



# বাংলাদেশ কৃষি ব্যাংক

প্রধান কার্যালয়

৮৩-৮৫, মতিঝিল বা/এ, ঢাকা।

ক্রেডিট বিভাগ

ফোনঃ ০২২২৩৩৮৮৯৯৯,

০২২২৩৩৫৮৬৮১

ই-মেইল [dgmsme@krishibank.org.bd](mailto:dgmsme@krishibank.org.bd);

নং-বিকেবি-প্রকা/ক্রেবি(শাখা-৪)/৭(১১)/২০২১-২০২২/ ৮৩৮৫(২২৫০)

তারিখ : ২৯/০৩/২০২২

মহাব্যবস্থাপক

সকল বিভাগীয় কার্যালয়/স্থানীয় মুখ্য কার্যালয়

মুখ্য আঞ্চলিক/আঞ্চলিক ব্যবস্থাপক/উপ-মহাব্যবস্থাপক

সকল মুখ্য আঞ্চলিক/আঞ্চলিক কার্যালয়/কর্পোরেট শাখাসমূহ

সকল শাখা ব্যবস্থাপক (মুখ্য আঞ্চলিক/আঞ্চলিক কার্যালয়ের মাধ্যমে)

বাংলাদেশ কৃষি ব্যাংক।

বিষয় : Refinance Facility under 'Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)' to Support Cottage, Micro and Small Enterprises (CMSEs).

প্রিয় মহোদয়,

শিরোনামে বর্ণিত বিষয়ে বাংলাদেশ ব্যাংক, এসএমই এন্ড স্পেশাল প্রোগ্রামস্ ডিপার্টমেন্ট প্রধান কার্যালয় ঢাকা এর SMESPD(SPCSSECP) Circular No.02, তারিখ ১০/০৩/২০২২ এবং তদসংযুক্ত Project Administration Manual (PAM) এর প্রতি সদয় দৃষ্টি আকর্ষণ করা যাচ্ছে (কপি সংযুক্ত)।

০২। বাংলাদেশ ব্যাংকের উপরোক্ত সার্কুলারের সারসংক্ষেপ নিম্নরূপঃ

০২.১ The Government of the People's Republic of Bangladesh has constituted a Loan fund considering the adverse economic impact of COVID-19 on the returning migrant workers, unemployed youth and rural entrepreneurs with a special focus on women Entrepreneurs under the Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP) funded by Asian Development Bank (ADB). Cottage, Micro and Small Enterprises (CMSEs) will be financed under the project and such enterprises must be started or operated by targeted vulnerable groups such as returning migrant workers, unemployed youth and rural entrepreneurs.

০২.২ The project composes of a financial intermediation loan of up to US\$150 million from the ordinary capital resources of ADB to the Government of Bangladesh. This fund will facilitate access to finance for the targeted vulnerable groups. The Technical Assistance (TA) is estimated to cost US\$900,000 which will be financed on a grant basis to strengthen the institutional capacity of the Bangladesh Bank and Participating Financial Institutions (PFIs).

০২.৩ A Project Administration Manual (PAM) comprising essential administrative and management requirements has been developed. The fund will be governed by the Manual attached herewith .

০৩.৪ The Bangladesh Bank, the implementing agency of this project, shall enter into a Participation Agreement with each qualified Bank/Financial Institution that meets the eligibility criteria set out in the PAM to on-lend the fund to the qualified PFIs for making sub loans to the eligible sub borrowers/end borrowers.

০২.৫ **Major Features of the Project:**

i.	Name of the Project	:	Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)
ii.	Sources of Fund	:	Asian Development Bank (ADB)
iii.	Size of the Project	:	US\$150 million (Tk.1,290 Crore; US\$1 = Tk.86.00)
iv.	Duration of the Project	:	03.5 Years (January 2022-June 2025)
v.	Purpose of the Project	:	Restore employment, income and economic activities through providing financial support to Cottage, Micro and Small Enterprises (CMSEs) started or operated by returning migrant workers, unemployed youth and rural entrepreneurs with a special focus on women entrepreneurs.
vi.	Maximum Loan Limit	:	BDT05 million (BDT50 Lac)
vii.	Repayment Term	:	Maximum 5 years
viii.	Collateral	:	PFI's will decide the collateral issues following the Bangladesh Bank's Prudential Guidelines and Circulars.
xi.	Target Group	:	Cottage, Micro and Small Enterprises (CMSEs) as defined by the Bangladesh Bank (SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon) and operated by- (a) Returning Migrant Workers (returned since the beginning of 2020); or (b) Unemployed or Underemployed Youth (age between 18-45 years old) who have received training from the government approved institutions; or (c) Rural Entrepreneurs residing outside Dhaka and Chattogram Metropolitan Areas.
x.	Special Criteria	:	At least 20% of the qualified enterprises under the project shall be women-led enterprises.
xi.	Interest Rate	:	(a) Refinance facility will be provided to the PFI's at the rate of 1.50% (b) The interest rate will be maximum 5.50% for the sub borrowers/end borrowers.

০২.৬ **Participating Financial Institutions (PFIs) Selection Criteria:**

- (a) Each PFI must have Cottage, Micro and Small (CMS) lending commitment, capacity and have a track record of performance on lending to the relevant sectors.
- (b) Each PFI must be compliant with applicable Prudential Regulations and Guidelines of the Bangladesh Bank.
- (c) Each PFI must have a minimum rating of 2 or better on the CAMELS-based assessment carried out by the Bangladesh Bank. Each PFI must maintain required rating throughout the period of the project, unless it is a target bank (a state owned bank or financial institution owned by the government, or a bank or financial institution established under a special act) for which Ministry of Finance (MoF) has provided a guarantee for the repayment of the principal, interest and other charges in favor of the Bangladesh Bank.

(d) The non-performing loan ratio must be lower than 10% unless it is a target bank for which MoF has provided a guarantee in favor of the Bangladesh Bank.

(e) Committed to disburse at least US\$03 million each year under this project.

**০২.৭ Participating Financial Institutions (PFIs) Agreement:** All qualified and interested Banks/Financial Institutions shall apply to the Bangladesh Bank as per *Annexure-1* with duly filled up templates (*Annexure-2 and Annexure-3*) to express their intention to become a Participating Financial Institution (PFI) of the project. Eligible Banks/Financial Institutions have to enter into a **Participation Agreement** to avail the refinance facility under the project. Qualified Banks/Financial Institutions have to follow the rules and regulations concerning to Cottage, Micro, Small & Medium Enterprises (CMSMEs) Financing stated in the SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon and Project Administration Manual (PAM) of the project.

**০২.৮ Procedure for Refinance Application:** PFIs will apply to the Bangladesh Bank with duly filled up templates (*Annexure-4 & Annexure-5*) attached with this Circular on a monthly basis within 20 (Twenty) days of the following month to receive refinance facility against disbursed loans and advances under the terms and conditions of the project. However, if any PFI fails to apply for refinance facility against loans and advances within the stipulated time mentioned above under any valid reason, that PFI may get additional 30 (thirty) days for submitting the refinance application which will be considered case to case basis by the Project Management Unit (PMU). PFIs must submit copies of entrepreneur's Trade License, NID/Passport, Sanction Letter, Loan Statement and Amortization Schedule along with other documents (Bill of Entry, LC documents, Invoice, Quotation etc.) if necessary.

**০২.৯ Limit of Loan and Refinance Facility:** For any sub loan, PFIs shall not finance more than 80% of the total cost of qualified subprojects and sub borrowers/end borrowers must contribute at least 20% of the equity in the business. The Bangladesh Bank shall provide 100% refinance against the loans and advances made by the PFIs to the qualified sub borrowers/end borrowers. SMESPD Circular No. 02, dated 05/09/2019 (amended thereafter) and any other Circulars/Circular Letters which may be issued by the Bangladesh Bank from time to time will be applicable for the highest loan limit of Cottage, Micro and Small Enterprises (CMSEs). However, the amount of refinance facility in individual cases shall not exceed Tk.50 (Fifty) Lac in any circumstances. Refinance facilities will be made available to the PFIs on '**First Come, First Served**' basis and subject to the availability of the fund in this project.

**০২.১০ Types of Sub Loans:** Under this project, refinance facility will be available for Working Capital/Short Term, Medium Term and Long Term Loan. Working Capital/Short Term Loan will be for 01 (One) year, Medium Term Loan will be for maximum 03 (Three) years and Long Term Loan will be for maximum 05 (Five) years in tenure. However, PFIs may Page 4 of 5 provide maximum 06 months grace period to the sub borrowers/end borrowers and such grace period shall be incorporated in refinancing the sub loans.

**03.11 Sub Loans & Sub Borrower/End Borrower Criteria:** To avail the refinance facility from the project a qualified sub borrower must fulfill the terms and conditions as set forth in the Appendix 03 of the Project Administration Manual (PAM) and other Circulars/Circular Letters which may be issued by the Bangladesh Bank from time to time.

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০২.১২ **Women-led Enterprise:** A qualified enterprise shall be considered as a Women-led Enterprise on the following grounds:

- (a) If women are the owners or proprietors of a privately-run enterprise or own at least a 51% share of the enterprise; or
- (b) If at least 60% of its managerial staffs are women; or
- (c) As defined by the Bangladesh Bank, provided that for the purposes of the project, such definition shall be agreed between the Bangladesh Bank and ADB.

০২.১৩ **Recovery of Refinanced amount:** The amount received as refinance facility by the PFIs from the project shall be repayable to the Bangladesh Bank as follows:

- (a) It is the sole responsibility of the respective PFI to recover the loans and advances made to the beneficiary under this project; there will be no relation whatsoever between recovery of loans and advances from the beneficiary and repayment of fund taken as refinance under this project to SPCSSECP of the Bangladesh Bank.
- (b) Working Capital/Short Term Loans will be repayable at the end of the loan period in a single installment (which includes both principal & interest).
- (c) Total principal and interest amount of medium & long term loan will be repayable on equal quarterly installment from the date of receiving refinance and the tenure of the refinance facility will be same as mentioned in the Sanction Letter of the PFIs.
- (d) The Bangladesh Bank will realize the refinanced amount along with interest, any kind of charges and penalty (if any) by debiting their current account maintained with Motijheel Office of the Bangladesh Bank.

