertilizers
6		Pesticides
7		Pharmaceuticals
8	Engineering & Basic Metal	
9	Housing	
10	Pulp & Paper	
11	Sugar & distilleries	
12	Tannery	
13	Textile & apparels	
14	Ship Breaking	

Reference: Supplied material by IDLC

**Table Organogram in IDLC**

Particulars	Participants	
E&S Manager	Head of Credit and Collection and Environmental Social manager	
E&S Coordinators	Head of CSR Manager, CRM	
ESMS Implementation Team	Department	Name and Designation
	Corporate	Sr. Manager
		Sr. Manager
	SME	Assistant General Manager (SME-MEF)
		Sr. Manager
	Consumer	Head of Products
		Manager
	CRM	Assistant General Manager-Consumer
		Manager – SME
	ICC	Assistant General Manager
	HR	Sr. Manager
	IT	Assistant General Manager, IT
	Legal	Head of Legal - SME and Corporate
	CAD	Sr. Manager
Green Banking	Assistant Manager	

Reference: Supplied material by IDLC

## ESMS Checklist and Current Information of the National Housing Finance and Investment Ltd. (NHFIL)

No.	Questions	Answer	Comment
<b>1. Policy</b>			
(1)	Do you have any formal environmental policy or procedures like “the Green Banking in Bangladesh” and “Environmental Risk Management Guideline”? If yes, please describe them and provide appropriate documentation. If no, does the financial intermediary/executing agency have any plan to set such policy or procedures?	No	We have a plan to set such a policy.
(2)	Are there any types of projects in which you will not take part due to the environmental risks? (e.g., projects involving handling of hazardous wastes or endangered plants or animals).	Yes	
<b>2. Procedures</b>			
(3)	Do you have any environmental procedures such as screening, categorization and environmental review? If yes, please describe or provide us the documents.	Yes	a. We physically visit the project. b. Collect relevant papers c. Categorize green, orange A & B and red d. Measure EnvRR for approval.
(4)	Please describe how you ensure that your subproject companies and their subprojects are operated in compliance with the national laws and regulations and applicable JICA’s requirements.	N/A	
(5)	How are environmental considerations taken into account in the credit review and approval process for project loans or equity investments?	N/A	a. Project location b. Ensure no use of hazardous chemicals c. ETP/Water management d. Social issue
(6)	How are environmental issues taken into account in deciding whether to offer or extend commercial credit, working capital finance, trade finance, payment services and other financial services to a company?		a. Approve the projects which are free from any environmental pollution. b. Ensure reasonable distance from river bank c. Ensure Clearance certificate of DOE where necessary etc.
<b>3. Organization and Staff</b>			
(7)	Please provide us with the organization chart of your Environmental and Social Management System (ESMS).		
(8)	Who is responsible for environmental and social management within your agency? (name/role and title)		Mr. Ibrahim Khalil Deputy Manager
(9)	Are there any staffs with training for environmental and social	Yes	

	considerations in your agency? If so, describe.		
(10)	Are there any technical staffs with an engineering/industry background responsible for technical analysis of credit proposals?	Yes	
(11)	What experience, if any, does your agency have of hiring or dealing with environmental consultants?	No	
(12)	What was the budget allocated to the ESMS and its implementation during a year? Please provide budget details including staff costs and training as well as any actual costs.		
<b>4. Monitoring and Reporting</b>			
(13)	Do you receive environmental and social monitoring reports from subproject companies that you finance?	N/A	
(14)	Please describe how you monitor the subproject company and their subprojects' social and environmental performance.	N/A	
(15)	Is there an internal process to report on social and environmental issues to senior management?	Yes	
(16)	Do you prepare any social and environmental reports: - For other multilateral agencies or other stakeholders - E&S reporting in the Annual Report	No	
<b>5. Experience</b>			
(17)	Have you signed any national or international agreements or declarations concerning environmental issues?	No	
(18)	Have you ever received any criticism of its environmental record? If so, what was the criticism?	No	
(19)	Do you carry out environmental audits of its properties to analyze health and safety issues, waste disposal, etc.?	No	
(20)	Please state any difficulties and/or constrains related to the implementation of the ESMS.	N/A	

The NHFIL is a private sector housing finance company incorporated in August 1998 as a public limited company. The main objectives of the Company are to carry on the business of financing the acquisition, construction, development and purchase of houses, plots, apartments, real estates and commercial spaces etc. with a view to providing finance for peoples' basic need for shelter, enhance housing stock of the country, and promote affordable home ownership. In addition to this NHFIL is also involved in other activities such as accepting deposits, SME financing, Project financing, Lease financing & Term loan facility to the corporate and other SMEs. Generally Lease finance offer to procure Capital Machinery/Factory Equipment, Generator, Medical Equipment, Car, Buses, Sea vehicles etc.

NHFIL also grasped the increasing interest in environmental issues worldwide and has already contracted PA with the BB and published Green Banking Policy on the web. In their Banking Policy, NHFIL emphasize that Green banking is a device that considers social and ecological factors to protect environment and conserve natural resources and Green bankers think to protect environment and conserve power and energy in order to ensure a safer world for the next generation. Green banking is not only a tool to acquire reputation but also ensure social responsibility.

**Table Green Banking Policy by NHFIL (Excerpt)**

Policy statements
<p>The main objective of this policy is to institutionalize Green Banking across the company by focusing on the following major aspects:</p> <ol style="list-style-type: none"> <li>1. To promote sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles.</li> <li>2. To contribute to the national/ global interest through avoidance of financing in specific industry(ies)/ project(s)/ process(es)/ business(es), being harmful or tend to be causing harm to the environment even if they are financially viable;</li> <li>3. To create an atmosphere for the bank and/or its both existing and potential clients to work within an ideal business environment through innovative marketing of innovative banking products;</li> <li>4. To encourage the employees, the existing and potential clients and other stakeholders to develop, practice &amp; promote for developing &amp; using environment friendly /green technology/products/production process;</li> <li>5. To develop the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in-house Environmental Risk Management (ERM) system through introduction of appropriate technology;</li> <li>6. To sponsor awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR);</li> </ol>

Reference:

<http://www.nationalhousingbd.com/download/Green%20Banking%20Policy.pdf>



As per the “Policy Guidelines for Green Banking” issued by the GB&CSR Department of Bangladesh Bank (GBCSRD Circular No. 4) dated August 11, 2013, the implementation of Green Banking activities has to be accomplished under three (3) following phases:

**A. Phase I: by June 30, 2014**

To develop green banking policies and show general commitment on environment through in-house performance.

**B. Phase II: by December 31, 2014**

To educate clients and publishing independent Green Banking & Sustainability Report.

**C. Phase III: by June 30, 2015**

To design & introduce innovative products and reporting in standard format with external verification.

**Table 3.4.1 Executing Items for Institutionalizing Green Banking by NHFIL**

Particulars	Phase
Policy Formulation and Governance	I (By June 30, 2014)
Incorporation of Environmental Risk in CRM (Core Risk Management)	
Initiation for improvement of In-house Environment Management	
Introducing Green Finance	
Creation of Climate Risk Fund	
Introducing Green Marketing	
Supporting employee training, consumer awareness and green event	
Disclosure and reporting of green banking activities	
Sector specific Environmental Policies	
Green Strategic Planning	
Setting up Green Branches	
Incorporation of Environmental Risk Management Plan and Guidelines	
Initiation of Programs for Educating Clients	III (By June 30, 2015)
Designing and Introducing Innovative Products	
Reporting in Standard Format with External verification	

Reference:

<http://www.nationalhousingbd.com/download/Green%20Banking%20Policy.pdf>

No.9/9

ESMS and Current Information of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Checklist for ESMS of BGMEA

No.	Questions	Answer	Comment
<b>1. Policy</b>			
(1)	Do you have any formal environmental and social considerations policy or guideline? If yes, please describe them and provide appropriate documentation. If no, do you have any plan to set such policy or procedures to enhance environmental and social reliance?	No	A formal policy is being formulated in line with the existing national and international policy in the area of environmental and social reliance.
<b>2. Procedures</b>			
(2)	Do you know the EIA guidelines for industries in Bangladesh?	Yes	
(3)	Have you ever got the Environmental Clearance Certification (ECC) in your Association? If yes, please provide us the documents or reports.	No, But we have got Location Clearance certificate from Department of Environment (DoE), ( <i>See attachments</i> )	As an association BGMEA does not require ECC but all of our member factories have got ECC, as acquiring ECC from DoE is a prerequisite for every factory.
(4)	If one of your members applies for a loan to Bank or Finance Institution, Do they require Environmental and Social consideration? If yes, please show the document or the report or please describe its summary.	yes	
<b>3. Organization and Staff</b>			
(5)	If it exists, please provide us with the organization chart of your Environmental and Social Management System (ESMS).		
(6)	Who is responsible for environmental and social management within your association? (name/role and title)	Md. Shahidullah Azim, Vice President, (BGMEA)	
(7)	Are there any staffs with training for environmental and social considerations in your association? If so, describe.	Yes, We have two person in our organization ranked as Deputy Secretary named Mr. Emdad Huq and Mr. Md.	Mr. Emdad is a social compliance expert with relevant national and international training to his respective area and he is working with BGMEA for 14 years. Mr. Monower is an environmental expert with sound

		Monower Hossain	educational background in Environmental Science, national and international training regarding EMS, Chemical management, policy, EHS and etc. He is working in BGMEA for last 1.5 years.
(8)	What experience, if any, does your association have of hiring or dealing with environmental consultants?	Yes	Recently we have hired two environmental consultants for a project jointly implemented by BGMEA and GIZ, and another two consultants for Textile Technology Business Centre (TTBC) which will provide services to the member factories of BGMEA regarding cleaner production.
<b>4. Monitoring and Reporting</b>			
(9)	Do you submit environmental and social monitoring reports to the Bank or Financial Institutions that you are financed?	No	N/A
(10)	Do you prepare any social and environmental reports in your association? - For other stakeholders - E&S reporting in the Annual Report	-	Our member factories prepared environmental reports for their buyers if required. We do not prepare any report for other stakeholders but we publish a monthly magazine named “The Apparel Story” where we publish articles and/reports relating to environmental and social issues. <i>(See attachments)</i>
<b>5. Experience</b>			
(11)	Have you signed any national or international agreements or declarations concerning environmental issues?	Yes	BGMEA is an implementing partner of a project named “Partnership Agreement for Cleaner Textile, (PaCT)” We have signed agreement with IFC regarding TTBC of PaCT project. BGMEA also agreed with the Zero Discharge of Hazardous Chemical (ZDHC) road map with some leading global buyers like H&M, C&A, G-Star etc.
(12)	Have you ever received any criticism of its environmental record from the society and the people? If so, what was the criticism?	Yes	The criticism is though BGMEA is playing a leading role in employment creation, economic growth but the industry also polluting the environment.
(13)	What do you carry out to keep good working environment and to improve waste disposal and waste water, etc.? For example, Installation of septic tank and low vibration machine etc...	Yes	Through different projects BGMEA tried to help its member factories to improve its environmental sustainability, BGMEA also disseminate awareness raising posters and articles through its monthly publications relating to cleaner production, environmental sustainability, resource efficiency etc. <i>(See attachments)</i>

RMG sector of Bangladesh is the life blood of the Bangladesh's economy. The export value was 24.5 Billion US\$ in the last FY-2013-14 which was 81.13% of our total export value that time. This sector alone created employment for 4.40 million workers of which 80% are women, so it can be easily understood the role of this sector in poverty alleviation, women empowerment and overall socio economic development of Bangladesh.

Currently this sector is facing a growing challenge in the area of environmental sustainability with issues like ground water depletion, resource inefficient production processes, Hazardous waste management, occupational health and safety measures etc. We need to overcome these challenges to become more competitive in the global RMG supply chain. Now-a-days environmental sustainability issues have emerged as a significant issue and are very critical for our long-term sustainability. It is also one of the core components of BGMEA's strategic goals. So BGMEA as the Apex trade body of RMG exporters are always being supportive to its entire stakeholder in any initiatives taken in this area.

Under the initiatives named "TREES" (Toward Resource Efficiency and Environmental Sustainability) BGMEA runs several programs to enhance resource efficiency and environmental sustainability amongst its member factories. We have already concluded two pilot projects with IFC-SEDF concerning cleaner production. It is also engaged with the Government of Netherlands, International Finance Corporation (IFC), Solidaridad, TNO and a number of global brands (C&A,H&M, Inditex, G-Star Raw, KappAhl, Lindex, Primark, and Tesco) to run a project titled Partnership for Cleaner Textile (PaCT) as an implementing partner. PaCT is working for promoting clean and responsible production in Bangladesh textile sector, reducing water and carbon footprint in the wet processing units of the sector.

A Textile Technology Business Centre (TTBC), the first of its kind in Bangladesh, has been launched on May 26, 2014 by Lilianne Ploumen, Minister for Foreign Trade and Development Cooperation for the Netherlands. The center housed in BGMEA premises aims to assist the textile industry in adopting resource efficiency measures including waste water and groundwater management systems, ETP, environmental management system etc. TTBC will collect and disseminate information on Cleaner Production, Occupational Health and Safety (OHS) and Water, Sanitation and Hygiene (WASH). The centre will also capture the knowledge developed by the PaCT programme for broader public dissemination.

We cannot change everything over night but the momentum that has already been created will definitely take our RMG sector to a different height.