০২.১৪ **Environmental and Social Management System Arrangement:** All interested Banks/ Financial Institutions are required to follow Environmental and Social Risk Management (ESRM) Guidelines of the Bangladesh Bank as well as Environmental and Social Management System Arrangement (ESMSA) of the project issued by ADB (*Attachment-2*) during providing CMSEs loan to the targeted groups

০২.১৫ **Document Requisition and Project Inspection:** If necessary, the Bangladesh Bank may ask for the necessary documents and conduct on-site inspection before or after the approval of refinance facilities at any time without prior notice.

০২.১৬ **Demand Promissory (DP) Note Submission, Early Settlement, Collateral, Schedule of charges, Insufficient Fund & other Relevant Issues:** SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon and related other Circular and Guidelines of the Bangladesh Bank have to be followed regarding submission of DP Note, early settlement process, collateral, Schedule of Charges, insufficient fund & other relevant issues.

০২.১৭ **Other Instructions:**

- (a) All PFIs have to submit periodic statement as specified by the Bangladesh Bank related to the refinance scheme under the project as and when required by the Bangladesh Bank.
- (b) Sanction Letter and Repayment Schedule should be prepared based on the interest rate mention in the 5(xi)(b) of this Circular.
- (c) The selection of sub borrower, approval of loans and advances, disbursement, and maintenance of debt-equity ratio, margin, insurance against loans and advances, end use and monitoring activities will be determined according to the Circulars and Guidelines of the Bangladesh Bank and performed by the Rules of Business of respective PFIs and Banker-Customer relationship in general.

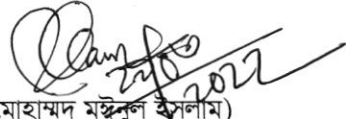


**০২.১৮ Submission of Application:** interested Banks and PFIs are requested to go through the project Administration Manual(PAM) before applying as per **Annexure-1**(Accreditation Application format). Application must be supported with all required information and documents stated in the **Annexure-2, Annexure-3** and project administration Manual (PAM). Incomplete application will not be entertained.

০৩। বাংলাদেশ ব্যাংক, প্রধান কার্যালয়, মতিঝিল, ঢাকার এসএমই এন্ড স্পেশাল প্রোগ্রামস্ ডিপার্টমেন্ট এর ১০/০৩/২০২২ তারিখের এসএমইএসপিডি সার্কুলার নং-০২ অপর পৃষ্ঠায় লব্ধ পুনঃমুদ্রণ করা হলো। সংশ্লিষ্ট সকলের সদয় জ্ঞাতার্থে সার্কুলারটি জারি করা হলো।

অনুমোদনক্রমে-

আপনার বিশ্বস্ত

  
(মোহাম্মদ মঈনুল হোসেন)  
উপমহাব্যবস্থাপক

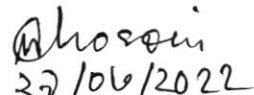
সংযুক্তি : বর্ণনা মোতাবেক।

নং-বিকেবি-প্রকা/ক্রেবি(শাখা-৪)/৭(১১)/২০২১-২০২২/ ২১০৪(২২০১)

তারিখঃ ২৯/০৩/২০২২

সদয় অবগতি ও প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য অনুলিপি প্রেরণ করা হলোঃ

- ০১। চীফ স্টাফ অফিসার, ব্যবস্থাপনা পরিচালক মহোদয়ের সচিবালয়, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০২। স্টাফ অফিসার, উপ-ব্যবস্থাপনা পরিচালক-১, ২, ৩ মহোদয়ের সচিবালয়, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৩। স্টাফ অফিসার, সকল মহাব্যবস্থাপক মহোদয়ের দপ্তর, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৪। অধ্যক্ষ, বিকেবি, স্টাফ কলেজ, মিরপুর, ঢাকা।
- ০৫। সকল উপ-মহাব্যবস্থাপক/সচিব, বিকেবি, প্রধান কার্যালয়, ঢাকা।
- ০৬। উপ-মহাব্যবস্থাপক, আইসিটি সিস্টেমস, কার্ড ও মোবাইল ব্যাংকিং বিভাগ, বিকেবি, প্রধান কার্যালয়, ঢাকা। উপরোক্ত পত্রটি ব্যাংকের অফিসিয়াল ওয়েব সাইটে আপলোড করার প্রয়োজনীয় ব্যবস্থা গ্রহণের জন্য অনুরোধ করা হলো।
- ০৭। সকল বিভাগীয় নিরীক্ষা কর্মকর্তা, বিকেবি, বিভাগীয় নিরীক্ষা কার্যালয়সমূহ।
- ০৮। সকল আঞ্চলিক নিরীক্ষা কর্মকর্তা, বিকেবি, আঞ্চলিক নিরীক্ষা কার্যালয়সমূহ।
- ০৯। নথি/মহানথি।

  
২৯/০৬/২০২২  
(মুহাম্মদ মোশাররফ হোসেন)  
সহকারী মহাব্যবস্থাপক



50080

**BANGLADESH BANK**  
(The Central Bank of Bangladesh)  
Head Office  
Motijheel, Dhaka-1000  
Website: [www.bb.org.bd](http://www.bb.org.bd)



SME & Special Programmes Department  
SPCSSECP PMU

SMESPD (SPCSSECP) Circular No.: 02

Date: 10 March 2022  
25 Falgun 1428

**Chief Executive Officer (CEO)/Managing Director (MD)**

All Banks and Financial Institutions in Bangladesh  
Head Office  
Dhaka.

Dear Sir,

**Refinance Facility under 'Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)' to Support Cottage, Micro and Small Enterprises (CMSEs).**

1. The Government of the People's Republic of Bangladesh has constituted a Loan fund considering the adverse economic impact of COVID-19 on the returning migrant workers, unemployed youth and rural entrepreneurs with a special focus on women entrepreneurs under the Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP) funded by Asian Development Bank (ADB). Cottage, Micro and Small Enterprises (CMSEs) will be financed under the project and such enterprises must be started or operated by targeted vulnerable groups such as returning migrant workers, unemployed youth and rural entrepreneurs.
2. The project composes of a financial intermediation loan of up to US\$150 million from the ordinary capital resources of ADB to the Government of Bangladesh. This fund will facilitate access to finance for the targeted vulnerable groups. The Technical Assistance (TA) is estimated to cost US\$900,000 which will be financed on a grant basis to strengthen the institutional capacity of the Bangladesh Bank and Participating Financial Institutions (PFIs).
3. A Project Administration Manual (PAM) comprising essential administrative and management requirements has been developed. The fund will be governed by the Manual attached herewith (**Attachment-1**).
4. The Bangladesh Bank, the implementing agency of this project, shall enter into a Participation Agreement with each qualified Bank/Financial Institution that meets the eligibility criteria set out in the PAM to on-lend the fund to the qualified PFIs for making sub loans to the eligible sub borrowers/end borrowers.

## 5. Major Features of the Project:

i.	Name of the Project	:	Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)
ii.	Sources of Fund	:	Asian Development Bank (ADB)
iii.	Size of the Project	:	US\$150 million (Tk.1,290 Crore; US\$1 = Tk.86.00)
iv.	Duration of the Project	:	03.5 Years (January 2022-June 2025)
v.	Purpose of the Project	:	Restore employment, income and economic activities through providing financial support to Cottage, Micro and Small Enterprises (CMSEs) started or operated by returning migrant workers, unemployed youth and rural entrepreneurs with a special focus on women entrepreneurs.
vi.	Maximum Loan Limit	:	BDT05 million (BDT50 Lac)
vii.	Repayment Term	:	Maximum 5 years
viii.	Collateral	:	PFI will decide the collateral issues following the Bangladesh Bank's Prudential Guidelines and Circulars.
ix.	Target Group	:	Cottage, Micro and Small Enterprises (CMSEs) as defined by the Bangladesh Bank (SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon) and operated by- (a) Returning Migrant Workers (returned since the beginning of 2020); or (b) Unemployed or Underemployed Youth (age between 18-45 years old) who have received training from the government approved institutions; or (c) Rural Entrepreneurs residing outside Dhaka and Chattogram Metropolitan Areas.
x.	Special Criteria	:	At least 20% of the qualified enterprises under the project shall be women-led enterprises.
xi.	Interest Rate	:	(a) Refinance facility will be provided to the PFIs at the rate of 1.50% (b) The interest rate will be maximum 5.50% for the sub borrowers/end borrowers.

## 6. Participating Financial Institutions (PFIs) Selection Criteria:

- Each PFI must have Cottage, Micro and Small (CMS) lending commitment, capacity and have a track record of performance on lending to the relevant sectors.
- Each PFI must be compliant with applicable Prudential Regulations and Guidelines of the Bangladesh Bank.
- Each PFI must have a minimum rating of 2 or better on the CAMELS-based assessment carried out by the Bangladesh Bank. Each PFI must maintain required rating throughout the period of the project, unless it is a target bank (a state owned bank or financial institution owned by the government, or a bank or financial institution established under a special act) for which Ministry of Finance (MoF) has provided a guarantee for the repayment of the principal, interest and other charges in favor of the Bangladesh Bank.

- (d) The non-performing loan ratio must be lower than 10% unless it is a target bank for which MoF has provided a guarantee in favor of the Bangladesh Bank.
- (e) Committed to disburse at least US\$03 million each year under this project.

- 7. Participating Financial Institutions (PFIs) Agreement:** All qualified and interested Banks/Financial Institutions shall apply to the Bangladesh Bank as per **Annexure-1** with duly filled up templates (**Annexure-2 and Annexure-3**) to express their intention to become a Participating Financial Institution (PFI) of the project. Eligible Banks/Financial Institutions have to enter into a **Participation Agreement** to avail the refinance facility under the project. Qualified Banks/Financial Institutions have to follow the rules and regulations concerning to Cottage, Micro, Small & Medium Enterprises (CMSMEs) Financing stated in the SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon and Project Administration Manual (PAM) of the project.
- 8. Procedure for Refinance Application:** PFIs will apply to the Bangladesh Bank with duly filled up templates (**Annexure-4 & Annexure-5**) attached with this Circular on a monthly basis within 20 (Twenty) days of the following month to receive refinance facility against disbursed loans and advances under the terms and conditions of the project. However, if any PFI fails to apply for refinance facility against loans and advances within the stipulated time mentioned above under any valid reason, that PFI may get additional 30 (thirty) days for submitting the refinance application which will be considered case to case basis by the Project Management Unit (PMU). PFIs must submit copies of entrepreneur's Trade License, NID/Passport, Sanction Letter, Loan Statement and Amortization Schedule along with other documents (Bill of Entry, LC documents, Invoice, Quotation etc.) if necessary.
- 9. Limit of Loan and Refinance Facility:** For any sub loan, PFIs shall not finance more than 80% of the total cost of qualified subprojects and sub borrowers/end borrowers must contribute at least 20% of the equity in the business. The Bangladesh Bank shall provide 100% refinance against the loans and advances made by the PFIs to the qualified sub borrowers/end borrowers. SMESPD Circular No. 02, dated 05/09/2019 (amended thereafter) and any other Circulars/Circular Letters which may be issued by the Bangladesh Bank from time to time will be applicable for the highest loan limit of Cottage, Micro and Small Enterprises (CMSEs). However, the amount of refinance facility in individual cases shall not exceed Tk.50 (Fifty) Lac in any circumstances. Refinance facilities will be made available to the PFIs on **'First Come, First Served'** basis and subject to the availability of the fund in this project.
- 10. Types of Sub Loans:** Under this project, refinance facility will be available for Working Capital/Short Term, Medium Term and Long Term Loan. Working Capital/Short Term Loan will be for 01 (One) year, Medium Term Loan will be for maximum 03 (Three) years and Long Term Loan will be for maximum 05 (Five) years in tenure. However, PFIs may

provide maximum 06 months grace period to the sub borrowers/end borrowers and such grace period shall be incorporated in refinancing the sub loans.

**11. Sub Loans & Sub Borrower/End Borrower Criteria:** To avail the refinance facility from the project a qualified sub borrower must fulfill the terms and conditions as set forth in the Appendix 03 of the Project Administration Manual (PAM) and other Circulars/Circular Letters which may be issued by the Bangladesh Bank from time to time.

**12. Women-led Enterprise:** A qualified enterprise shall be considered as a Women-led Enterprise on the following grounds:

- (a) If women are the owners or proprietors of a privately-run enterprise or own at least a 51% share of the enterprise; or
- (b) If at least 60% of its managerial staffs are women; or
- (c) As defined by the Bangladesh Bank, provided that for the purposes of the project, such definition shall be agreed between the Bangladesh Bank and ADB.

**13. Recovery of Refinanced amount:** The amount received as refinance facility by the PFIs from the project shall be repayable to the Bangladesh Bank as follows:

- (a) It is the sole responsibility of the respective PFI to recover the loans and advances made to the beneficiary under this project; there will be no relation whatsoever between recovery of loans and advances from the beneficiary and repayment of fund taken as refinance under this project to SPCSSECP of the Bangladesh Bank.
- (b) Working Capital/Short Term Loans will be repayable at the end of the loan period in a single installment (which includes both principal & interest).
- (c) Total principal and interest amount of medium & long term loan will be repayable on equal quarterly installment from the date of receiving refinance and the tenure of the refinance facility will be same as mentioned in the Sanction Letter of the PFIs.
- (d) The Bangladesh Bank will realize the refinanced amount along with interest, any kind of charges and penalty (if any) by debiting their current account maintained with Motijheel Office of the Bangladesh Bank.

**14. Environmental and Social Management System Arrangement:** All interested Banks/ Financial Institutions are required to follow Environmental and Social Risk Management (ESRM) Guidelines of the Bangladesh Bank as well as Environmental and Social Management System Arrangement (ESMSA) of the project issued by ADB (**Attachment-2**) during providing CMSEs loan to the targeted groups.



**15. Document Requisition and Project Inspection:** If necessary, the Bangladesh Bank may ask for the necessary documents and conduct on-site inspection before or after the approval of refinance facilities at any time without prior notice.

**16. Demand Promissory (DP) Note Submission, Early Settlement, Collateral, Schedule of charges, Insufficient Fund & other Relevant Issues:** SMESPD Circular No. 02, dated 05/09/2019 and subsequent changes thereon and related other Circulars and Guidelines of the Bangladesh Bank have to be followed regarding submission of DP Note, early settlement process, collateral, schedule of charges, insufficient fund & other relevant issues.

**17. Other Instructions:**

- (a) All PFIs have to submit periodic statement as specified by the Bangladesh Bank related to the refinance scheme under the project as and when required by the Bangladesh Bank.
- (b) Sanction Letter and Repayment Schedule should be prepared based on the interest rate mentioned in the 5(xi)(b) of this Circular.
- (c) The selection of sub borrower/end borrower, approval of loans and advances, disbursement, and maintenance of debt-equity ratio, margin, insurance against loans and advances, end-use and monitoring activities will be determined according to the Circulars and Guidelines of the Bangladesh Bank and performed by the Rules of Business of respective PFIs and Banker-Customer relationship in general.

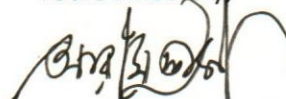
**18. Submission of Application:** Interested Banks and FIs are requested to go through the Project Administration Manual (PAM) before applying as per **Annexure-1** (Accreditation Application format). Application must be supported with all required information and documents stated in the **Annexure-2, Annexure-3** and Project Administration Manual (PAM). Incomplete applications will not be entertained.

This Circular is issued under the power conferred by the Section 45 of the Bank Company Act, 1991 and the Section 18(CHH) of the Financial Institutions Act, 1993.

This Circular shall come into force with immediate effect.

Attachment: As stated above (Page-78).

Yours Sincerely,



(Rojina Akter Mustafi)

Deputy General Manager

&

Deputy Project Director, SPCSSECP

Phone: 9530025

**Annexure-1**  
**(Accreditation Application Format)**

Project Director  
Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)  
Bangladesh Bank  
Head Office  
Dhaka-1000

Dear Sir,

**Letter of Intent to become Participating Financial Institution (PFI) under ‘Supporting  
Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)’**

With reference to the SMESPD (SPCSSECP) Circular No.: 02/2022 dated 10/03/2022 we would like to express our interest for participating in the Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP). The documents are attached herewith as required for your kind consideration. We also furnish the information as sought in the annexure of the Circular and in the Project Administration Manual (PAM).

We, therefore, request you to consider our application and allow us to work with you for the development of CMSE sectors in Bangladesh through our active participation in Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP) finance.

Date:

Truly yours,

( )

CEO/MD

Bank/FI Name

Business Statements							
Name of the Bank/FI:							
Serial No.	Criteria	Statement	Year/ Amount	Put Tick Mark Based on Reference Value		Reference Value	
1	Legality	Date of License Received from the Bangladesh Bank		N/A		N/A	
2	Operational Experience	Establishment Year		Yes	No	( ≥ 5 years)	
3	Commitment to CMSEs Lending	Commitment to provide financial support to Cottage, Micro and Small Enterprises (CMSEs) operated by returning migrant workers, unemployed youth and rural entrepreneurs with a special focus on women entrepreneurs.	N/A	Yes	No	N/A	
4	Capital Adequacy (for the last year)						
	i. Net Worth	Taka in million (as on ..... )		N/A		N/A	
	ii. Paid-up Capital	Taka in million (as on ..... )		N/A		N/A	
	iii. Capital Adequacy Ratio (CAR)	CAR as on ..... (Evaluted by Bangladesh Bank)		Yes	No	( > 10%)	
5	Profitability: Net Profit (for last 02 years)	Taka in million (for the Year Ending .....)		Yes	No	( > 0 )	
		Taka in million (for the Year Ending .....)		Yes	No	( > 0 )	
6	Non-Performing Loan (NPL) of the Last Quarter	NPL Ratio: (as on .....)		Yes	No	( < 10%)	
7	CAMELS Rating (Latest)	(as on .....)		Yes	No	( ≤ 2)	
8	Target Bank	Target bank will be defined as per SMESPD (SPCSSECP) Circular No.:02; dated: 10/03/2022	N/A	Yes	No	N/A	
9	Fulfilling the Prudential Regulations:						
	i. Transparency		N/A	Yes	No	N/A	
	ii. Corporate Governance			Yes	No		
	iii. Risk Management			Yes	No		
	iv. AML Requirements			Yes	No		
	v. Green Banking Guidelines			Yes	No		
	vi. Others, if any			Yes	No		
10	Copy of Audited Financial Statements for the last 2 years (as attached)				Yes		No
11	Others, if any, Please Mention and Attach in Separate Page			Yes	No		



(continued....)

Description	(Year)*	Share of Total (%)	Growth (%)	(Year)*	Share of Total (%)	Growth (%)	(Year)*	Share of Total (%)	Growth (%)
1	2	3	4	5	6	7	8	9	10
Operational Ratio									
Capital Adequacy Ratio (>10%)									
Liquidity									
Single Borrower Exposure (<20%)									
Forex Exposure (<40%)									
ADR									
LDR									
NPL									
ROE									
ROA									

\* Provide Information for Latest Years.