## **Appendix 11 Checklist for DoE**

### Appendix 10: Checklist for the Department of Environment

No.	Information/Question	Answer	Comment
1	<p>Please provide the following information in "Dhaka metropolitan area".</p> <ul style="list-style-type: none"> <li>- land use planning</li> <li>- nature conservation area</li> <li>- living areas of indigenous</li> <li>- social economic condition</li> <li>- distribution areas of valuable flora and fauna</li> </ul>	<p>DoE has no maps identifying these areas because currently they don't have capacity for developing these maps. So, with regard to provide Environmental Clearance Certificate (ECC) in Dhaka City area, DoE depends on Detailed Area Plan (DAP) of RAJUK. All development plan and environmental conservation areas and environmental management issues indicated in DAP. If someone wants to ECC from DoE for any development, he/she need to get land use clearance first from RAJUK submit to DoE for ECC.</p>	<p>If necessary, we need to collect DAP maps from RAJUK. But I am in doubt whether RAJUK will supply DAP maps to us because this is not open for public.</p>
2	<p>Please provide below information <b><u>in English version</u></b></p> <ul style="list-style-type: none"> <li>- The latest EIA regulation Act, Rules and Guideline</li> <li>- Regulations and Laws in accordance with the resettlement due to project implementation</li> <li>- Regulations and Laws on public participation in accordance with the planning and implementation of the project</li> <li>- Regulations and Laws on information disclosure relating to the planning and implementation of the project</li> </ul>	<p>Environmental Conservation Rules, 1997 (amended in 2002) is the latest version of policy/rules/guidelines for DoE. However, currently, DoE is under process of revising it again that will take much time.</p> <p>DoE has no their laws regarding public participation and information disclosure in accordance with planning and implementation of the project</p>	<p>The team for revising the policy has formed and already conducted 8 meetings. 2-3 more meetings will be required to prepare the final draft. The draft will be submitted to the Ministry of Environment and then the ministry will form an Inter-Ministrial committee to give a final go and publish it through gazette notification to make it public.</p>
3	<p>Please provide an environment checklist by business along the environmental impact assessment law, if already created.</p>	<p>There is no published (authorized by the govt.) environmental/EIA checklist. However, DoE has sector wise environmental/EIA checklists that they follow while conducting EIA. But they cannot share since those are not authorized. They have the plan to publish through gazette notification in future.</p>	

No.	Information/Question	Answer	Comment
4	<p>How the following buildings, targeted this project, are classified into the categories of Red, Orange-A, Orange-B, Green, in the EIA procedures of Bangladesh? And are they classified into different categories depend on the land scale, building height, Number of employees, students and hospital beds?</p> <ul style="list-style-type: none"> <li>- Garment and Knitwear factory</li> <li>- Fire station</li> <li>- School</li> <li>- Hospital</li> </ul>	<p>Hospital is classified as “Red”, but others like, Fire Station and Schools are “Green”.</p> <p>For constructing any building above 10-storied (govt./public or private) needs ECC from DoE. There is no need for ECC if the building height is 10-storied or below.</p> <p>However, for constructing industrial building with any height requires ECC from DoE. Especially in case of Garment factories with cutting, sewing components have less impact but the factories with dyeing component will be treated as “Red” categories.</p> <p>For constructing a new complex for Fire Station in a new area (like in Purbachal New Town) requires ECC. Constructing the new building at Fire Station Training Center in Mirpur (as proposed with JICA fund) need ECC, if the building height is above 10-story.</p> <p>Regarding the time-frame to get an Environmental Clearance Certificate from DoE,</p> <ul style="list-style-type: none"> <li>a) For Green category buildings: usually takes 7 days but if all required papers and documents are properly submitted, it takes only 3 days</li> <li>b) For Orange category buildings: usually takes 15 days, if all required papers and documents are properly submitted</li> <li>c) For Red category buildings: it may take more than 3 months (for site clearance 30 days, EIA 45 days and Environmental Clearance 15 days)</li> </ul>	

5	Does your department require the Environmental Clearance Certificate (ECC) even if the project is for retrofitting or reconstruction?	There is no guideline in the current rule regarding the requirement of ECC for retrofitting project. However, if the retrofitting project has likely chance to have impact on the environment then it needs ECC from DoE	For example, Dhaka Medical College Hospital has been constructed long time ago (before the creation of Bangladesh, in other words, before the establishment of DoE). As a practice, the hospital authority should have come to DoE and ask for clearance but it never happened.
6	Please provide law, institutions and qualification related to environmental impact assessment in accordance with the buildings in Bangladesh.	There is no laws like this	
7	What is your role of financing projects related to environmental and social considerations? For example, do you have any opportunity to give advice and comments for the loan taking into account environmental and social considerations?	To get the ECC from DoE is mandatory for Banks and PIFs for refinancing projects.	
8	Please provide the number of staff and organizational structure of environmental and social considerations department.		We have to collect it later.
9	Is it true that Environmental Risk Management by Bangladesh Bank was made with reference to EIA guideline by DOE?	Yes, DoE is aware about the Environmental Risk Management Guidelines of Bangladesh Bank and it has been developed with reference to Environmental Conservation Rules, 1997.	



## **Appendix 12 A Proposal for a Project in near Future**

## Appendix 12

# Summary of Preliminary Plan for a Proposal for Safer Urban Public Buildings

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# **Chapter 1 Background and Objectives of the Project**

## **1.1 Project Objective**

The objective of “Urban Building Safety Project” (the Project) is to enhance the building safety in Urban Cities by financing loans for building safety for private buildings through Participating Financial Institutions (PFI), on the other hand by improving the building safety for public buildings, thereby contributing to improvement of the social vulnerability of urban cities against natural and man-made disasters.

## **1.2 Necessity of the Project**

The People's Republic of Bangladesh (hereinafter referred to as “Bangladesh”) is located on the plate boundary region among Eurasia, India and Burma plates, which is one of the most seismic active zones in the world, and seven (7) large earthquakes happened over the past 150 years. Among others, the Dhaka Metropolitan Area (Dhaka, Gazipur and Narayanganj District) and Chittagong City, where political, economic and cultural function concentrated on, are the areas with higher buildings in a dense city. However, most of the buildings have not complied with Bangladesh National Building Code (BNBC), resulting in little resilience to the earthquake and other disasters. According to the projection, it is estimated that, if the earthquake with Magnitude 6 would happen beneath Dhaka, 56% of the buildings will be beyond economic repair, citizens in Dhaka will be killed more than 150,000 and 5% of GDP will be lost (Comprehensive Disaster Management Programme (CDMP), Ministry of Food and Disaster Management, GOB, 2009).

Also, it is underlined that five (5) large scale building collapse without tremors happened in 10 years due to the illegal expansion of the building, inadequate quality on design and construction works and so forth.

Government of Bangladesh (GOB) developed Bangladesh National Building Code (BNBC) in 1993 and revised 2006 which requires the standard of general building requirement including seismic design. In spite of the enacting of BNBC, the enforcement of BNBC is not progressed much. According to the sampling survey for Ready Made Garment (RMG) factories by GOB, 65.5% of the RMG factories do not comply with BNBC. The reasons of the little enforcement of BNBC are inadequate technical capacity and construction management, limited hand-in reference to ensure BNBC, limited mechanism to instruct the quality of buildings and so on.

Under such circumstances, JICA and PWD have implemented “Project for Capacity Development on Natural Disaster-Resistant Techniques of Construction and Retrofitting for Public Buildings (CNCRP)” from 2011 to 2015 to develop the seismic designing capacity of PWD. Also, GOB and JICA have initiated Ready Made Garment (RMG) Sector Safe Working Environment Program since October 3, 2013, which provide the preferential loans to retrofitting, rebuilding and relocation of RMG factories with an amount of 1 billion Bangladesh Taka (BDT). Through these programs, it has been identified that 1) the existing public facilities have not been much paid attention to BNBC, and the public buildings which require emergent rescue and evacuation function should be strengthened immediately followed with BNBC, and 2) RMG and knitwear factories, which contribute to 78.5% of the total export (Bangladesh Economic Review 2012 , Ministry of Finance, Government of Bangladesh (MoF/GOB)), have urgent demand for building safety having experience with the recent huge building collapse.

RMG Sector Safe Working Environment Program has identified that the 17 RMG factories have strong

demand in strengthening their factories out of 55 eligible applications including retrofitting and rebuilding under the Program, which will cost around 37 million USD. In addition to this immediate demand, there are further demands for building safety, namely 2<sup>nd</sup> immediate demand is 52 RMG factories and 3<sup>rd</sup> immediate demand is 130 RMG factories by applying the analogy from the RMG Sector Safe Working Environment Program. In total, it is estimated that many of the total of more than 5,000 RMG factories are willing to strengthen their buildings in RMG sector in Bangladesh.

Considering the current limited application of BNBC and vulnerable condition of the public and private buildings, scaling up of the building safety measures is crucial to address the potential risk of earthquake.

### **1.3 Development Policy, Sector Plan, National/Regional Development Plans**

#### **(1) Sixth Five Year Plan 2011-2015 (2010) (SFYP)**

The SFYP emphasizes the economic development and poverty reduction and stressed the importance of scaling up investments to create a suitable environment for the economic and social development through climate change management. With increasing urbanization and economic growth, SFYP put the emphasis on building in urban areas including the climate resilient and the earthquake resilient structures.

#### **(2) National Plan for Disaster Management 2010-2015 (2010) (NPDM)**

NPDM identifies the types of disaster risk and responsible institutions for each type of disaster, and plans the necessary budget and system. NPDM underlines earthquake disaster and infrastructure collapse, and specifies the establishment of National Disaster Management Council (NDMC) during the disaster. NPDM set the four strategic targets which enable Ministry of Housing and Public Works will plan updating and ensuring BNBC and developing and implementing retrofitting programmes for vulnerable critical infrastructures.

#### **(3) Standing Order on Disaster (2010) (SOD)**

SOD specifies the role and responsibilities of disaster related institutions. SOD describes that Ministry of Housing and Public Works is responsible for issuing directives to ensure proper execution of BNBC, and that Public Works Department is responsible for ensuring proper execution of BNBC and supporting retrofitting works.

## **Chapter 2 Contents of the Project**

### **2.1 Basic Concept of the Project**

Disaster resilience is significant factor to achieve economic development and poverty alleviation. Among others, necessary measures for building safety are crucial to create the disaster resilient society in order to mitigate the potential risk for earthquake. Given the limited application of BNBC and vulnerability of the buildings, necessary measures for building safety enhancement shall be taken for both private and public buildings. For private buildings, 78.5% of the contribution to total export is achieved by RMG and knitwear sector, though the condition of buildings is particularly weak, resulting in growing concern for potential economic loss in case earthquake destroys most of the private buildings. For public buildings, in spite of the disaster risk for Bangladesh, there are limited disaster preparedness facilities, which will cause extensive suspension of government function during disaster. Especially, since Fire Service and Civil Defence (FSCD) is allocated as the “First Responder” at the time of disasters, the function of FSCD must not reduce during disasters. However, its facilities are generally old and weak. With this regard, private and public building safety is pressing demands for Bangladesh to address.

### **2.2 Outline Design of the Project**

#### **2.2.1 Design Policy**

In order to conduct urban building safety efforts, both private and public buildings should be considered. For instance, in Dhaka there are around 3.2lakh buildings, and out of which public buildings are 5,000 to 10,000, and 70-80% of the total buildings will be residential.

For Public buildings, the main focus of FSCD buildings will be the followings;

FSCD provides its priority on building improvement in Dhaka area is; New Headquarter building, Improvement of existing Fire Stations, new Training center. First two will be selected considering the budget and time limitations.

New Headquarter building: it should be the advanced technology building for the symbol of Disaster Management of Bangladesh. It should direct the “disaster management functions” and the “sustainable functionalities”, avoiding from any kinds of any magnitude disasters for protecting the functionality of Fire Service and Civil Defence. It may possess a base isolation system, a reuse of rain water system, an emergency power arrangement system with some portion of solar panel, sustainable equipment such as BEMS (Building Energy Management System), CASBEE (Comprehensive Assessment System for Built Environment Efficiency), Co-Generation system, Desiccant air condition system, etc. It also may become a model building as an advanced Bangladesh public building for future. These should be considered as advanced and eco-system model for the new generation of Bangladesh society. But as mentioned later, some will be skipped by the condition of economical and realization condition.

Next, for fire stations, there are 17 in Dhaka area. Out of them, 5 are very old with more than 25 years since the construction, probably more than half of life cycle of buildings. They should be rebuilding or relocation, but reconstruction itself following the seismic coefficients by BNBC is general, and should be done by other budget allocation will be better, because their budget will cost more than retrofitting.

And considering the disaster management activities including local communities centered by fire stations

should be developed. For this context, a community hall with some small tools as necessary as possible will be appropriate for each fire station. Considering this community hall construction, one specific fire station, namely Saver EPZ Fire Station, should be rebuilt. Thus rebuilding fire stations should be 6 at total.

For remaining 8 fire stations with younger ones in Dhaka, a retrofitting technology will be provided when they are shortage against the requirements of BNBC, such as structural strength, fire safety etc. The typical example of the first trial of CNCRP Tejgaon Fire Station, though somewhat older one, should be the model case.

Out of 17 fire stations, the current headquarter building include Siddique Bazar fire station which cannot allow rebuilding and retrofitting easily. One fire station is on a ship and cannot allow retrofitting and rebuilding, and Tejgaon is under retrofitting by PWD/CNCRP.