Bangladesh Bank Head Office, Dhaka Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP) Application for Sanctioning Refinance				
Sl. No.	Description	Relevant Information		Remarks
1	Name of Bank/Financial Institution (FI)			
2	Date of Application			
3	Financing Period			
4	Details of the Refinance Application:			
	Type of Loan	Tenure	Number	Amount (In BDT)
	Working capital/Short Term	≥ 1 Years		
	Mid Term	1-3 Years		
	Long Term	3-5 Years		
	Total			
5	Amount of Refinance (availed) and Balance (outstanding) by the Bank/FI under this Project:			
	Category of Loan	Refinance (Availed )		Balance (outstanding) with BB
		Number	Amount (In BDT)	Number      Amount (In BDT)
	Working capital/Short Term			
	Mid Term			
	Long Term			
	Total			
6	Entrepreneurial Level Description of the Financed Sub-Projects under this Application:			
	Type of Entrepreneur	Number		Amount (In BDT)
	New			
	Existing			
	Total			
7	Type of Borrower		Number	Amount (In BDT)
	First Time Borrower			
	Old Borrower			
	Total			
8	Type of Enterprise		Number	Amount (In BDT)
	Cottage			
	Micro			
	Small			
	Total			
9	Type of Sub-Projects Financed under this Application:			
	Type of Project	Number		Amount (In BDT)
	Manufacturing			
	Service			
	Trading			
	Total			
10	Details of Refinance Facility Availed by the Bank/FI from other Funds/Projects of Bangladesh Bank and Current Balance:			
	Name of the Scheme/Project	Refinance (Availed )		Balance (outstanding) with BB
		Number	Amount (In BDT)	Number      Amount (In BDT)
	Small Enterprise Refinance Scheme			
	Refinance Scheme for Agro-based Industries			
	New Entrepreneur Refinance Scheme			
	Islamic Shariah-based Refinance Fund			
	COVID-19 Refinance Scheme			
	JICA FSPDSME			
	JICA UBSP			
	SREUP			
	Covid-19 ECRF Project			
	SMEDP2			
Others ( If any please mentioned)				
	Total			
11	Financial Information of the Bank/FI at the end of Last Quarter		Amount (In BDT)/Ratio	Date
	Capital			
	Capital Adequacy Ratio			
	Percentage of Non-performing Loan against Total Disbursement			
	CRR			
	SLR			
	Advance Deposit Ratio/Loan to Fund Ratio			
	Business Experience of the PFIs		..... Years	
12	General Declaration		Please Put Tick Mark	
	Compliance on Single or Group Borrower's Exposure related Policy or Guidelines		Yes	No
	Compliance on Risk Management and Anti-Money Laundering related Regulations		Yes	No
	Compliance of Refinance Based on SMESPD (SPCSSECP) Circular		Yes	No
	Eligibility to Apply for Refinancing Facility from SPCSSECP		Yes	No
	Whether Enterprise(s) is(are) located outside Dhaka and Chattogram Metropolitan areas?		Yes	No
	Whether Enterprise(s) is(are) Defaulter(s)?		Yes	No

Date:

(Signature)  
Head of SME  
Seal

### Statement of Loan Applied for Refinance Under SPCSSECP

**Name of the Bank/Fl:**

**Name of the Financing Month:**

[illegible]

### Contact details of Relevant Personnel

Name of the PFI:

[illegible]

# Project Administration Manual



## Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)

Project Number: 54336-001

October 2021  
(RRP BAN 54336)

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CMSE	–	cottage, micro, small enterprise
COVID-19	–	coronavirus disease
FMA	–	financial management assessment
GAP	–	gender action plan
MOF-FD	–	Ministry of Finance–Finance Division
PFI	–	participating financial institution
PMU	–	project management unit
PPMS	–	project performance management system
SOE	–	statement of expenditures
TA	–	technical assistance



## **CONTENTS**

I.	PROJECT DESCRIPTION	1
II.	IMPLEMENTATION PLANS	1
	A. Project Readiness Activities	1
	B. Overall Project Implementation Plan	3
III.	PROJECT MANAGEMENT ARRANGEMENTS	4
	A. Project Implementation Organizations: Roles and Responsibilities	4
	B. Key Persons Involved in Implementation	7
	C. Project Organization Structure	8
IV.	COSTS AND FINANCING	8
	A. Cost Estimates Preparation and Revisions	9
	B. Detailed Cost Estimates by Expenditure Category	9
	C. Allocation and Withdrawal of Loan Proceeds	9
	D. Disbursement S-Curve	10
	E. Fund Flow Diagram	11
V.	FINANCIAL MANAGEMENT	11
	A. Financial Management Assessment	11
	B. Disbursement	16
	C. Accounting	17
	D. Auditing and Public Disclosure	17
VI.	PROCUREMENT AND CONSULTING SERVICES	19
	A. Advance Contracting and Retroactive Financing	19
	B. Procurement of Goods, Works, and Consulting Services	19
VII.	SAFEGUARDS	19
VIII.	GENDER AND SOCIAL DIMENSIONS	20
IX.	PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION	22
	A. Project Design and Monitoring Framework	22
	B. Monitoring	24
	C. Evaluation	24
	D. Reporting	25
	E. Stakeholder Communication Strategy	25
X.	ANTICORRUPTION POLICY	25
XI.	ACCOUNTABILITY MECHANISM	26
XII.	RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL	26

## **APPENDIXES**

1	Annual Environmental and Social Monitoring Report.....	28
2	Participating Financial Institutions Selection Criteria .....	30
3	Subloan and Subborrower Criteria.....	32
4	Quarterly/Annual Monitoring Report .....	33
5	Semiannual Gender Action Monitoring Report.....	39

### **Project Administration Manual Purpose and Process**

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Finance Division of the Ministry of Finance as the executing agency and Bangladesh Bank as the implementing agency, are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by Finance Division of the Ministry of Finance and Bangladesh Bank of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the loan agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the loan agreement, the provisions of the loan agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

## I. PROJECT DESCRIPTION

1. The Supporting Post-COVID-19 Small-Scale Employment Creation Project composes of a financial intermediation loan of up to \$150 million from Asian Development Bank (ADB)'s ordinary capital resources to the Government of Bangladesh. The funds will be onlent to Bangladesh Bank, the nation's central bank, for on-lending to participating financial institutions (PFIs). The PFIs will further onlend the funds to cottage, micro, and small enterprises (CMSEs) started or operated by targeted vulnerable groups—unemployed youth, returning migrant workers, and rural entrepreneurs with a focus on women entrepreneurs. The attached transaction technical assistance (TA) amounting to \$900,000 will help strengthen the institutional capacity of Bangladesh Bank and PFIs and will promote formal banking support for CMSEs.

2. The impact of the project will be the rapid recovery from coronavirus disease (COVID-19) to restore employment, income, and economic activities. The outcome is adverse economic effects of COVID-19 on migrants, youth, and rural entrepreneurs mitigated. There are three outputs: (i) financial support to enterprises started or operated by migrants, rural enterprises, and youth from the formal banking sector increased; (ii) capacity of employment-supporting institutions strengthened; and (iii) action plan for promoting formal banking sector support for CMSEs developed.

## II. IMPLEMENTATION PLANS

### 1. Project Readiness Activities

**Table 1: Project Readiness Activities**

Indicative Activities	2021							2022				Responsible Unit
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
Financial due diligence on participating commercial banks conducted		▲	▲									ADB
Stakeholder analysis and consultation have been undertaken and are reflected in the project Documents	▲	▲	▲	▲								ADB
Major risks (including governance) have been identified, and mitigating measures are indicated		▲	▲	▲	▲							ADB
Establish project implementation arrangements			▲	▲								ADB
ADB Board approval					▲							ADB
Loan and project agreements signing						▲						ADB, MOF, Bangladesh Bank, PFIs
Government legal opinion provided						▲						MOF
Project management unit in Bangladesh Bank established						▲						Bangladesh Bank
ADB confirms acceptability of PFI's use of the								▲				PFIs

Indicative Activities	2021							2022				Responsible Unit
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	
subproject screening checklist												
Signing of the subsidiary loan agreements between MOF and Bangladesh Bank							▲					MOF, Bangladesh Bank
Loan effectiveness							▲					ADB
Onlending arrangements between Bangladesh Bank and PFIs are in place							▲	▲	▲			ADB, Bangladesh Bank, PFIs

ADB = Asian Development Bank, MOF = Ministry of Finance, PFI = participating financial institution.

Source:Asian Development Bank.

## 2. Overall Project Implementation Plan

3. The scheduled implementation period for the project is 3.5 years (January 2022–June 2025).

Table 2: Implementation PlanKey Activities with Milestones		2021				2022				2023				2024				2025			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
<b>1. Financial support to enterprises started or operated by migrants, rural enterprises, and youth from the formal banking sector increased</b>																					
1.1 Disburse \$40 million through Bangladesh Bank to PFIs by Q4 2022																					
1.2 Disburse an additional \$50 million through BB to PFIs Q4 2023																					
1.3 Disburse an additional \$50 million through BB to PFIs by Q4 2024																					
1.4 Disburse an additional \$10 million through BB to PFIs by Q2 2025																					
<b>2. Capacity of employment-supporting institutions strengthened</b>																					
2.1 Consultants support the PFIs and potential PFIs to enhance the financial inclusive strategies by Q4 2022																					
2.2 Consultants support the PFIs and potential PFIs to enhance the policy frameworks by Q4 2022																					
2.3 Consultants support the PFIs and potential PFIs to develop guidelines for credit department and various committees by Q4 2022																					
2.4 PFIs take steps to improve underwriting standards to enhance quality of the loan portfolio by Q4 2023																					
2.5 Consultants support the development of procurement plans for the MIS by Q2 2023																					
2.6 Capacity building activities for PMU and PFI officials on underwriting standards, risk management, GESI mainstreaming and environmental and social safeguards by Q4 2023																					
<b>3. Action plan for promoting formal banking sector support for cottage, micro and small enterprises developed</b>																					
3.1 Action plan developed and discussed with Bangladesh Bank, the MOF, and related agencies by Q3 2023																					
3.2 Training and knowledge event conducted for the PMU, PFIs, and stakeholders to promote best practices by Q3 2023																					
3.3 Online platform developed to make training materials available to broader audiences by Q1 2023																					
3.4 Outreach conducted, including online, to increase awareness of the program by Q1 2025																					

GESI = gender equality and social inclusion, MIS = management information system, MOF = Ministry of Finance, PFI = participating financial institution, PMU = project management unit, Q = quarter, TA = technical assistance.

Source: Asian Development Bank.



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### 1. Project Implementation Organizations: Roles and Responsibilities

##### 1. Steering Committee

4. For the smooth implementation of the project within the framework of the CMSEs promotion policy of the Government of Bangladesh, the steering committee will be established at ministry level.

5. The Senior Secretary of Ministry of Finance–Finance Division (MOF-FD), or his representative, will be the Chairman of the Steering Committee. The members will be:

- (i) a representative from Bangladesh Bank;
- (ii) a representative from MOF-FD;
- (iii) a representative from Ministry of Finance-Financial Institutions Division;
- (iv) a representative from Ministry of Finance-Economics Relations Division; and
- (v) others who may be considered necessary by the government.

6. The role of the Secretariat will be performed by the project management unit (PMU) of Bangladesh Bank. ADB will participate as an observer.

7. The principal function of the steering committee is to discuss and make decisions on policy issues relevant to the implementation and management of the project, inter alia:

- (i) review, consider, and approve major policy changes of operating guidelines;
- (ii) supervision of the project;
- (iii) important issues related to the implementation of the project, policy formulation for CMSE development; and
- (iv) any other issues related to the smooth operation of the project.

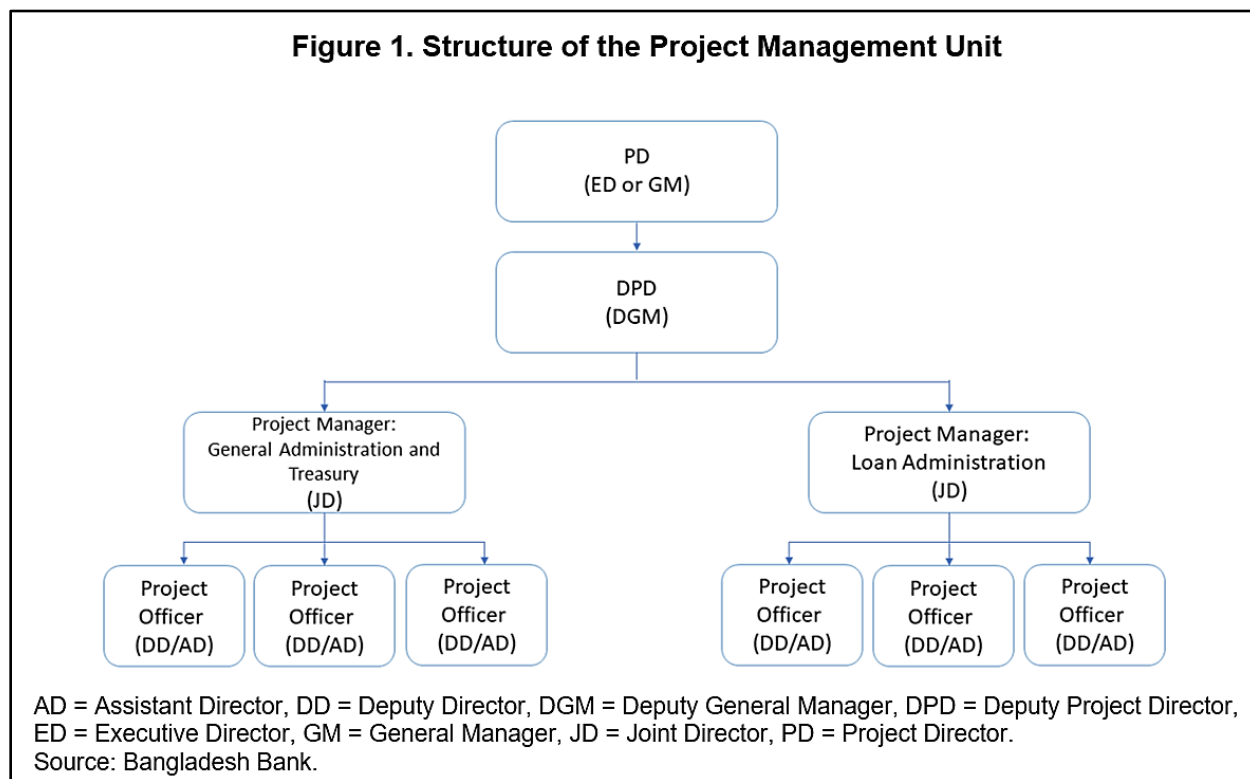
8. The steering committee will convene at least once every half year but can be held on an ad hoc basis if any issue arises to be discussed immediately.

##### 2. Project Management Unit

9. To ensure a smooth implementation of the project intervention, a PMU will be established no later than 1 month after ADB Board approval, with a project director, a deputy project director, two project managers, and six project officers who will specifically handle all relevant tasks related to this project. Moreover, one receptionist and one member of lower staff service (outsourced) should be included in the PMU to facilitate the PMU activities.

10. The project director will be primarily responsible for the project implementation and shall mobilize any further staff resources necessary for the smooth implementation of the project through appropriate authority of Bangladesh Bank. All the project officials must be posted in the PMU on deputation and assigned full time for this project. Bangladesh Bank will assign one deputy general manager from the Small and Medium-sized Enterprise Development Project as deputy project director. The PMU will be staffed with officials who have prior knowledge on ADB project implementation and management from similar CMSE projects.

11. The structure of PMU will be as shown below in Figure 1.



12. The various functions of the PMU, which include implementation, administration, and operation of the project on behalf of the implementing agency are shown below:

- (i) General Administration and Treasury Section
  - (a) Coordination with Bangladesh Bank's other departments for general affairs;
  - (b) Provision of necessary administrative assistance for other sections of the PMU;
  - (c) Due maintenance of the advance account,<sup>1</sup> project operating account, and revolving fund account established for the loan administration;
  - (d) Instruction to the Accounts and Budgeting Department to transfer funds to be paid by PFI to the revolving fund account, Bangladesh Bank's revenue account, and Ministry of Finance's revenue account;
  - (e) Preparation of statements of the project accounts; and
  - (f) Full cooperation to external audit of the advance account, the project operating account, and the revolving fund account as well as to the external audit for statement of expenditures (SOEs).
- (ii) Loan Administration
  - (a) Conducting the accreditation of PFIs, including annual reviews;
  - (b) Concluding a participation agreement with PFIs;

<sup>1</sup> Advance account is equivalent to the terminology "imprest account" used in Bangladesh Bank and Finance Division of MOF.

- (c) Review of subloans applications from PFIs;
- (d) Approval and disbursement of the funds to PFIs;
- (e) Recovery of subloans from PFIs as per recover schedule;
- (f) Daily monitoring of onlending loans and subloans; and
- (g) Preparation of quarterly progress reports and project completion report.

**Table 3: Project Implementation Organizations: Roles and Responsibilities**

Project Implementation Organizations	Management Roles and Responsibilities
Executing agency	<u>Ministry of Finance–Finance Division</u> <ul style="list-style-type: none"> <li>Responsible for the overall project implementation and provides project implementation guidance</li> <li>Organize Steering Committee meetings</li> <li>Liaise with ADB for any project implementation issues</li> <li>Provide necessary implementation support to Bangladesh Bank</li> <li>Sign the subsidiary agreement with Bangladesh Bank and monitor compliance</li> </ul>
Project steering committee	<ul style="list-style-type: none"> <li>Provide overarching guidance and policy level support to the project</li> <li>Monitor and review project performance at an inter-agency level and address key policy-related issues</li> <li>Ensure collaboration and cooperation among agencies</li> </ul>
Implementing agency	<u>Bangladesh Bank</u> <ul style="list-style-type: none"> <li>Assess PFI eligibility in coordination with ADB</li> <li>Monitor PFIs' compliance with loan conditions and achievements of the project's design and monitoring framework targets</li> <li>Timely submit withdrawal applications to ADB</li> <li>Responsible for the allocation of the loan to the PFIs</li> <li>Responsible for the administration of the advance account, submission of the withdrawal applications, retention of supporting documents, and any reporting requirements</li> <li>Support the TA activities by providing timely support, guidance, inputs, access to information, and in-kind contributions</li> <li>Implement the use of the subproject screening checklist by the PFIs and the Gender Action Plan</li> <li>Submit to ADB quarterly progress reports within 30 days from the end of each quarter and respond to other information requests</li> <li>Ensure PFIs' submission of statement of utilization of funds, and submit audited statement of utilization of funds on behalf of PFIs</li> <li>Submit to ADB annual safeguards monitoring report</li> <li>Monitor PFIs' compliance with project agreement covenants</li> <li>Represent the project and participate in portfolio review meetings organized by the government and ADB</li> <li>Submit a project completion report within 6 months of project closure</li> </ul>
PFIs	<ul style="list-style-type: none"> <li>Assess credit worthiness of subborrowers and financial viability of subprojects</li> <li>Implement and ensure compliance with the selection criteria for subborrowers, subproject, and subloans; and criteria for the maximum loan size, and covenants in project agreement</li> <li>Ensure that total subloans (number) to small enterprises are issued to at least 20% women-led small enterprises under the credit line</li> <li>Ensure that the qualified subborrowers comply with ADB's Safeguard Policy Statement and applicable environmental, health and safety, and social laws and regulations of the borrowers</li> <li>Provide capacity building and business support activities to the targeted vulnerable groups and women's entrepreneurs on financial and legal literacy related to access to financial resources and services</li> <li>Manage budgeting, financial planning, accounting, and auditing of project-</li> </ul>

	related activities <ul style="list-style-type: none"> <li>• Submit to Bangladesh Bank annual Statements of Utilization of Funds in ADB template, in compliance with financial covenants</li> </ul>
ADB	<ul style="list-style-type: none"> <li>• Responsible for overall coordination of the project</li> <li>• Provide guidance to Bangladesh Bank regarding implementation of the project</li> <li>• Monitor achievements of the project's targets established in the design and monitoring framework</li> <li>• Conduct field reviews on implementation twice a year</li> <li>• Oversee implementation of attached TA</li> </ul>

ADB = Asian Development Bank, PFI = participating financial institution, TA = technical assistance.  
Source: Asian Development Bank.