**Table 2.2.1 FSCD construction contents**

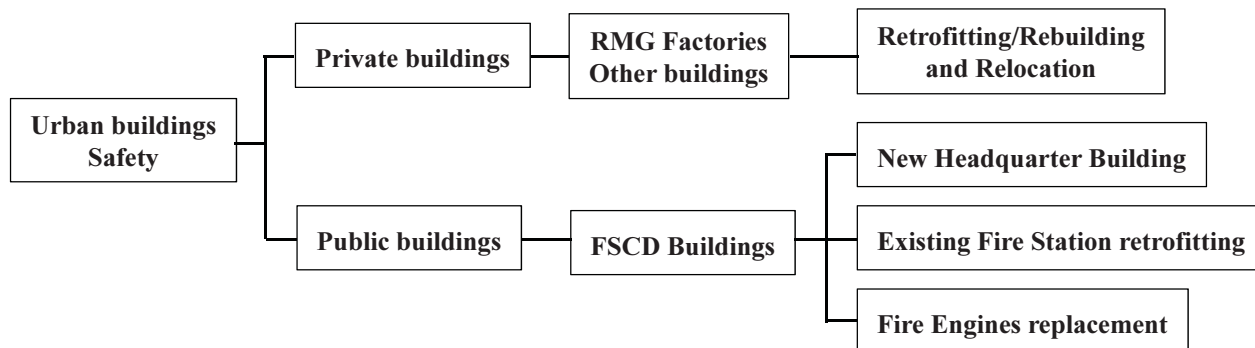
No.	Name of Fire Station	Construction Type	Retrofitting of Existing FS	Vertical extension of Existing FS + Community Hall	Demolish of Existing FS	Type A FS + Community Hall	Type B FS + Community Hall	New separate Community Hall	Class of Fire Station	Year of design	Year of construction	No of storey	Type of foundation
1	Mirpur New Headquarters	N											
2	Sadarghat Fire Station	A			●	●			A		1961	2	
3	Pustagola Fire Station	A			●	●			A		1963	2	
4	Mirpur Fire Station	A			●	●			A		1967	1	
5	Mohammadpur Fire Station	A			●	●			A		1963	2	
6	Palashi Barak Fire Station	A			●	●			A		1947	1	
7	Demra Fire Station	R+Co	●					●	A		1983	2	2-storey
8	Khilgaon Fire Station	RV	●	●					A	2008	2014	3	6-storey
9	Kurmitola Fire Station	R+Co	●					●	A		1980	2	2-storey
10	Lalbag Fire Station	RV	●	●					A	1998	2001	2	4-storey
11	Saver EPZ Fire Station	A			●	●			A		1997	3	3-storey
12	Saver Fire Station	R+Co	●					●	B	1998	2004	2	2-storey
13	Baridhara Fire Station	RV	●	●					B	1998	2004	2	4-storey
14	Karanigonj Fire Station	R+Co	●					●	B	1998	2004	2	2-storey
15	Dhamrai Fire Station	R+B	●				●		C	2005	2010	3	3-storey
*	Tejgaon Fire Station	(R+) Co	on going					●	A		1965	2	2-storey

Construction Type	
N:	New Building
A:	Rebuilding Class A 4 storied building with community hall
B:	Rebuilding Class B 4 storied building with community hall
R:	Retrofitting existing Fire Station building
RV:	Retrofitting existing Fire Station Building extending vertically with Community Hall
Co:	Community Hall Building Construction
<b>note1:</b>	Dhamrai Fire Station is consisted of Retrofitting existing building + B type new building
<b>note2:</b>	Tejgaon Fire Station is existing Fire Station is Retrofitting already + Community Hall new building

Regarding the Private buildings, even though numerous buildings, including residential, commercial and industrial buildings etc., exist, RMG factories should be selected as the target considering the economical and safety points of view. And the current loan for RMG-SME (Small and Medium scale Enterprise) among JICA, BB (Bangladesh Bank), BGMEA, BKMEA and PWD should be extended. Currently, the TSL (Two Steps Loan) from JICA via BB and finally by local PFIs is used. First collecting submissions from factory owners via BGMEA and BKMEA, and after assessment and building investigation by CNCRP, design and construction works for retrofitting, relocation or rebuilding are conducted under the supervision of PWD as far as the budget permits totally 1B BMT. An average necessary cost for retrofitting will be around 100M BDT or less, and one to several 100M BDT for relocation and rebuilding, though they are depending on scale of buildings. Thus the limitation for one case is currently 100M BDT, but it should be renewed.

Further, since CNCRP and PWD have limitation of human resources, an appropriate process and scheme

should be considered for smooth implementation of the project. For this context, Technical Review Panel (TRP) consisted of the high expert in Bangladesh for technical security and the quality control following BNBC during design and construction works. And a certain scheme of human investment should be inevitable.



**Figure 2.2.1 Contents of Urban Building safety Works**

### 2.2.2 Basic Plan (Construction Plan / Equipment Plan)

As per the private buildings case for the RMG factory building improvement/retrofitting, basically BNBC is the regulation or the target level to be strengthened. And among the public building case, the retrofitting of fire stations as well as the new construction of community halls at fire stations are the same. The technology transfer by CNCRP should be utilized and need further development of human resources by training etc.

Regarding the new FSCD headquarter building construction case of the public buildings, totally advanced technologies and economical and environmental considerations should be incorporated. The recommended ones are namely base isolation system, BEMS, CoGeneration System, Desiccant air condition system, CASBEE, etc. Their features of contents and effects are shown below, though some will be adopted considering economical and availability conditions practically.

**Table 2.2.2 Features of Technologies for the new headquarters**

Item	Contents	Effects
Central air conditioning system	Creates an easily centralized management system by aggregating heat source equipment, air conditioning equipment, and ventilation equipment.	It eliminates wasteful operation and facilitates equipment maintenance management. The heat source of a central apparatus has the ability to reduce wasted energy by continuously adjusting to the load factor. In times of partial load, high efficiency operation and various energy saving controls are also possible, making possible energy saving in the whole building and reducing CO <sub>2</sub> discharge.
Seismic base isolation system	By isolating the base between ground and building floors that are above the isolated layer, ground vibration caused by earthquakes is absorbed by the isolation equipment at underground level.	By providing seismic isolation system, there is almost no damage or no effect at the above floors. Resultantly FSCD HQ functions as the center of disaster management during and after an earthquake.

Co-generation system	An effective energy saving system to produce two or more forms of useful energy (e.g. electricity and hot water) from a single energy source. For example, heat obtained from the combustion of fuels (in this case gas) is converted into electric or mechanical energy, while the exhaust heat is utilized as an energy source to produce hot water for desiccant cooling system and so forth.	By providing Co-generation system which generates power in gas, running cost is cheaper than public electric fees and the waste heat of the Co-generator can be used as a hot water supply for the Burn Hospital next door. As well as the above, Co-generation's merit is not only energy efficiency but also environmental friendliness. Since the core of Co-generation system is the Gas Engine and it discharges less CO <sub>2</sub> , it contributes to reducing environmental burden.
Drinking water filtration system	By providing a drinking water filtration system, rainwater and well water stored in the tank at the basement floor can be used as drinking water in an emergency.	During an emergency situation, people can drink water using this equipment. Stored rain water can be reused effectively.
BEMS (Building Energy Management System)	A management system to analyze and monitor energy consumption efficiency according to measuring and storing energy consumption. BEMS has monitoring, controlling, and measuring instruments, as well as data storing, analyzing and diagnosing instruments.	By providing BEMS, it can create the optimum environment with the minimum energy use by optimizing the equipment operation.
Roof garden	Provide greenery on the building roof.	A roof garden provides insulation to the roof which saves energy and utility fees, as well as comfortable for people.
Heat reflection glass	Metal Oxide layer on surface of glass reflects heat of the sun.	Heat reflection glass reduces heat load on the building which saves energy and utility fees.
Heat collection solar panel	Utilizes heat of sun to provide hot water supply.	By providing heat collection solar panel, it is possible to save energy for hot water supply.
Desiccant cooling system	Air dehumidification system that creates a cooling effect for building inhabitants.	By providing desiccant cooling system, it is possible to control the temperature and humidity separately and save energy.
Rain water Harvesting	Water collection and pipe system that returns water to the underground water table.	By providing rain water harvesting, it is possible to contribute to preventing the fall of ground water level.
CASBEE (Comprehensive Assessment System for Built Environment Efficiency)	Evaluation system developed by Japan to comprehensively evaluate a building environmental impact and its environmental quality.	Building load on the environment is decreased and building environmental quality for inhabitants is improved.

As per the equipment, FSCD strongly requires new and high technology fire engines. Out of existing 139 fire engines in 17 Dhaka fire stations. more than 30 years older ones are 25, shown as below.



**Table 2.2.3 Ages of Fire Engines in Dhaka Area**

Years	Quantity
Less than 10 years	22
10-19 years	70
20-29 years	22
30-39 years	19
40-48 years	6
Total	139

FSCD requires high-rise building fire distinguisher, because of the increase of such taller buildings, and measures against increase of factory fires including chemical problems. After dense discussion with FSCD, finally 3 excellent fire engines will be the target. They are, Snokel Fire Engine, TTL (Turn Table Ladder) Fire Engine, and 11000 liter Water Tender vehicle. They will be equipped to the two fire stations at North and South central part of Dhaka city.

### 2.2.3 Outline Design Drawing

Based on the simple drawings and ideas derived from Bangladesh side (FSCD via DoA) including several requirements, Japanese side developed more practical drawings. Typical drawings and rest are to be filled at the end. These were discussed between both sides.

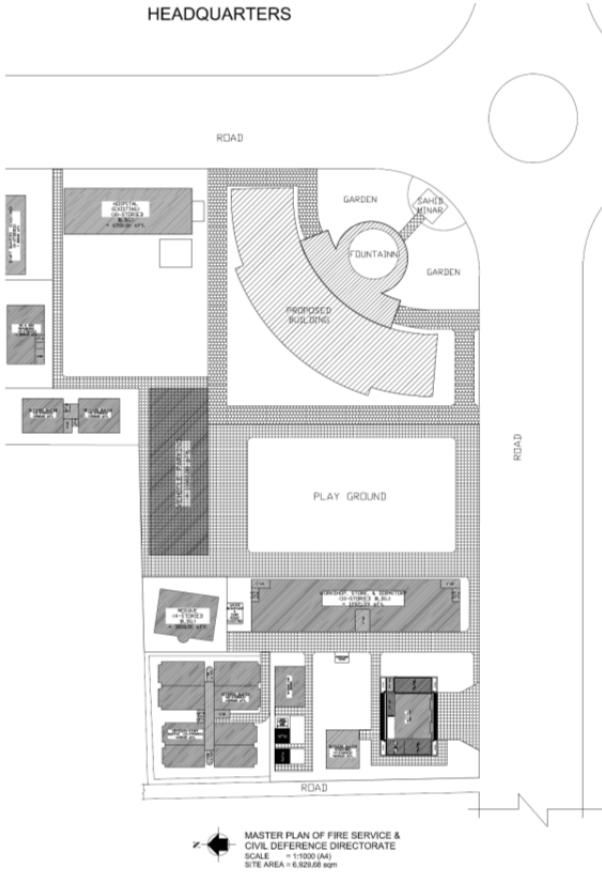
Below is one example of scheme drawings for the new headquarters of FSCD.



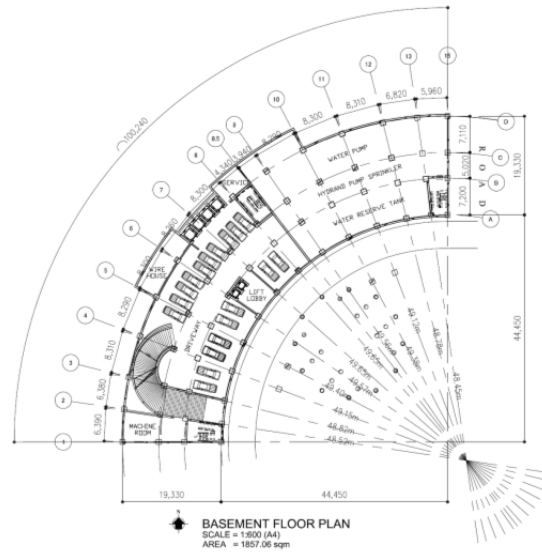
The dome and fan shape require a number of problems to be solved to ensure sufficient earthquake resistance. The seismic isolation system enables a building to be relatively freely designed.

**Figure 2.2.2 Schematic Drawings for the New Headquarters of FSCD**

HEADQUARTERS



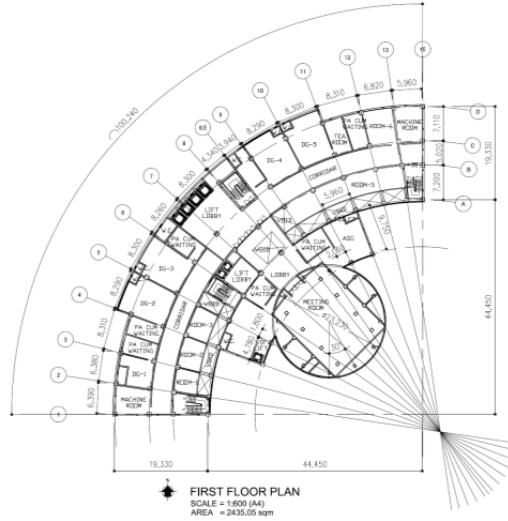
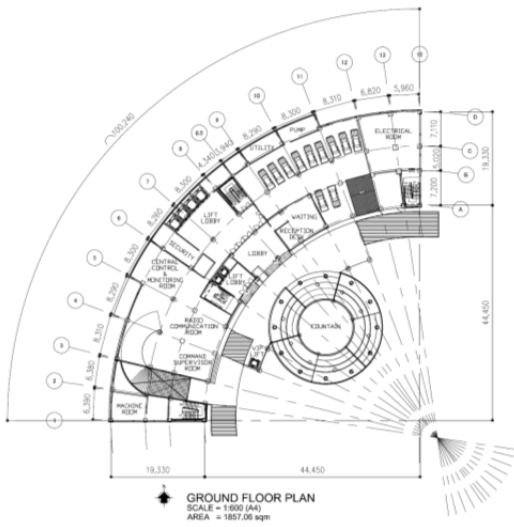
Underground floor

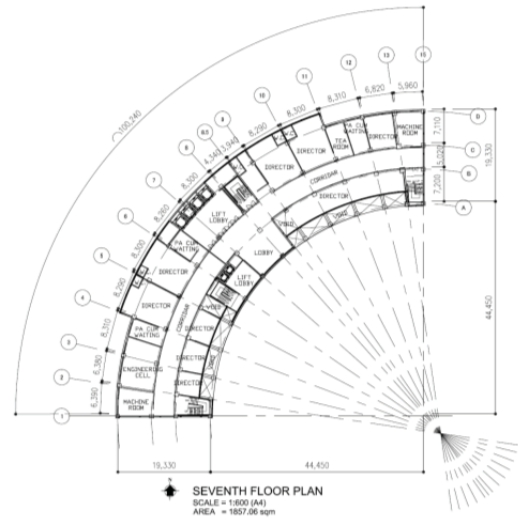
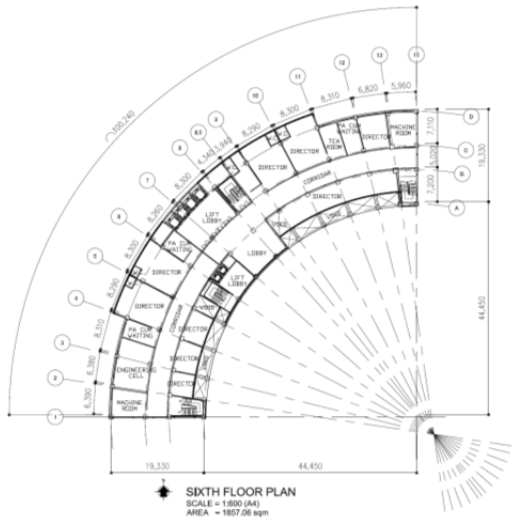
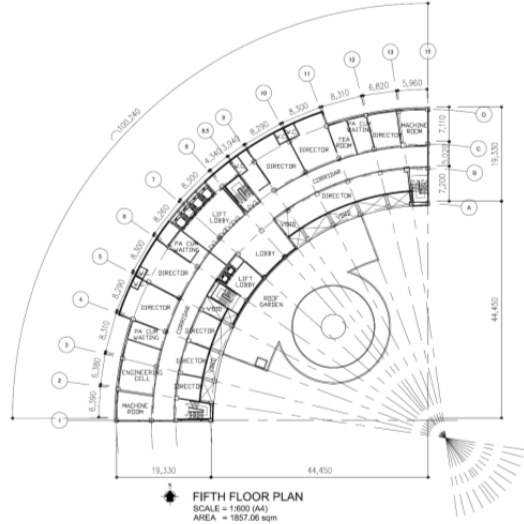
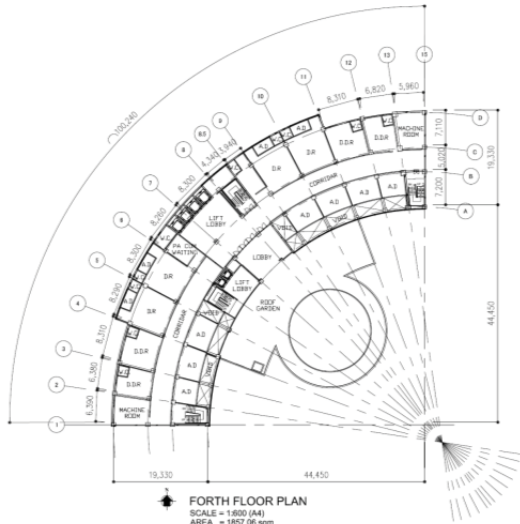
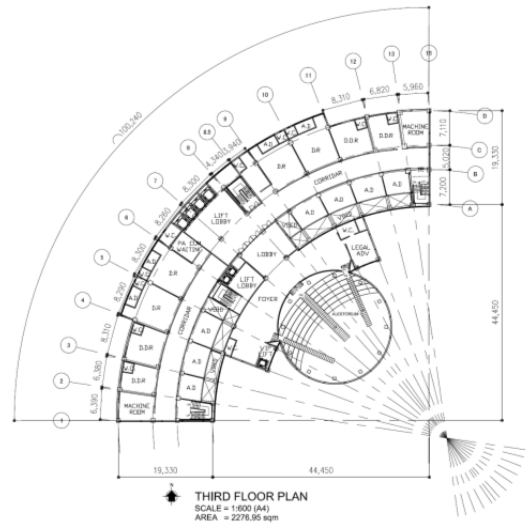
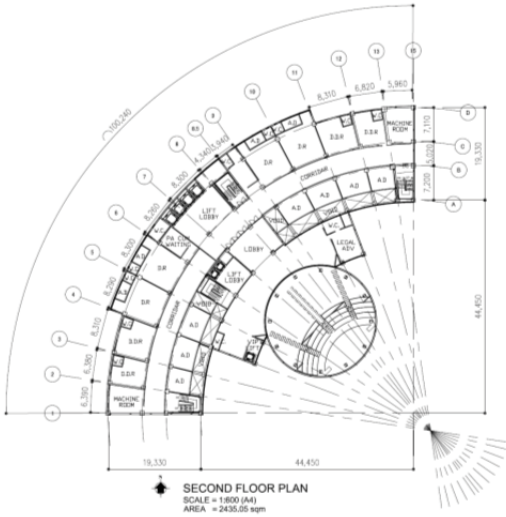


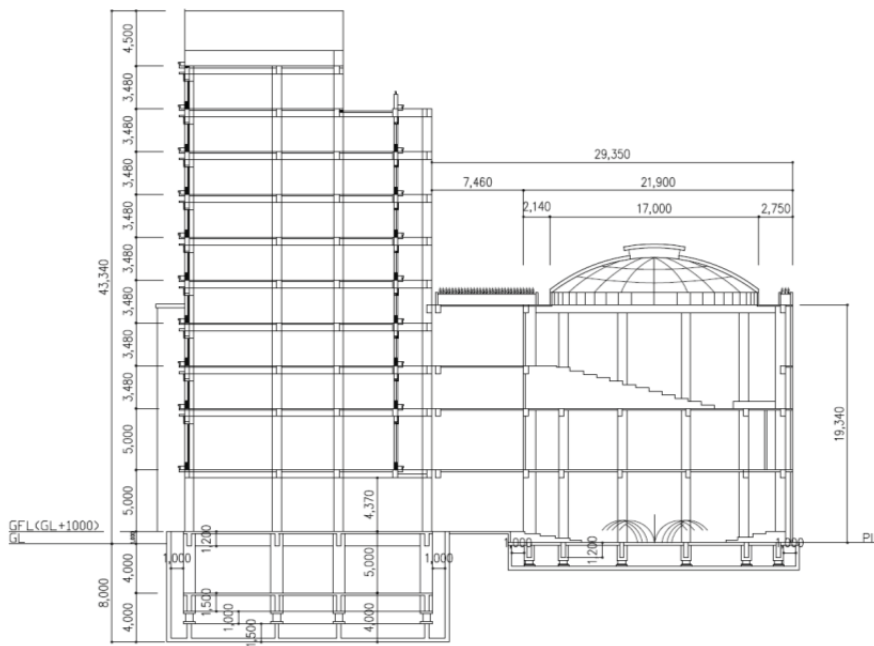
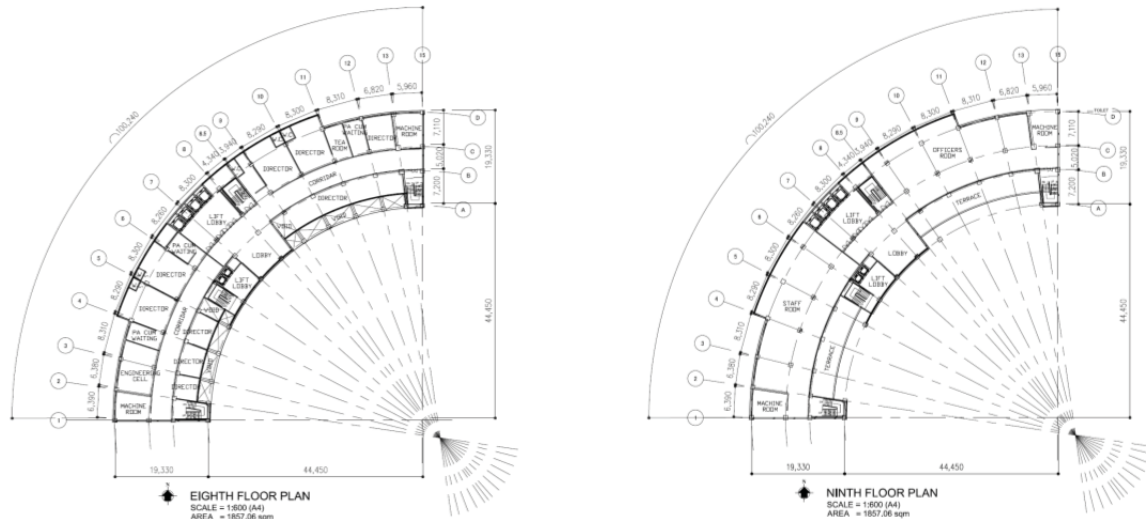
Floor Area	
B1F	1,885.03 m <sup>2</sup>
1 F	1,857.06 m <sup>2</sup>
2 F	2,435.05 m <sup>2</sup>
3 F	2,435.05 m <sup>2</sup>
4 F	2,276.95 m <sup>2</sup>
5 F	1,857.06 m <sup>2</sup>
6 F	1,857.06 m <sup>2</sup>
7 F	1,857.06 m <sup>2</sup>
8 F	1,857.06 m <sup>2</sup>
9 F	1,857.06 m <sup>2</sup>
10 F	1,857.06 m <sup>2</sup>
<b>Total Floor Area</b>	<b>22,031.50 m<sup>2</sup></b>

1

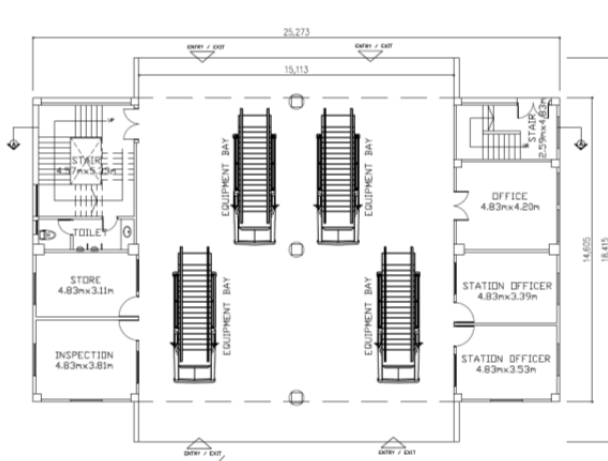
2



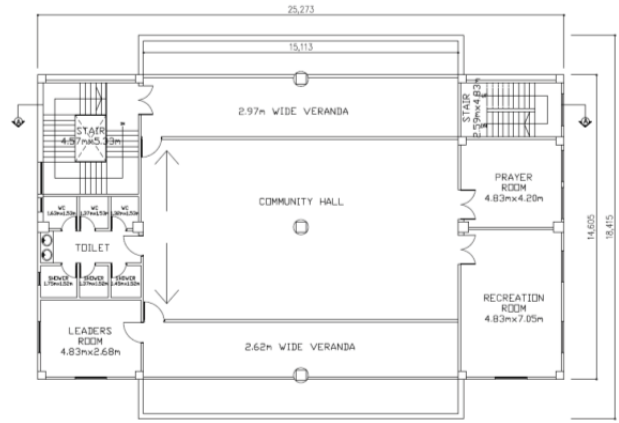




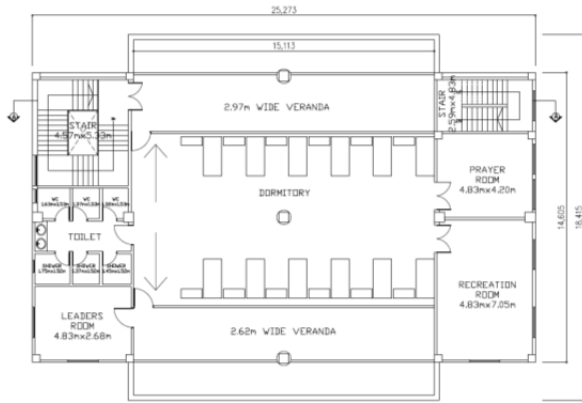
**Figure 2.2.3 Drawing samples for the New Headquarter Building of FSCD**



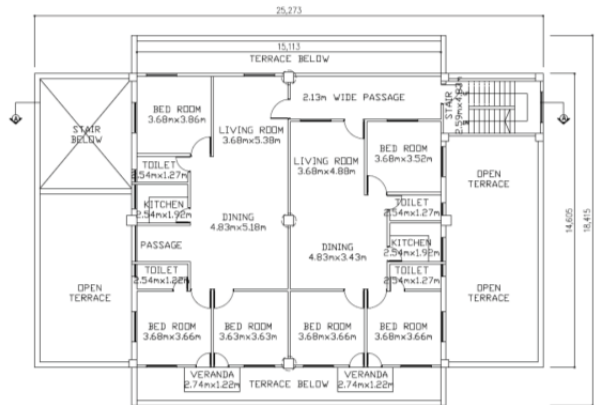
**GROUND FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 428.64 sqm  
 TOTAL FLOOR AREA = 1531.10 sqm



**FIRST FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 428.64 sqm



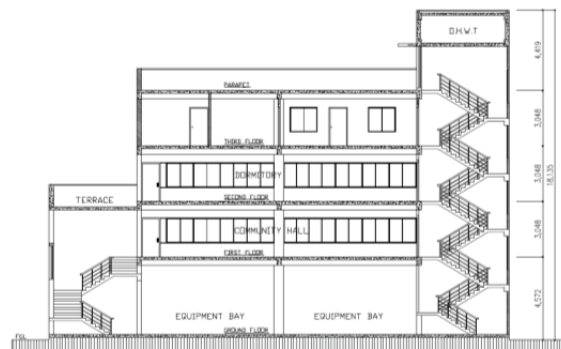
**SECOND FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 428.64 sqm