## 2. Key Persons Involved in Implementation

### Executing Agency

Finance Division,  
Ministry of Finance

Dr. Md. Khairuzzaman Mozumder  
Additional Secretary  
Tel. No.: +880 1711566958  
E-mail: [kzamanm@finance.gov.bd](mailto:kzamanm@finance.gov.bd)  
Financial Division, Ministry of Finance  
Bangladesh Secretariat  
Dhaka-1000, Bangladesh

### Implementing Agency

Bangladesh Bank

Mr. Md. Jaker Hossain  
General Manager  
Tel. No.: +880 1731509242  
E-mail: [mjaker.hossain@bb.org.bd](mailto:mjaker.hossain@bb.org.bd)  
SME & Special Programmes Department  
Dhaka-1000, Bangladesh

### Asian Development Bank

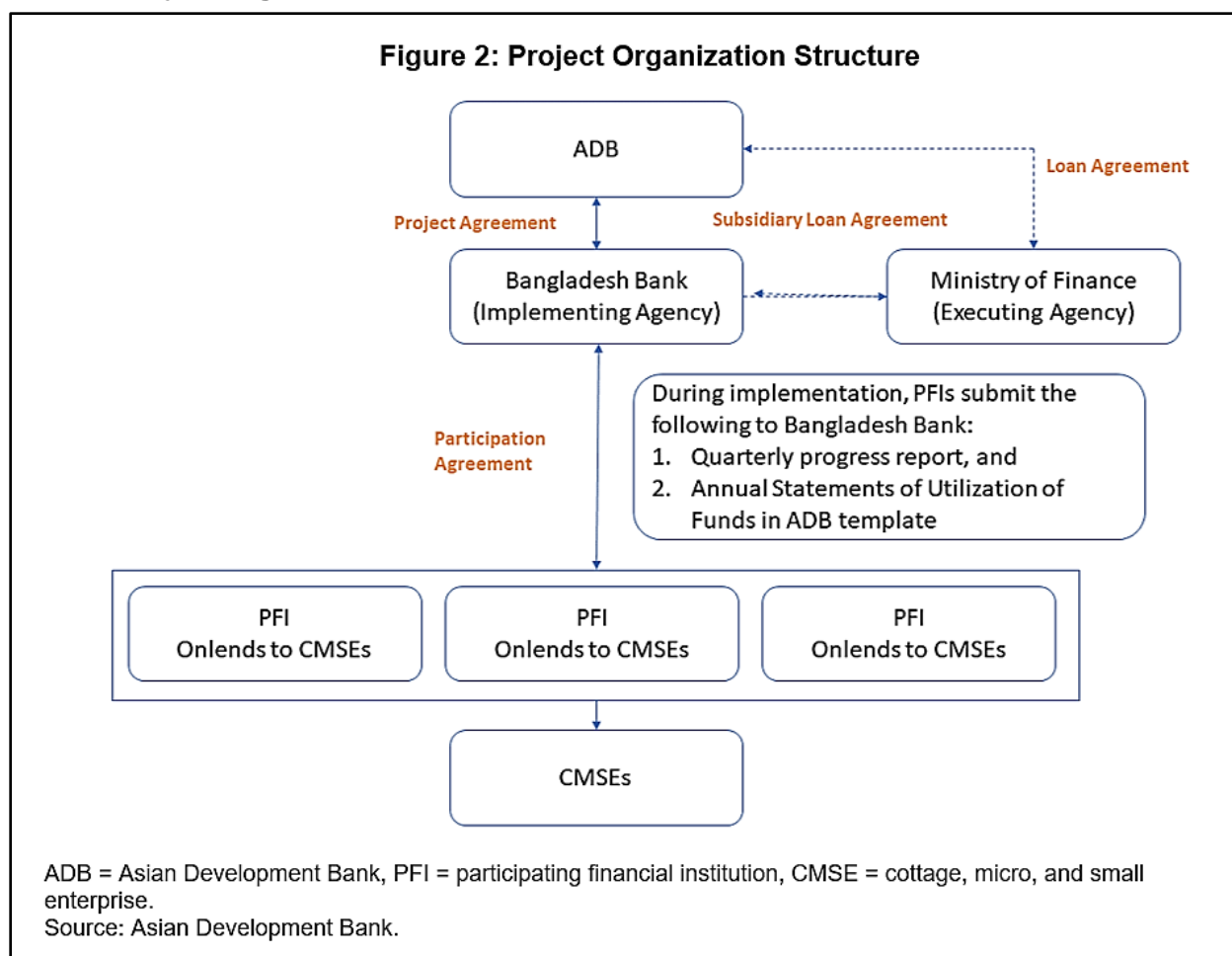
Public Management, Financial  
Sector, and Trade Division  
South Asia Department

Mr. Sabyasachi Mitra  
Director  
Tel No.: +63 2 8632 5514  
E-mail: [sabymitra@adb.org](mailto:sabymitra@adb.org)

Mission Leader

Mr. Dongdong Zhang  
Principal Financial Sector Specialist  
Tel. No.: +63 85512366  
E-mail: [dzhang@adb.org](mailto:dzhang@adb.org)

### 3. Project Organization Structure



## IV. COSTS AND FINANCING

13. The government has requested a concessional loan of \$150 million from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years; an interest rate of 2.0% per year during the grace period and thereafter; and such other terms and conditions set forth in the draft loan and project agreements.

14. The government will relend the loan proceeds to Bangladesh Bank under a subsidiary loan agreement, denominated in local currency. The government will determine the relending rate and will bear the foreign exchange risk. Bangladesh Bank will onlend the funds to PFIs at an interest rate in line with the rates for other Bangladesh Bank programs supporting CMSMEs.<sup>2</sup> The loans from PFIs to eligible CMSEs will have a market-based lending rate that reflects the funding cost of the PFIs and the credit risk of the subborrowers that is determined by Bangladesh Bank and agreeable to ADB; and will have a maximum maturity of 5 years and a maximum loan size of Tk5.0 million.

<sup>2</sup> Bangladesh Bank's CMSME support programs have interest rates of 2%–4%.

**Table 4. Project Financing Plan**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Asian Development Bank (concessional loan)	150.0	100.0
<b>TOTAL</b>	<b>150.0</b>	<b>100.0</b>

<sup>a</sup> This is based on the assumption that CMSEs will contribute 20% of individual subproject cost in form of equity.  
Source: Asian Development Bank.

#### **A. Cost Estimates Preparation and Revisions**

15. The cost estimates were prepared by the Government of Bangladesh in consultation with ADB. No cost revision is expected during project implementation.

#### **B. Detailed Cost Estimates by Expenditure Category**

**Table 5. Cost Estimates by Expenditure Category**

<b>Source</b>	<b>Amount (\$ million)</b>	<b>Share of Total (%)</b>
Credit Line	150.0	100.0
<b>TOTAL</b>	<b>150.0</b>	<b>100.0</b>

Source: Asian Development Bank.

#### **C. Allocation and Withdrawal of Loan Proceeds**

16. **ADB loan (ADB to Bangladesh).** The government will be the borrower. The ADB loan, through the MOF–FD, will onlend to Bangladesh Bank in local currency under a subsidiary loan agreement. government will bear the foreign exchange risks.

17. **Relending (from Bangladesh Bank to participating financial institutions).** Bangladesh Bank will relend the proceeds of the ADB loan to eligible PFIs for making subloans to eligible subborrowers to finance eligible subprojects at prevailing rate for CMSE programs under a participation agreement.<sup>3</sup> The relending will have a maturity of 2–5 years (generally matches the profiles of subloans) at an interest rate of prevailing bank lending rate determined by Bangladesh Bank and agreeable to ADB.

18. **Eligibility criteria of partner finance institutions.** PFIs participating in the project must be licensed by Bangladesh Bank or established under special act or regulation of the government. In addition, PFIs must meet the eligibility criteria laid out in Appendix 2.

19. **Eligibility criteria of borrowers.** Enterprises to be financed under the project shall belong to the three vulnerable groups—(i) youth, (ii) returning migrants, and (iii) rural entrepreneurs.<sup>4</sup> These groups should meet the eligibility criteria laid out in Appendix 3.