**THIRD FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 228.15 sqm

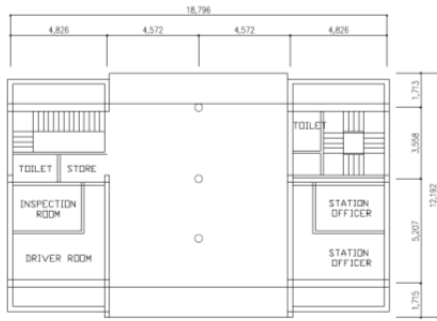


**LONGITUDINAL ELEVATION**  
 SCALE = 1:200 (A4)

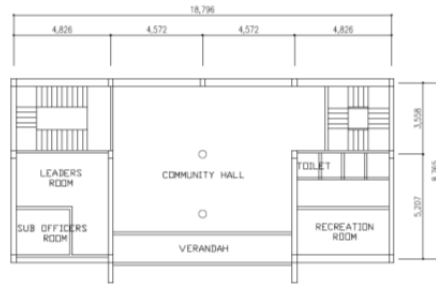


**A - A SECTION**  
 SCALE = 1:200 (A4)

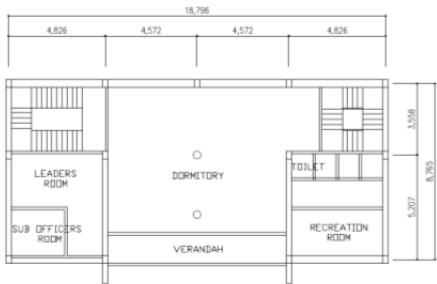
**Figure 2.2.4 Sample Drawings of A-Type Fire Station + Community Hall**



**GROUND FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 226.22 sqm  
 TOTAL FLOOR AREA = 650.86 sqm



**FIRST FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 161.77 sqm

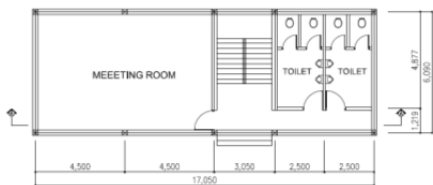


**SECOND FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 161.77 sqm



**THIRD FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 88.04 sqm

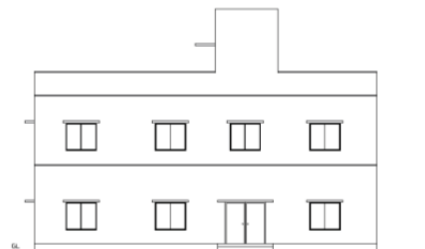
**Figure 2.2.5 Sample Drawings of B-Type Fire Station + Community Hall**



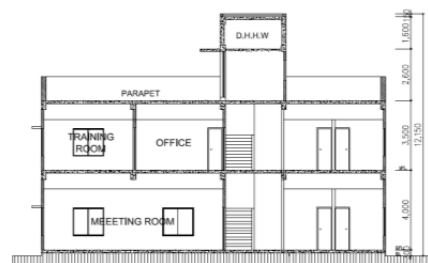
**GROUND FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 109.77 sqm  
 TOTAL FLOOR AREA = 240.50 sqm



**FIRST FLOOR PLAN**  
 SCALE = 1:200 (A4)  
 AREA = 109.77 sqm



**LONGITUDINAL ELEVATION**  
 SCALE = 1:200 (A4)



**A - A SECTION**  
 SCALE = 1:200 (A4)

**Figure 2.2.6 Sample Drawings of Community Hall**

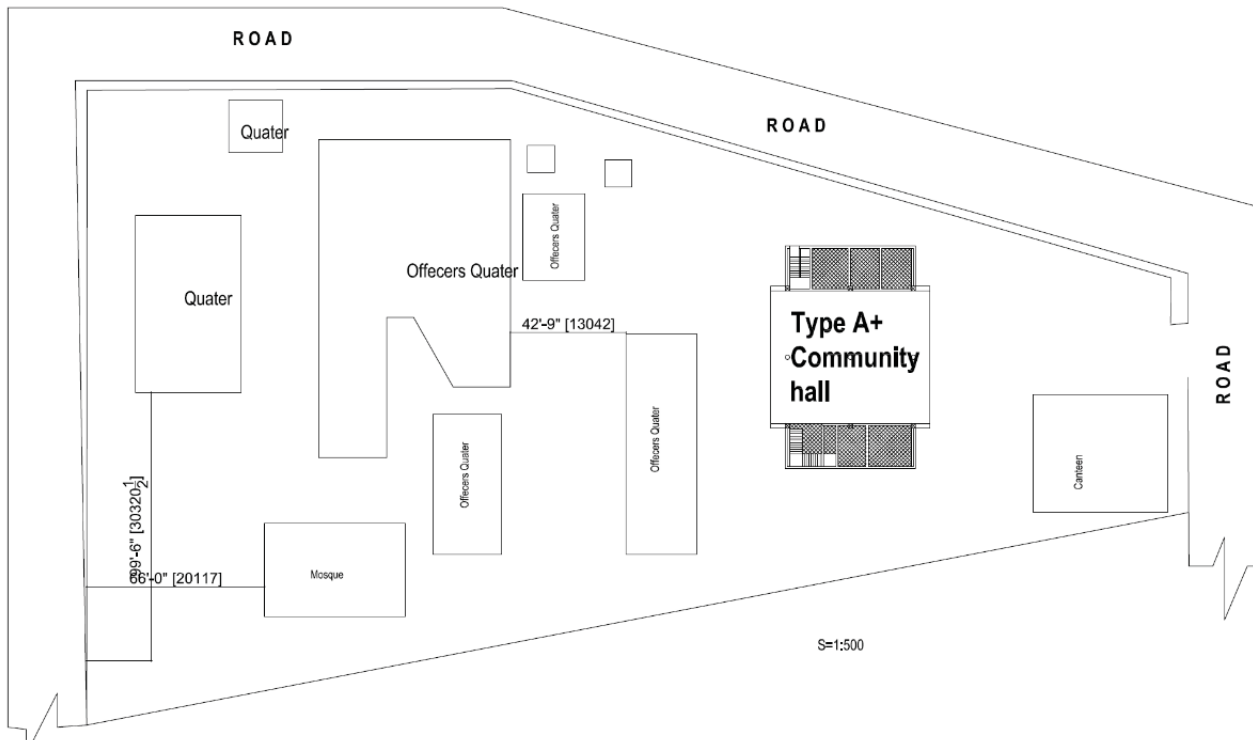


Figure 2.2.7 Sample drawings of Sadarghat Fire Station Case

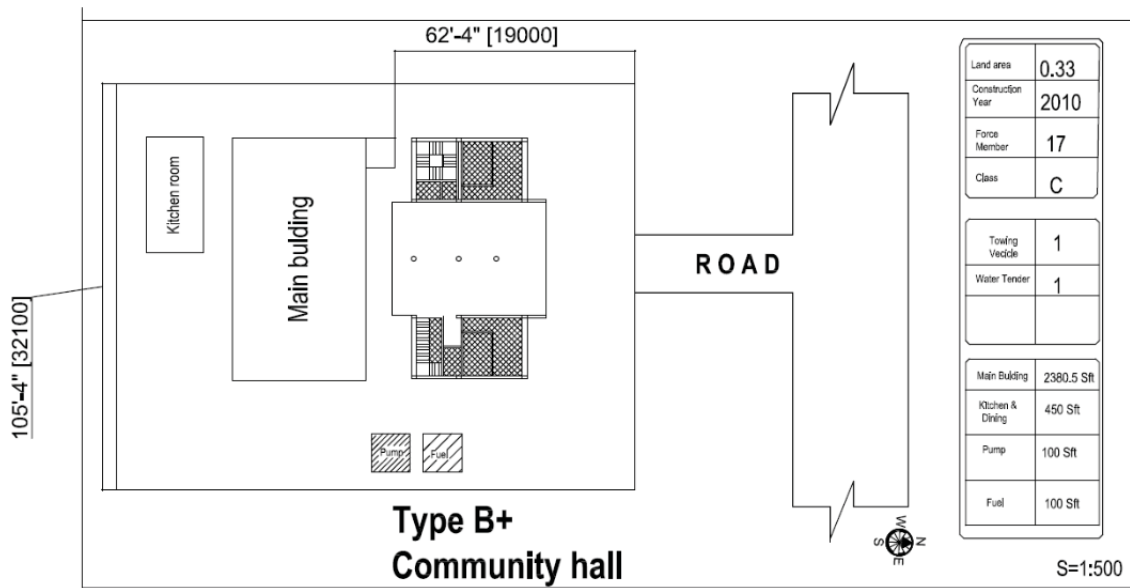


Figure 2.2.8 Sample Drawings of Dhamrai Fire Station Case

## 2.2.4 Implementation Plan

### 2.2.4.1 Implementation Policy

This project is focusing the urban building safety especially securing people's safety avoiding disasters such as flood and earthquake. Especially since for the new headquarters building is specified for the core function of response activities during and just after disaster situation. The quality of the design, construction works should be superior level is required, for that case, it should be ICB (International Competitive Bidding) keeping the higher level quality contractor. Some specific items such as the rubber for base isolation system etc. will be imported from advanced countries. In such case import tax and other special issues should be incorporated.

Other cases, namely Private buildings retrofitting construction, Fire Engines procurement will be LCB (Local Competitive Bidding), though still quality control is necessary.

### 2.2.4.2 Implementation Conditions

Since this project will develop technically advanced buildings and seismic retrofitting works as well as the model project for urban building safety for Bangladesh. The results should be secured with high technical efficiency. For this context, it is necessary to select the sufficient experienced consultants as well as the contractors for such high quality issues on the advanced and most important building of HQ for disaster management of Bangladesh. One especial trial institution is TRP mentioned above.

### 2.2.4.3 Scope of Work

Still further discussion and confirmation are necessary, the following is the currently developed tentative specification of construction works of New Headquarters of FSCD, B-Type Fire Station + Community Hall, Community Hall, and Retrofitting for fire stations. For private buildings, still the target is unknown 17 candidates are nominated roughly for rebuilding and/or retrofitting. Also, for equipment, 3 fire engines are the candidates.

#### a) Outline of New Headquarters of FSCD

Basically, New Headquarters of FSCD is designed based on the concept of **CASBEE (Comprehensive Assessment System for Built Environment Efficiency)**, focusing to ecological, economical and environmental oriented.

#### 1) Architectural Plan

**Table 2.2.4 Architectural Plan for the New Headquarters of FSCD**

Item	Contents	
Site area:	6,929.68 m <sup>2</sup>	
Building area:	2,435.05 m <sup>2</sup>	
Total floor area:	22,031.50 m <sup>2</sup>	
Functionality:		
Office	B1F	Parking, Water pump room, Hydrant pump sprinkler room, Water reserve tank room, Wire House, Machine room
	GF	Parking, Central control and monitoring room, Radio communication room, Command supervisor room, Machine room, Electrical room, Reception desk, Waiting room,
	1F-4F	Director room, Assistant director room, Deputy director room,



		Machine room
	5F-8F	Director/Manager room, Assistant director room, Engineering cell, Machine room
	9F	Officers dormitory, Staff dormitory, Kitchen,
Assembly Hall	1F	Meeting room, Waiting room
	2F	Auditorium

**Table 2.2.5 Material Schedule for the New Headquarter of FSCD**

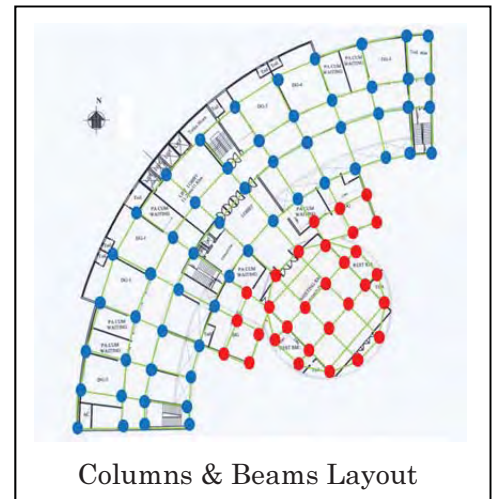
Exterior finish					
Roof	Asphalt roofing with protective concrete layer + <b>Roof garden</b>				
Exterior wall	Cement mortar steel trowel finish AEP				
Window/Door	Aluminum window with <b>heat reflection glass</b> , Steel Door				
Interior Finish Schedule					
Stories	Room name	Floor	Wall	Ceiling	
Office	BF	Lift Lobby	Porcelain tile	Acrylic emulsion paints on mortar	T-bar decorative rockwool acoustic board
		Parking	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
	GF	Lobby	Marble stone on mortar base	Cement mortar steel trowel finish	T-bar decorative rockwool acoustic board
		Machine Room	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
	1F	Director General Room	Porcelain tile	Cement Mortar Steel Trowel Finish EP	T-bar decorative rockwool acoustic board
		Machine Room	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
	2F	Conference Hall	Porcelain tile	Cement Mortar Steel Trowel Finish EP	T-bar decorative rockwool acoustic board
		Machine Room	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
	3F 4F 5F 6F 7F 8F	Director/Manager Room	Porcelain Tile	Cement Mortar Steel Trowel Finish EP	T-bar decorative rockwool acoustic board
		Machine Room	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
	9F	Staff Room	Porcelain tile	Cement Mortar Steel Trowel Finish EP	T-bar decorative rockwool acoustic board

		Machine Room	Cement mortar steel trowel finish	Cement mortar steel trowel finish	AEP on exposed concrete w/ repair mortar
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
Assembly Hall	1F	Meeting Room	Porcelain tile	Cement Mortar Steel Trowel Finish EP	T-bar rockwool decorative acoustic board
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
	2F, 3F	Auditorium	Carpet	Decorative fabric	Particle board w/ paint
		Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	T-bar cement board VP
Elevator		96m / min	11 -person x 6 no.		
		60m/min	8-person x 1 no.		

## 2) Structural Plan

**Table 2.2.6 Structural Plan of the New Headquarter of FSCD**

Items	Contents
Stories:	10 + 1 basement
Structure	
Office:	Reinforced concrete structure
Assembly hall :	Reinforced concrete structure
Foundation:	<b>Seismic Base isolation System</b> Soil-pile structure



## 3) Mechanical and Electrical Plan

**Table 2.2.7 Mechanical and Electrical Plan of the New Headquarter of FSCD**

I	Electrical system work		
1.	Incoming power system		
	Single line incoming		High tension power (11kV)×1line
2.	Power receiving system		
	AVR system		
	Power receiving system		transformer : 1500kVA×2
3	Diesel power generation system		Water cooling type diesel generator : 1000kVA×2, 500kVA×1, emergency use
4.	Photovoltaic power generation system		capacity : 10kW、 stand alone type
5.	UPS system		200kVA×2, use : important load
6.	Main feeder system		Electrical room MDB ~distribution board
7.	Earthing system for heavy current		Earth resistance ≤ 10Ω
8.	Power line system		
9.	Lighting system		
	Lighting system		

		(Fluorescent light, LED light)	
		Lighting system (Lighting control system)	
	10.	Ceiling fan system	Ceiling fan (diameter 140cm)×400pcs
	11.	Socket outlet system	
		(Information and communication system)	
	12.	Telephone system	CATV
	13.	LAN system	19inch rack, router, HUB, access point
	14.	Public address system	Amplifier, speaker
	15.	Acoustic system for auditorium, conference room	general voice
	16.	Master antenna television system	
	17.	Earthing system for light current	Earth resistance $\leq 10\Omega$
	18.	Emergency lighting system	
	19.	Emergency exit sign lighting system	
	20.	Automatic fire alarm system	Fire alarm control panel + detector + manual fire alarm station
	20.	Lightning protection system	Lightning conductor + lightning rod
	21.	CCTV system	Monitor TV, Security camera
	22.	Access control system	
		(Central monitoring system)	
	23.	Central monitoring system	<b>BEMS (Building Energy Management System)</b>
II	Plumbing system work		
	1	Plumbing fixture system	
		Plumbing fixture (Water-saving fixture)	Western water closet, wash basin, slop sink, etc.
	2.	Water supply system	
		City water supply system	Gravity system Water receiving tank (25m <sup>3</sup> ), elevated water tank (10m <sup>3</sup> ), lift pump×2pcs
		Well water supply system	Deep well depth: 100m, deep well pump
		<b>Rain water harvesting</b>	
		Hot water supply system (central type)	Hot water apparatus ×4set Circulating pump
	4.	Hot water supply system (solar heat supply system)	<b>Heat Collection Solar panels</b> ×1set Hot water storage tank ×1set Circulating pump×2pcs
	5	Drainage system (indoor)	Separate drainage system, pump×2pcs
		Drainage system (outdoor)	Combined drainage system, pump×2pcs
	6.	Gas supply system	City gas (LPG)
	7	Automatic control system	
	8	Waste water treatment system	
		Decentralized wastewater management system	
	9	Fire prevention system	

		Sprinkler + Indoor hydrant system	Motor pump + engine pump + jockey pump Sprinkler head + indoor fire hydrant (hose reel type) Fire-fighting tank (architectural work)
		Fire extinguishing system	Dry chemical extinguisher CO <sub>2</sub> extinguisher
	10.	Kitchen appliance	
	11	Air conditioning system	
		Cooling system (chiller + air handling unit)	
		Cooling system (chiller + cooling tower + pump)	Chiller 400URT×3sets, chiller: supper high efficiency, Cold water primary pump ×3pcs, cold water secondary pump×3pcs, cooling tower×3sets, cooling water pump×3pcs
		Air handling unit	AHU ×44sets
	12.	<b>BEMS (Building Energy &amp; Management System)</b>	
	13.	Ventilation system	office, toilet, kitchen, electrical room, generator room, air-conditioning room
		Smoke extract system	motor smoke extract fan×2sets

#### 4) Furniture

General furniture:

Table, Chair, Cupboard, File Cabinet, Rack, Sofa, Showcase, Guest Chair & Others, Curtain, Light

#### b) Outline of B-Type Fire Station + Community Hall

Site : Dhamrai Fire Station

##### 1) Architectural Plan

**Table 2.2.8 Architectural Plan for B-Type Fire Station + Community Hall**

Item	Contents
Building area:	226.22 m <sup>2</sup>
Total floor area:	650.86 m <sup>2</sup>
Functionality:	
GF:	Parking, Inspection room, Inspection room, Driver room, Store, Station officer
1F:	Community hall, Leaders room, Sub-officers room, Recreation room
2F:	Dormitory, Leaders room, Sub-officers room, Recreation room
3F:	Dining, Living room, Bed room

**Table 2.2.9 Material Schedule for B-Type Fire Station + Community Hall**

Exterior finish				
Roof	Water proofing on concrete slab.			
Exterior Wall	Brick wall with plaster & Exterior Paint			
Window / Door	Thai Aluminum window / Solid wooden door with wooden doorframe.			
Interior finish				
Stories	Room	Floor	Wall	Ceiling
	Inspection	Porcelain tiles on	Brick wall with	Gypsum board

GF	Station officer	mortar base	cement plaster and EP	ceiling
	Parking	Pavement tiles finish	Brick wall with cement plaster and EP	Cement Plaster with paint
	Store	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Cement Plaster with paint
	Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.
1F	Community Hall	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Gypsum board ceiling
	Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.
2F	Dormitory	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Gypsum board ceiling
	Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.
3F	Dining	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Cement Plaster with paint
	Bed room			
	Kitchen	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.
	Toilet			
	Staircase	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Cement Plaster with paint

## 2) Structural Plan

**Table 2.2.10 Structural Plan of the B-Type Fire Station + Community Hall**

Item	Contents
Stories:	4
Structure:	Reinforced concrete
Foundation :	Individual column footing structure

## 3) Mechanical and Electrical Plan

**Table 2.2.11 Mechanical and Electrical Plan for the B-Type Fire Station + Community Hall**

I	Electrical system work	
1	power incoming system	low tension power(400V)×1line
2	Power receiving system	MDB、 Automatic power factor regulator
3	Diesel power generation system	Air cooling type diesel generator : 80kVA×1、 emergency use
4	UPS system	1kVA×10、 use : personal computer
5	Main feeder system	Electrical room MDB~distribution board
6	Power line system	
7	Earthing system for heavy current	Earth resistance $\leq 10\Omega$
8	Lighting system	

	9	Socket outlet system	
	10	Telephone system	
	11	Master antenna television system	CATV
	12	Automatic fire alarm system	Fire alarm control panel + detector + manual fire alarm station
	13	Lightning protection system	Lightning conductor + lightning rod
	14	CCTV system	
	15	Outdoor system	
II	Plumbing system work		
	1	Plumbing fixture system	Western water closet, wash basin, slop sink, etc.
	2	Water supply system	City water incoming, Water receiving tank, elevated water tank, lift pump
	3	Hot water supply system	electric water heater
	4	Drainage system	
		Drainage system(indoor)	separate drainage system
		Drainage system(outdoor)	combined drainage system
	5	Gas supply system	City gas (LPG)
	6	Waste water treatment system	
		Septic tank system	Septic tank ×1set
		Soak well system	Soak well ×1set
	7	Fire extinguishing system	Dry chemical extinguisher, CO <sub>2</sub> extinguisher
	8	Kitchen appliance	
III	Air conditioning system		
	1	Cooling system	packaged air conditioning unit
	2	Ceiling fan system	Ceiling fan

### c) Outline of Community Hall

#### 1) Sites for new construction of separate community hall

- Demra Fire Station
- Kurmitola Fire Station
- Saver Fire Station
- Karanigonj Fire Station
- Tejigon Fire Station

#### 2) Architectural Plan

**Table 2.2.12 Architectural Plan for Community Hall**

Item	Contents
Building area:	109.77 m <sup>2</sup>
Total floor area:	240.50 m <sup>2</sup>
Functionality:	
GF	Meeting room
1F	Training room, Office

**Table 2.2.13 Material schedule of Community Hall**

Exterior finish				
Roof	Water proofing on concrete slab.			
Exterior Wall	Brick wall with plaster & Exterior Paint			
Window / Door	Thai Aluminum window / Solid wooden door with wooden doorframe.			
Interior finish				
Stories	Room	Floor	Wall	Ceiling
GF	Meeting room	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Gypsum board ceiling
	Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.
1F	Training room Office	Porcelain tiles on mortar base	Brick wall with cement plaster and EP	Gypsum board ceiling
	Toilet	Porcelain tiles on mortar base	Ceramic tiles on mortar base	Concrete false ceiling cement plastered with EP finish.

**3) Structural Plan**

**Table 2.2.14 Structural Plan for Community Hall**

Item	Contents
Stories:	2
Structure:	Reinforced concrete
Foundation :	Individual column footing

**4) Mechanical and Electrical Plan**

**Table 2.2.15 Mechanical and Electrical Plan for Community Hall**

I	Electrical system work		
	1	power incoming system	low tension power(400V)×1line
	2	Distribution board	
	3	Main feeder system	
	4	Earthing system	Earth resistance $\leq 10\Omega$
	5	Lighting system	
	6	Socket outlet system	
II	Plumbing system work		
	1	Plumbing fixture system	Western water closet、 wash basin、 etc.
	2	Water supply system	
	3	Hot water supply system	(Local type)electric water heater×4
	4	Drainage system	
		Drainage system(indoor)	separate drainage system
		Drainage system(outdoor)	combined drainage system
	5	Waste water treatment system	

		Septic tank	Septic tank ×1set
		Soak well	Soak well ×1set
	6	Fire extinguishing system	Dry chemical extinguisher CO2 extinguisher
III		Air conditioning system	
	1	Cooling system	packaged air conditioning unit
	2	Ceiling fan system	Ceiling fan

#### **d) Outline of Retrofitting for fire stations**

##### **1) Sites for Retrofitting of existing fire stations**

- Demra Fire Station
- Khilgaon Fire Station
- Kurmitola Fire Station
- Lalbag Fire Station
- Savar Fire Station
- Baridhara Fire Station
- Keranigoni Fire Station
- Dhamrai Fire Station
- Tejgaon Fire Station (finished retrofitting construction by CNCRP/PWD)

##### **2) Retrofitting works**

- Temporary work
- Dismantling work
- Retrofitting work by column jacketing, wall strengthening, shear wall and framed bracing

#### **e) Outline of Equipment for FSCD**

- 1) Snorkel (Aerial Platform)
- 2) Turntable Ladder (TTL)
- 3) Special Water Tender (11,000 liter)

#### **2.2.4.4 Consultant Supervision and Quality Control plan**

One of the largest issues in buildings in Bangladesh are construction works supervision and quality control. Most of the existing buildings are or were built without following BNBC, which have permitted many vulnerable buildings. Fortunately CNCRP project focus on this issue for public buildings and is developing the manual for construction works supervision of retrofitting, and the guidelines-checklist for quality control of building construction. As well as above, CNCRP project is the technical cooperation with PWD, and PWD may be the implementation side of this Urban Building Safety Project. Thus these manual and guidelines-checklist should be utilized for securing the supervision of design, construction works, and quality control for construction works.

#### **2.2.4.5 Implementation Schedule**

This project of Urban Building Safety will start after the Loan Agreement probably on early 2015. First it will start with selection of consultants, and implementation of design, then will move to tendering and



contract with contractors, and then finally construction with warranty duration. Besides with Technical Review Panel (TRP) will operate technical inspection at design and construction works phase for BNBC compliance.

Below tables are whole schedule and construction schedule for the whole schedule and the new headquarters of FSCD.

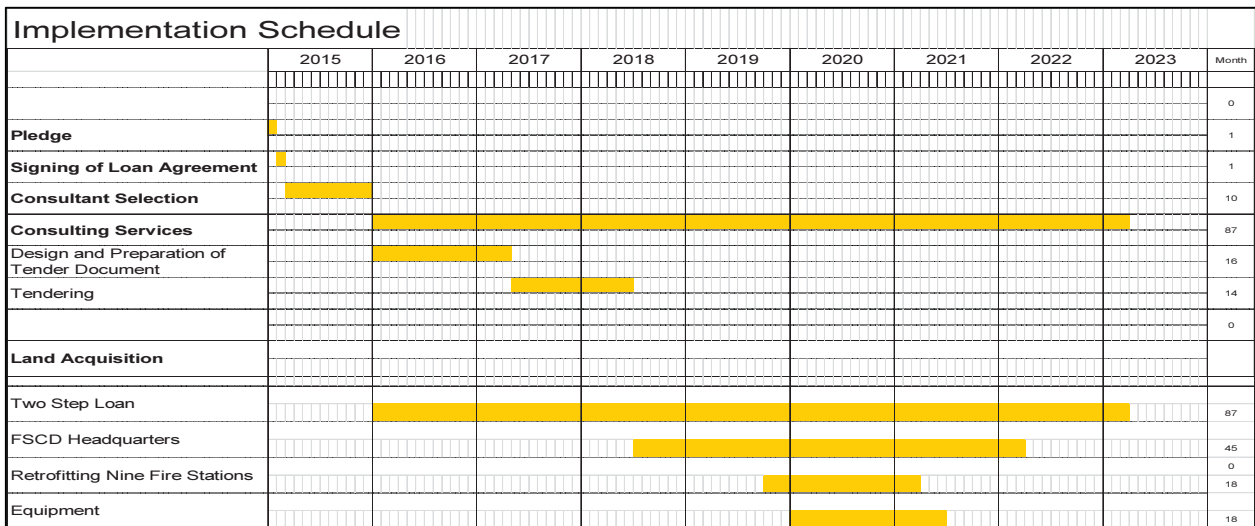
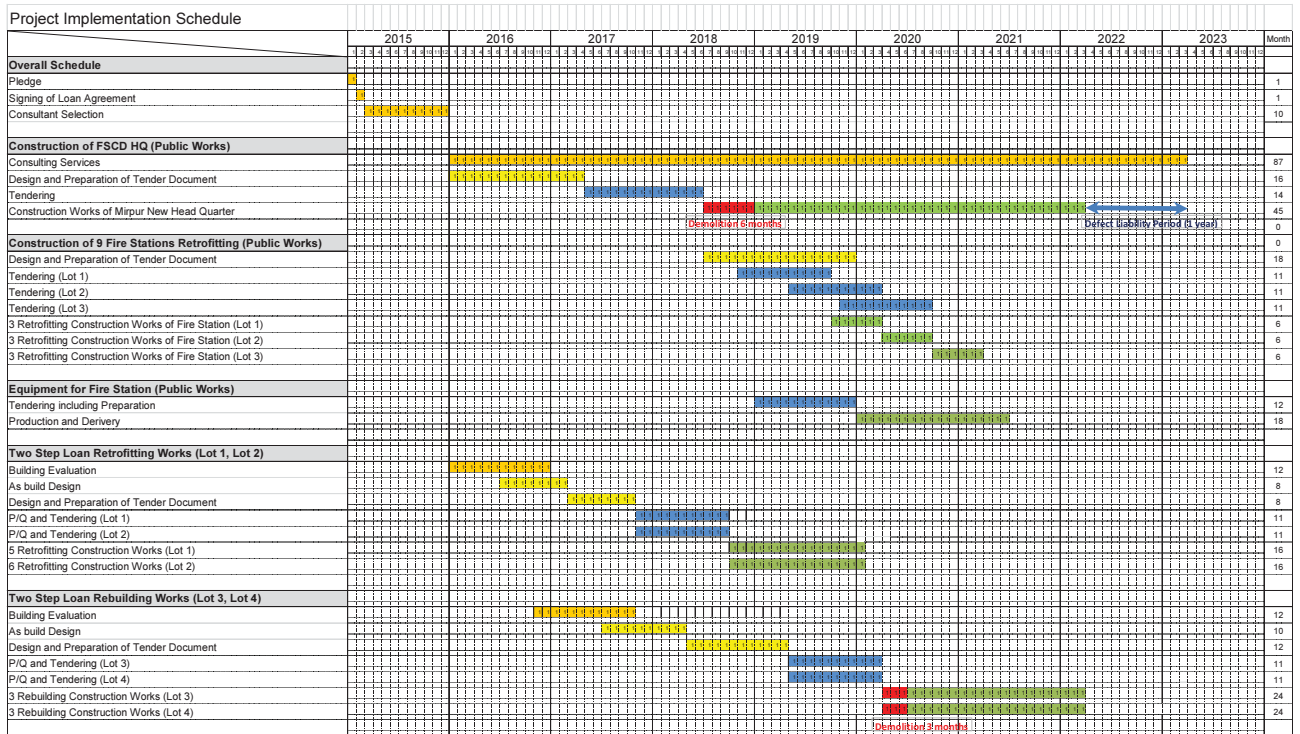