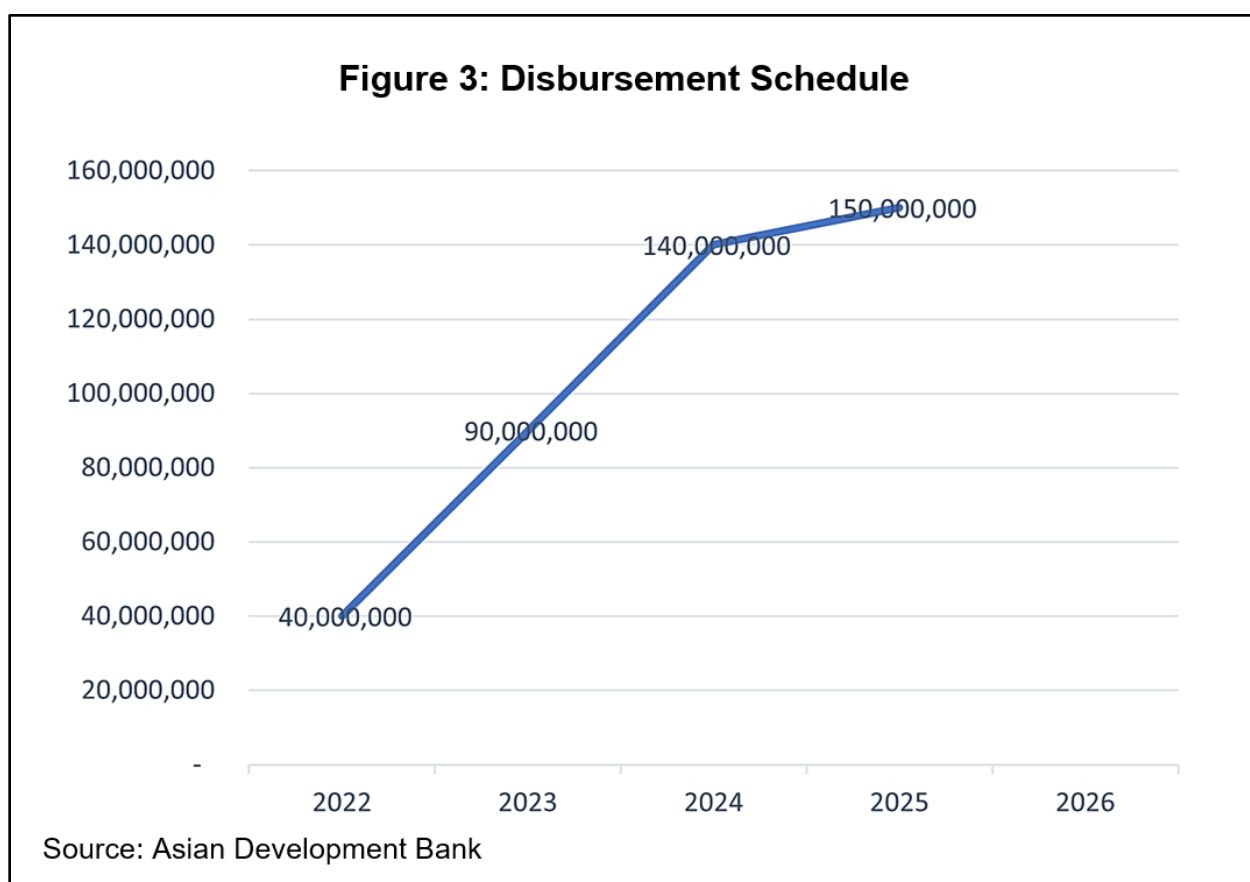
<sup>3</sup> Eligibility criteria for participating financial institutions (PFIs), subprojects and subborrowers (accessible from the list of linked documents in Appendix 2.

<sup>4</sup> Youth refers to individual between 18 and 45 years old; returning migrants refers to individuals returned to the country since beginning of 2020; rural entrepreneurs refer to the entrepreneurs based outside of Dhaka and Chattogram metropolitan areas.

20. **Loan proceeds utilization.** ADB loan proceeds will be used to finance eligible PFI's qualified CMSEs.<sup>5</sup> Subloans will be for activities that will not trigger any involuntary resettlements nor have any adverse impact on tribes, minor races, ethnic sects, and communities. The maximum size for subloans under the credit line will be Tk5 million. The total cost of each subproject will be jointly financed with a subborrower equity contribution of 20%, and a contribution from the ADB loan of 80%. Subloans may be used for working capital or long-term investment and must be repaid with a maximum term of 5 years. Though the funds will prioritize cottage and micro enterprises, small enterprises outside of Dhaka and Chattagram metropolitan areas, may avail only up to \$40 million of the loan proceeds. Subloans will only be provided to finance activities not listed in ADB's Prohibited Investment Activities List and will be subject to post-lending monitoring and review by ADB.

#### D. Disbursement S-Curve

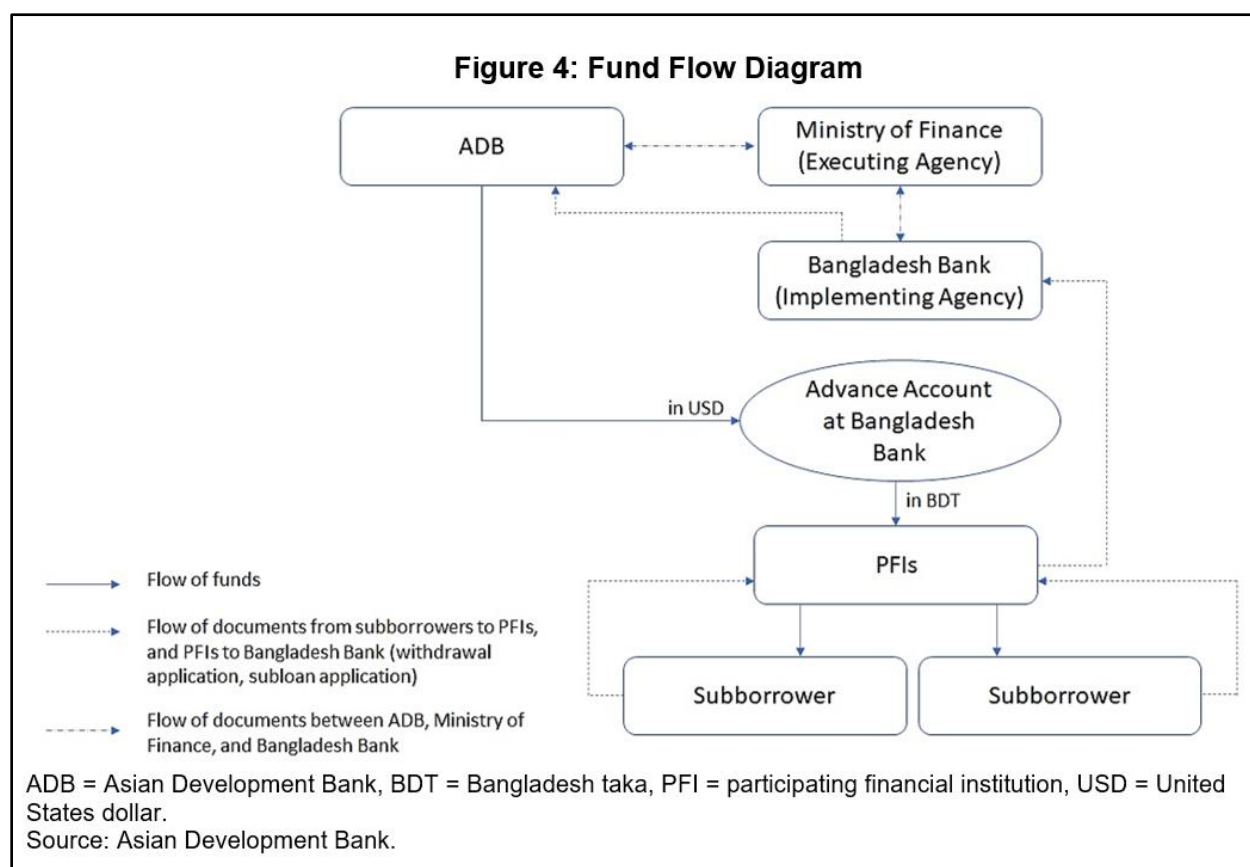
21. The disbursement schedule for the project period of 2022–2025 is expected to be in annual amounts of \$40 million, \$50 million, \$50 million, and \$10 million.



<sup>5</sup> Rural enterprises in this paper refer to enterprises located outside of Dhaka and Chattogram metropolitan area.

## E. Fund Flow Diagram

22. The disbursement will be conducted through advance account procedure.



## V. FINANCIAL MANAGEMENT

### 1. Financial Management Assessment

23. The financial management assessment (FMA) was conducted in May 2021 in accordance with ADB's Guidelines on Financial Due Diligence.<sup>6</sup> The FMA considered the capacity of the Bangladesh Bank, and Karmasangsthan Bank, a potential PFI, including fund-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements.

24. The executing agency for the project will be MOF-FD and Bangladesh Bank will be the

<sup>6</sup> ADB. 2009. [Financial Due Diligence: A Methodology Note](#). Manila.



implementing agency. MOF-FD is experienced with working with donor programs including ADB's. The FMA found that Bangladesh Bank has experience in implementing ADB-assisted projects, namely: (i) the Small and Medium-Sized Enterprise Development Project and (ii) Second Small and Medium-Sized Enterprise Development Project.<sup>7</sup> Bangladesh Bank's project management and financial management capacities were further enhanced under these ADB projects and projects from other development partners. Bangladesh Bank has adequate financial management capacity to (i) provide reliable annual statement of utilization of funds and audit reports in a timely manner; (ii) design and implement effective mechanism to monitor program implementation by PFIs; and (iii) manage the advance account and the SOE procedures under ADB's disbursement procedures. However, Bangladesh Bank still needs to further strengthen its capacity and staff to meet the challenges of supporting vulnerable groups, disbursing funds efficiently, and delivering policies and strategies for financial inclusion. The attached TA will support the capacity development of PMU officials, strengthen Bangladesh Bank's information technology system, provide business support for the borrowers, and support policy development.

25. The FMA concluded that the financial management risk is moderate, primarily due to risks coming from (i) increasing outstanding loan levels due to deterioration in macroeconomic conditions in the aftermath of COVID-19, and (ii) capacity constraints in some of the participating financial institutions. Mitigation factors considered are Bangladesh Bank's strong financial management capacity, conservative approach and experience working with ADB and many other development partners in similar projects.