Figure 2.2.9 Whole Schedule of the Project

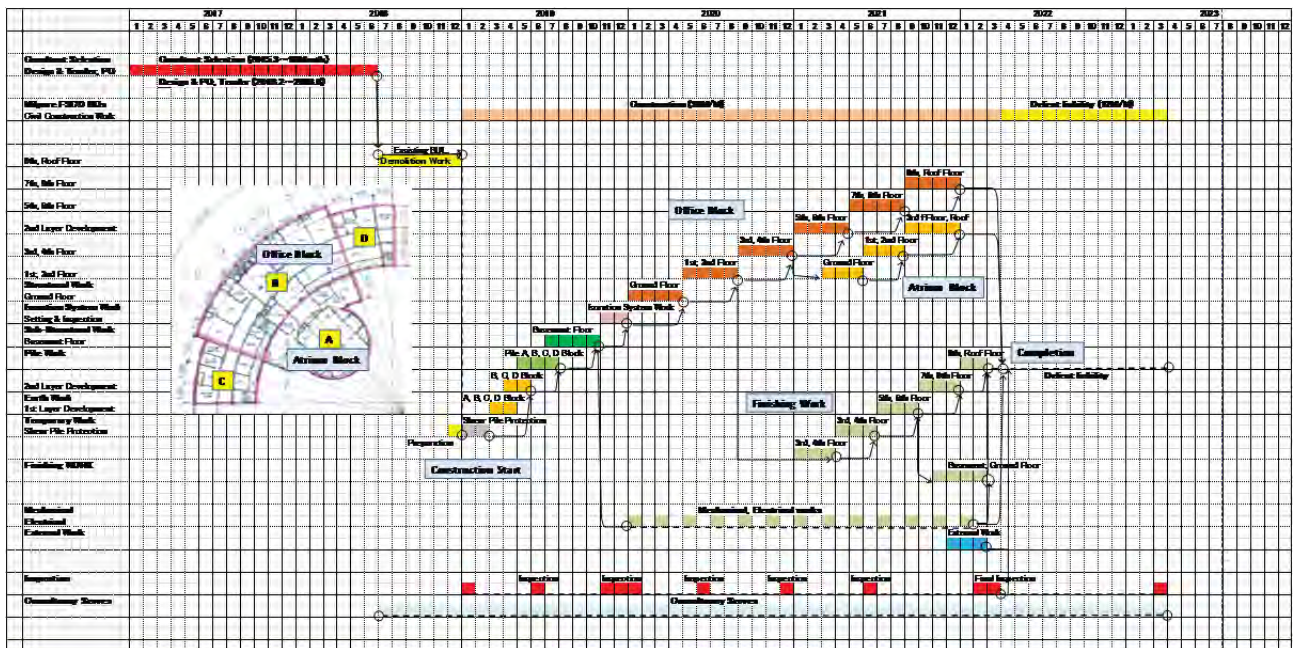


Figure 2.2.10 Schedule for Construction for the New Headquarter of FSCD

### 2.2.4.6 Building design and cost estimation in Bangladesh

#### a) Design and Construction

A public building is designed by Department of Architecture (DoA) in Bangladesh based upon requests of a client ministry/department so that the building accords with regulations stipulated in Bangladesh National Building Code (BNBC), etc. And, Public Works Department (PWD) is in charge of designing building structure, electrical equipment, mechanical equipment, and safety control system for the public building.

When it comes to design a private building, a private client usually place an order with a consultant with fee. In many cases, the client prioritizes to keep the construction cost lower. However, securing the quality and safety of a building to be constructed for a long time is beneficial to the client, and thus, it is important for consultants to design a building in accordance with BNBC. And this tendency should be disseminated to all over Bangladesh.

#### b) Unit cost for estimation

Japanese cost estimation documents do not specify detailed specifications for materials to be used. But in Bangladesh, for both public and private construction projects, the Bill of Quantity (BOQ) for cost estimation is common, in which specifications and standards for materials to be used are stipulated. In addition, PWD publishes the costs for a public building using unit prices which are determined by PWD itself.

Taking these points into account, the Consultant checked market prices to determine a unit price for items to estimate the project cost (at the time of Basic design stage). And, it turned out that the unit prices of the market are always higher than those determined by PWD. For example, excavation fee: 111%~216% higher, backfilling fee: 163%~175% higher, concrete work: 132%~137% higher, concrete block masonry work: 179%~185% higher, and mortar works: 113%~193% higher.

As a conclusion, it is necessary to research the market prices to determine a unit prices for items of a project for both international and domestic competitive bids.

c) Comparison of cost estimates: Japanese style and Bangladeshi style

The cost estimation methods in Japan and Bangladesh differ from one another. In the Japanese style, the cost estimation is itemized as follows: 1) direct construction cost, in which a material unit cost including labor fee is multiplied by the quantity, 2) indirect construction cost consisting of common temporary facilities expenses and site management fee, and 3) overhead. However, the Bangladeshi cost estimation method does not break down into direct construction cost, indirect construction cost (common temporary facilities expenses and site management fee), and overhead.

To secure the quality of a building to be constructed, it is crucial to firmly manage the construction schedule, the construction quality, and safety and thus the cost of items concerning common temporary facilities expenses, site management fee and overhead which are related to the important management points, must be appropriately estimated.

Referring to the standard stipulated by the Department of the Government Building, the Ministry of Land, Infrastructure, Transportation and Tourism in Japan, the Consultant calculated the percentage of common temporary facilities expenses, site management fee, and overhead expenses as follows.

- Common temporary facilities expenses: 3.64% of the direct construction cost
- Site management fee; 8.39% of a total of the direct construction cost and the common temporary facilities expenses.
- Overhead cost: 8.69% of a total of the direct construction cost, the common temporary facilities expenses and site management fee.

According to the above calculation, more than 20% of the direct construction cost goes to the sum of common temporary facilities expenses, site management fee and overhead expenses.

Accordingly, it is absolutely necessary to include the budget for securing the quality and safety of a building to be constructed.

d) In the case of an international competitive bid

In the case of an international competitive bid, the companies, which are required to have the ability for the international level construction, bid in after carefully considering various risks unique in Bangladesh, such as labor procurement, material procurement, exchange rate fluctuation, security and the market price change. Therefore, it is important to secure a budget to include those conditions and risks, when it comes to an international competitive bid.

## **2.3 Obligation of Recipient Country**

A certain range of arrangements and services will be provided by the Executing Agency to the Consultant for smooth implementation of the Consulting Services. In this context, the preferable issues by the Executing Agency will be listed up as the followings;

### **a) Report and data**

To make available to the Consultant the existing reports and the data related to this Project as specified in the Annexes of M/D between Japan and Bangladesh governments. They should include the Operating Guidelines and other useful documents as well for smooth and proper implementation of the succeeding project.

### **b) Office space**

To provide an office space in the Headquarters of the Executing Agency with necessary equipment, furniture and utility. However, the Consultant's requirement for office space, including necessary equipment, furniture and utilities, should be clearly stated in the proposal with its rental cost for the case where PWD would be unable to provide such facilities.

### **c) Cooperation and counterpart staff**

To appoint counterpart officials, agent and representative as may be necessary for effective implementation of the Consulting Services.

### **d) Assistance and exemption**

To use its best efforts to ensure that the assistance and exemption, as described in the Standard Request for Proposal issued by JICA, will be provided to the Consultant, in relation to;

- 1) Work permit and such other documents,
- 2) Entry and exit visas, residence permits, exchange permits and such other documents,
- 3) Clearance through customs,
- 4) Instructions and information to officials, agent and representatives of the Borrower's Government,
- 5) Exemption from any requirement for registration to practice their profession, privilege pursuant to the applicable law in the Borrower's Country.

## **2.4 Project Operation and Maintenance Plan**

Operation and Maintenance (O&M) for this Project, three items namely Public Buildings, Private Buildings and Equipment are treated.

### **2.4.1 Public Buildings**

PWD (Public Works Department) is covering all Bangladesh public buildings in Structural Design, Construction Management and Maintenance. However, office buildings under municipality or city corporations are managed by own local government entity, and public schools are maintained by Education Engineering Department (EED).

Current structure of O&M at PWD is as the following;

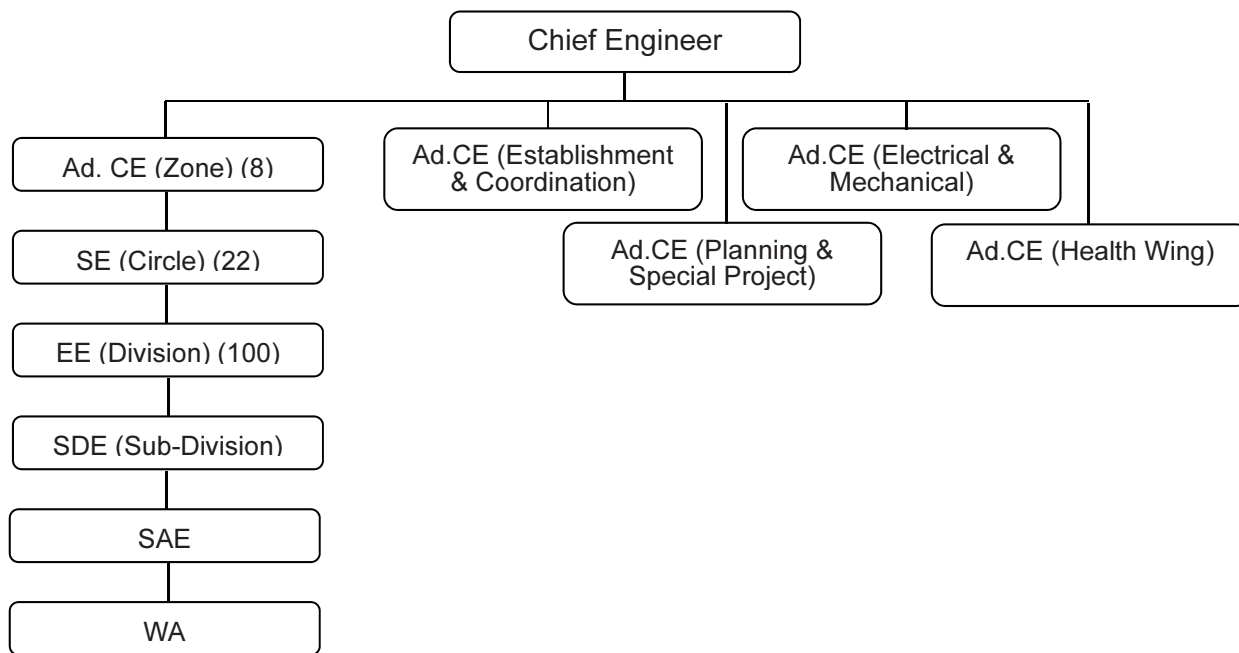
After completion of construction of the public building, operation and maintenance work will be done by PWD field offices if it is under the registration of PWD. For newly constructed or retrofitted public building or sometimes private building (not in the registration of PWD), upon request of the owner operation & maintenance will be done by PWD HQs after getting approval and budget from Ministry of Finance.

**a) Composition of Field Offices for new construction & maintenance work**

There are 8 zonal field offices headed by Additional Chief Engineers (Ad.CE) throughout the country for the execution of new construction as well as maintenance of building works. 8 zones are Dhaka, Chittagong, Sylhet, Rajshahi, Rangpu , Khulna and Barishal.

Under zonal field offices, there are 22 circle offices headed by Superintendent Engineers (SE), and under them, 100 division offices headed by Executive Engineers (EE). Further, under divisional offices, sub-division offices headed by Sub-Divisional Engineers (SDE), and under SDE there are Sub-Assistant Engineers (SAE) and Work Assistants (WA).

These zonal field offices are conducting routine work of mainly construction works supervision as well as O&M.



**Figure 2.3.1 Composition of O&M for PWD**

**b) Budget**

Budget for regular maintenance of the buildings under PWD throughout the country are done by the revenue fund allocated by the Ministry of Finance to PWD.

Demands for fund are calculated as below:

- 1) For annual routine repair & maintenance: 1% of the estimated cost of the construction of the building.
- 2) For special repair & maintenance such as large renovation including routine maintenance: 3% of the estimated cost of construction of the building implemented every 3 years
- 3) Budget for the maintenance work of hospital buildings, central and district jail, buildings under Ministry of Law are given separately from the revenue budget of Ministry of Health, Ministry of Home

Affairs and Ministry of Law respectively.

4) On the other hand for special repairs and renovation of important buildings such as President and Prime Minister's Office, Parliament House, Secretariat, Minister's residences etc., their funds are also allocated under PPNB (Project Proposal for Non- development Budget) by Ministry of Finance.

Yearly budget for recent years are shown below. In the recent years, the maintenance budget is moderately increasing with 5-10% annually. More than 10,000 public buildings have been designed and constructed by PWD for more than 50 years, out of which around 5,000 public buildings exist in Dhaka area currently, and around 2,000 buildings are maintained by PWD. Average cost for maintenance of one building is around 300-400 BDT (Bangladesh Taka) per square meter. The average cost for construction of public buildings under PWD is normally around 25,000-30,000 BDT per square meter, amount of O&M is around 1-1.3% of construction cost, thus above percentage is reasonable.

**Table 2.3.1 Recent Yearly Budget of O&M for PWD**

Sl. No.	Public works circle/Division Name	Amended Amount (Lakh BDT)				Surface Area (sqm)	Cost Rate (BDT/sqm)
		2010-11	2011-12	2012-13	2013-14	2013-14	2013-14
1	Dhaka Public Works Circle-1, Dhaka-4 Division	4,585	4,807	4,857	4,936	874,386	564
2	Dhaka Public Works Circle -2, Dhaka-4 Division	2,778	2,824	2,957	3,412	1,125,946	303
3	Dhaka Public Works Circle -3, Dhaka-4 Division	2,530	2,397	2,812	3,050	2,395,053	127
4	Dhaka Public Works Circle -4, Dhaka-6 Division	1,702	1,743	2,061	2,174	968,993	224
5	Savar Public Works Circle, Dhaka-4 Division	1,320	1,297	1,384	1,405	552,006	255
6	Maintenance Public Works Circle, Dhaka-2 Division	824	918	958	993	242,770	409
7	Public Works E/M Circle-1, Dhaka-3 Division	1,420	1,513	1,609	1,684	-	-
8	Public Works E/M Circle-2, Dhaka-3 Division	1,556	1,452	1,531	1,548	-	-
9	Public Works E/M Circle-3, Dhaka-4 Division	1,486	1,530	1,544	1,625	-	-
	Dhaka SubTotal	18,265	18,561	19,813	20,926	6,159,153	340
10	Mymensing Public Works Circle -4, Maymensing-6 Division	861	962	1,249	1,255	527,263	238
11	Chittagong Public Works Circle-1, Chittagong -4 Division	665	797	1,031	1,045	425,945	245
12	Chittagong Public Works Circle-2, Chittagong -4 Division	993	985	1,136	1,145	360,115	318
13	Public Works E/M Circle-2, Chittagong-2 Division	165	202	338	340		
	Chittagong SubTotal	1,823	1,984	2,505	2,530	786,060	322
14	Comilla Public Works Circle-1, Comilla -6 Division	687	969	1,310	1,219	500,840	243
15	Sylhet Public Works Circle-1, Sylhet-4 Division	702	736	1,016	1,020	12,700,881	8
16	Rajshahi Public Works Circle-1, Rajshahi -6 Division	825	907	1,315	1,330	529,118	251
17	Rangpur Public Works Circle-1, Rangpur -8 Division	897	1,024	1,482	1,490	616,022	242
18	Bogra Public Works Circle-1, Bogra -3 Division	417	444	627	630	224,927	280
19	Khulna Public Works Circle-1, Khulna -4 Division	804	826	1,076	1,080	538,898	200

20	Barishal Public Works Circle-1, Barishal -9 Division	1,306	1,420	1,906	1,933	663,530	291
21	Jessore Public Works Circle -4, Jessore -9 Division	1,009	1,165	1,726	1,766	612,004	289
22	Public Works Project Circle-1, Dhaka-1 Division	64	80	100	100	-	-
	Total	27,595	28,998	34,025	35,180	-	-
	lump sum	2,905	3,221	1,551	1,820	-	-
	Grand Total	30,500	32,219	35,576	37,000	23,858,695	155
	Annual increase rate (%)		106	110	104	-	-

### c) Necessary Maintenance Cost for the public buildings under this Project

For the public buildings to be constructed under the Project, below is the estimated maintenance cost.

**Table 2.3.2 Area for Construction of FSCD buildings**

	Nos.	Total Size	Maintenance Unit Price	Total of Maintenance Cost
Milpur HQs	1	22,031m <sup>2</sup>	455BDT/m <sup>2</sup>	10,024,105BDT
Fire Station	9	9,082m <sup>2</sup>	350BDT/m <sup>2</sup>	3,178,700BDT
			Grand Total	13,202,805BDT

### d) Maintenance Framework of the Public buildings under this Project

For the proper maintenance of the buildings to be constructed under this Project, the maintenance framework for the buildings is shown below. The area where is corresponding to FSCD New Head Quarter building construction, the budget will increase much, and other areas will not much.

**Table 2.3.3 Fire Station wise maintenance cost**

No.	Name of Fire Station	PWD Division Office in charge	Number of officers in charge of maintenance	Annual budget for maintenance of public buildings by the PWD Division offices ('000 BDT)	Necessary budget for maintenance of this Project ('000 BDT)	Percentage of maintenance budget of this Project
1	Mirpur New Headquarters	Mirpur	18	65,000	10,024	15.4%
2	Demra Fire Station	Dhaka Division-IV	18	121,093	328	0.3%
3	Khilgaon Fire Station	Dhaka Division-IV	18	121,093	573	0.4%
4	Kurmitola Fire Station	Mohakhali	14	50,500	259	0.5%
5	Lalbag Fire Station	Azimpur	15	69,500	523	0.8%
6	Tejgaon Fire Station	Dhaka Division-IV	14	121,093	84	0.1%
7	Saver Fire Station	Savar	14	27,500	312	1.1%
8	Baridhara Fire Station	Mohakhali	14	50,500	424	0.8%
9	Karanigonj Fire Station	Dhaka Division-III	18	104,748	317	0.3%
10	Dhamrai Fire Station	Savar	14	27,500	420	1.5%

Source: PWD

Note: The list covers the number of officers only. Numbers of supporting staffs are not included here.

**Table 2.3.4 PWD Division office wise maintenance cost under the Project**

PWD Division Office in charge	Name of Fire Station	Number of officers in charge of maintenance	Annual budget for maintenance of public buildings by the PWD Division offices ('000 BDT)	Necessary budget for maintenance of this Project ('000 BDT)	Percentage of maintenance budget of this Project
Azimpur	Lalbag Fire Station	15	69,500	523	0.8%
Dhaka Division-III	Keranigonj Fire Station	18	104,748	317	0.3%
Dhaka Division-IV	Demra Fire Station Khilgaon Fire Station Tejgaon Fire Station	18	121,093	925	0.8%
Mirpur	Mirpur New Headquarters	18	65,000	10,024	15.4%
Mohakhali	Kurmitola Fire Station Baridhara Fire Station	14	50,500	682	1.4%
Savar	Saver EPZ Fire Station Saver Fire Station Dhamrai Fire Station	14	27,500	732	2.7%

In addition to the above budgetary distribution, PWD will prepare monitoring sheets for each public building. During the construction works, PWD will supervise it using the monitoring sheet, and after completion of construction, the monitoring sheets will be used during the Project for the maintenance of the building.

### 2.4.2 Private Buildings

Private buildings to be built by TSL under the future project shall be properly maintained by the End-Users of TSL. However, upon request from the End-Users, PWD will give necessary advice & guidance about operation & maintenance of the buildings under the project.

Manuals and monitoring sheet for operation & maintenance will be prepared by PWD and supplied to the private owners of the private building under the project

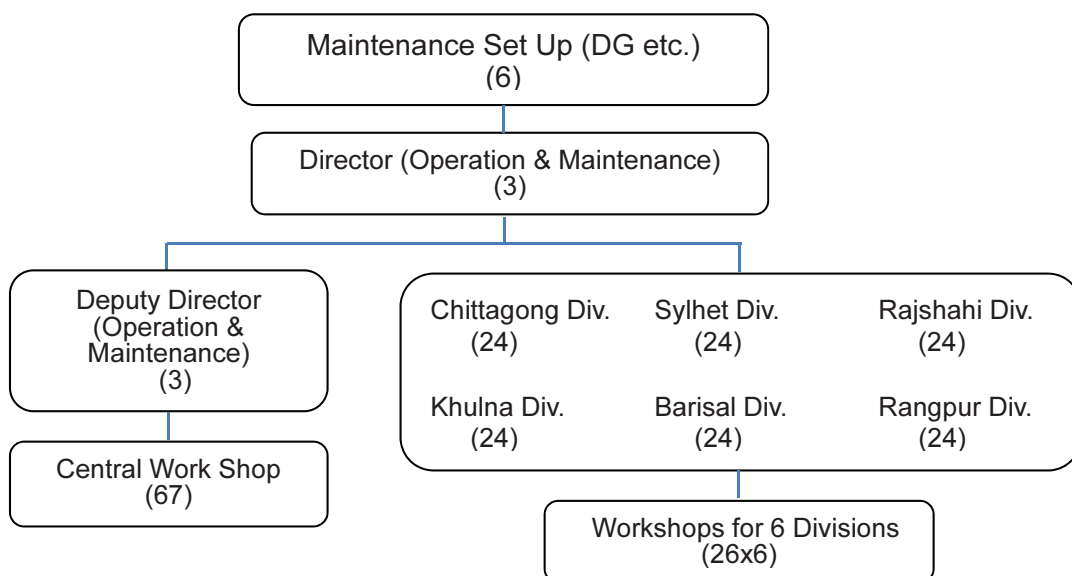
### 2.4.3 Equipment

This Project will provide equipment for Fire Service and Civil Defence Department (FSCD) of Ministry of Home Affairs (FSCD). Equipment under this Project includes 3 fire related vehicles for fire service activities, especially regarding fires of high-rise buildings and factories with chemical problem.

#### a) Composition of Field Offices O&M for equipment

FSCD is an organization who conducts fire and rescue response in Bangladesh. Head of FSCD is Director General (DG) and under DG, there are 6 headquarter directorates and 7 regional Divisions. One Directorate of Operation & Maintenance in Headquarters is dedicatedly implementing and managing Operation and Maintenance in FSCD, and 7 regional Divisions are implementing maintenance activities. 6 regional divisions are managed by each division work shop staffs.





**Figure 2.3.2 Composition of Maintenance Set up for FSCD**

**b) Budget/Necessary Cost**

As described above, the maintenance is mainly conducted under the Directorate of Operation & Maintenance. FSCD has their central maintenance workshop in Dhaka, under which the annual maintenance budget to the central maintenance workshop is described below.

**Table 2.3.5 Recent Yearly Budget of Maintenance for FSCD**

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Nos of Vehicles	570	625	650	720	819
Maintenance Budget ('000 BDT)	170,000	170,000	250,000	250,000	500,000

Source: FSCD

Necessary cost for mechanical maintenance of equipment is as the following. For fire vehicles, usually the maintenance for the first 2 years is covered by suppliers. And the necessary cost on and after the third year are summarized below.

**Table 2.3.6 Maintenance Charge for Fire Engine Vehicles**

No	Equipment (Vehicle) Name	Third year from supply		Annual Maintenance Cost after 3 years	
		Total Cost (BDT)	Contents	Annual Cost (BDT)	Contents
1	Snokel with Ladder	379,402	Mobile Filter, Diesel Filter, Air Cleaner Filter, Lub Oil etc	94,000	Battery, Clutch Plate, Clutch Cylinder, Sleeve Cylinder Complete with Air Booster, etc.
2	Turntable Ladder	379,402		94,000	
3	Special Water Tender	311,402		94,000	

Source: FSCD

Compared with the annual budget for maintenance of FSCD, the necessary cost for maintaining the equipment under this Project, it is 0.06%-0.41% of the total maintenance budget. Unless the maintenance budget is dramatically decreased, the maintenance budget for the equipment for this Project will be sufficient.

### c) Maintenance Framework of the Equipment under this Project

All equipment procured by this Project will be maintained at central maintenance workshop in Siddique Bazar Fire Station, which has total 67 maintenance engineers.

**Table 2.3.7 Maintenance for FSCD buildings**

	Installed Station	Officer in charge of Maintenance	Number of workman
Snokel with ladder	Baridhara Fire Station	Maintenance Engineer	67 persons
Turntable Ladder	Siddique Bazar Fire Station	Maintenance Engineer	
Special Water Tender	Siddique Bazar Fire Station	Maintenance Engineer	

Source: FSCD

## 2.5 Initial Cost Estimation of the Project

Still currently in the basic design level as well as partly rough estimation, the summary of the cost of the project can be shown as the following.

**Table 2.5.1 Initial Cost Estimation of the Project**

Currency rate is 1.54 JPY for 1 BDT. at Feb.2015

Category	Summary Contents	Initial Cost Estimation
Construction		
Private Buildings		
RMG Factories as example	17 buildings retrofitting or rebuilding Cost is depending on building deficiency level and area	4,129MJPY (2,681MBDT)
Public Buildings		
New Headquarter of FSCD	10F + BF, 22000sqm	3,807MJPY (2,472MBDT)
Fire Stations	Retrofitting 8 stations, and 9 Community Halls	424MJPY ( 275MBDT)
Fire Engines	3 fire engines	409MJPY ( 261MBDT)
Consultant Services	International and Local	1,176MJPY (764MBDT)
Price Escalation, and Physical Contingency		2,142MJPY (1,391MBDT)
Non-Eligible Portion	Administration, VAT, Import Tax etc.	1,939MJPY (1,259MBDT)
TOTAL		14,026MJPY (9,108MBDT)