26. The financial management internal control and risk assessment examines the proposed project on two levels—inherent and control risks. Inherent risks consider risks that are inherent to financial institutions in Bangladesh projects while control risks consider risks that are unique to Bangladesh Bank and the subprojects (Table 6).

**Table 6: Financial Management Risk Assessment**

Risk	Risk Assessment	Risk Rating	Risk-Mitigation Measures
<b>Inherent Risks</b>			
1. Country-specific Risks	The financial management systems of Bangladesh are reasonably well developed but there are issues related to inadequate policy budgeting, governance concerns and limited scrutiny of external audit reports.	S	Bangladesh has undertaken a number of initiatives to improve the quality of its financial management systems. Considering the global indicators, it is deemed essential to continue the effort of improving its performance as a key priority to achieve the country's development aspirations.  The core financial management systems are targeted for improvement through strengthening of core public institutions.
2. Financial Sector Specific Risks	Poor financial management practices in the banking and nonbank financial sector could undermine the stability of the	M	Financial institutions play a vital role of intermediation and serve the diverse financial needs of the growing economy. The magnitude of their role underscores the importance of

<sup>7</sup> ADB. 2009. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Second Small and Medium-sized Enterprise Development Project](#). Manila. and ADB. 2015. [Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to the People's Republic of Bangladesh for the Second Small and Medium-sized Enterprise Development Project](#). Manila.

Risk	Risk Assessment	Risk Rating	Risk-Mitigation Measures
	financial system.		<p>proper financial management in the financial sector. A number of initiatives have been taken by Bangladesh Bank to ensure good financial management with particular focus on the accountability and transparency of management in the financial sector. The legislative framework related to the financial industry has been revised with a view toward helping improve governance and strengthening discipline in the financial system. Automation of the financial sector was a major step for the central bank in ensuring financial discipline. Bangladesh Bank has introduced the Integrated Supervision System and the Foreign Exchange Monitoring Dashboard. In addition, the Integrated Export Monitoring System has put in place with the National Board of Revenue to intensify financial sector supervision.</p> <p>However, governance is an issue needing continuous scrutiny and is addressed regularly and whenever required.</p>
	Increasing outstanding loan levels due to coronavirus disease (COVID-19) pandemic.	S	Bangladesh Bank ensured ample liquidity to the banking sector, implemented temporary moratorium on payments and strengthened monitoring of the banking sector.
<b>Overall Inherent Risk</b>		<b>S</b>	
<b>Control Risks</b>			
1. Internal Controls	Although Bangladesh Bank's risk management systems have improved over the last few years, they are still evolving.	M	Bangladesh Bank issued various risk management guidelines (Credit/AML/ Foreign Exchange/IT/Environmental & Social) for all banks which are at implementation stage.
2. Funds Flow	Fund flows are transparent. Asian Development Bank (ADB) would disburse directly to Bangladesh Bank's account which would, in turn, disburse directly to the participating financing institutions' (PFIs') accounts.	L	For use of ADB's share of eligible expenditure, Bangladesh Bank will open a dollar advance account under terms and conditions acceptable to ADB. No specific concerns for funds flow were observed in previous ADB funded projects implemented by Bangladesh Bank.
3. Accounting and Financial Reporting	According to Financial Reporting Act 2015 all Public Interest Entity (PIE) should follow International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) for accounting and financial reporting. For existing projects, subprojects are required to report quarterly on contractual expenditures and provide annual audited financial reports.	M	Banks and PFI's are not fully complied with IAS/IFRS. A multi regulatory task force team is in formation stage to implement IAS/IFRS for Bangladesh Bank and PFIs. The accounting policies and procedures of the project will be governed by the existing Bangladesh Bank Accounting Policy. All project-related transactions—i.e., all sources (ADB and Government of Bangladesh and/or Bangladesh Bank)—will be accounted for separately by Bangladesh Bank following double-entry bookkeeping principles and on a cash basis. Project expenses will be recorded in similar manner that are using for other ADB funded project.
4. Internal Audit	Bangladesh Bank internal audit function followed risk based internal audit approach. The risk criteria based on operational risk,	L	Bangladesh Bank has a relatively strong Internal Audit Department, which is fully independent of executive control. The Head of Internal Audit reports to the Board Audit

Risk	Risk Assessment	Risk Rating	Risk-Mitigation Measures
	exposure and controls.		Committee, which comprised four independent members and an adviser, who joins the meeting on call, as and when required. Bangladesh Bank's Internal Audit Department carries out audits of projects funded by development partners such as ADB, Japan International Cooperation Agency and the World Bank at least once in year.
5. External Audit	The external audit of Bangladesh Bank must be concluded within 6 months by independent audit firm in accordance with IAS/IFRS. Controller General of Accounts conduct annual audit of foreign aided projects. There is also project performance audit from Implementation Monitoring and Evaluation Division.	L	The Foreign Aided Projects Audit Directorate (FAPAD) of the Office of the Controller and Auditor General will conduct an audit of the project's annual financial statements within 6 months from the end of the fiscal year. The Project Director will be responsible for audit follow-up and for taking remedial actions. Meetings to resolve audit objections must be held within 3 months of the receipt of the external audit report from FAPAD. Recent audits have not identified any material concerns.
6. Staffing	In general, Bangladesh Bank has adequate and experienced staff with previous experience in ADB projects.	M	Bangladesh Bank shall ensure that the required financial management staff will be in place once the project becomes effective. In case of staff turnover, Bangladesh Bank will ensure placement of new staff from Bangladesh Bank so that financial management activities continue without interruption.
7. Management Information System (MIS)	Bangladesh Bank will be responsible for consolidating financial information, maintaining supporting papers, and preparing financial statements. The MIS Reports will include: (i) financial statements (sources and uses of funds, uses of funds by project activity, and the special account reconciliation statement); (ii) MIS reports will be submitted to ADB not later than 45 days after the end of each calendar quarter.	M	Bangladesh Bank will prepare the project's annual statement of utilization of funds electronically based on extracts of integrated information system (IIS) data.  Bangladesh Bank needs to develop MIS system to capture project information and generate reports that are required to be submitted to ADB during the project.
8. Capacity of PFIs	Limited financial management capacity of PFIs.	S	Karmasangsthan Bank (KB), the expected PFI under this project is a specialized bank. Capacity needs to be developed specially for ALM and ESMS areas to manage credit program of this project efficiently, as well as implementation of core banking system and hiring of staff at vacant positions. KB is not familiar with the developing partners reporting framework. Extensive training will be required to develop financial management capacity of KB.
<b>Overall Control Risk</b>		<b>M</b>	
<b>Overall Risk</b>		<b>M</b>	

27. Bangladesh Bank has agreed to implement an action plan as key measures to address the deficiencies. The financial management action plan is provided in Table 7.

**Table 7: Financial Management Action Plan for Bangladesh Bank**

<b>Risk Area</b>	<b>Agreed Actions</b>	<b>Responsibility</b>	<b>Agreed Timeline</b>
Training of Bangladesh Bank (Bangladesh Bank) and participating financial institution (PFI) staff on Asian Development Bank (ADB) financial management requirements	Provide training to Bangladesh Bank project finance and accounting staff in ADB disbursement and accounting policies and procedures	ADB	Within 6 months of loan effectiveness
Financial reporting	Timely submission of audited statement of utilization of funds and resolution of audit findings to be ensured.	Bangladesh Bank	Within 6 months after fiscal year end.
Quarterly progress reports	Submission of quarterly progress reports with financial progress and disbursement reports to ADB	Bangladesh Bank	Within 45 days of end of each quarter
Monitoring of PFIs	Bangladesh Bank should follow eligibility criteria for PFIs throughout the project life.  Bangladesh Bank should require PFIs to follow loan provisioning requirements against the outstanding loan amounts.	Bangladesh Bank/PFIs	Throughout project lifecycle
Information systems	Active use of both ADB systems Loan Financial Information and Services and Client Portal for Disbursements to reconcile project accounts and ADB disbursement records and keep track of advances, replenishments, and liquidations to the advance account on a quarterly basis.	Bangladesh Bank/PFIs	By loan effectiveness of the project and continue throughout project life.

Sources: Asian Development Bank and Bangladesh Bank.

28. Financial performance assessment was conducted for the four potential PFIs. Three of those—BRAC Bank, IDLC Finance Limited, and Bank Asia were the PFIs in ADB programs including the Small and Medium-Sized Enterprise Development Project and Second Small and Medium-Sized Enterprise Development Project; and have solid record in executing these programs. Institutional assessment of PFIs will be carried out by Bangladesh Bank before formal selection to ensure that the PFIs have capacity to account, report, and audit these funds.

29. Karmasangsthan Bank is the only PFI that (i) has not participated in any ADB program and (ii) is a non-scheduled bank. Despite of its good operational and financial performance and its leading role in supporting financial inclusion, the FMA has revealed certain areas of improvement and Karmasangsthan Bank has agreed take needed steps to strengthen its financial management.

**Table 8: Financial Management Action Plan for Karmasangsthan Bank**

<b>Risk Area</b>	<b>Agreed Actions</b>	<b>Responsibility</b>	<b>Agreed Timeline</b>
Implementation of core banking system	Implementation of CBS in all branches of KB with live data entries and processing.  Integration of accounting software with its core banking system and update of accounting manual.	KB	December 2022
Risk management policies and procedures	Develop, obtain Board/Bangladesh Bank approvals, and implement the following policies and procedures: <ul style="list-style-type: none"> <li>• Anti-Money Laundering Policy</li> <li>• Environmental and Social Risk Management Policy</li> </ul>	KB	July 2021

	<ul style="list-style-type: none"> <li>Investment Policy</li> </ul>		
Enhancements in internal audit function	Change of reporting line of head of internal audit to deputy managing director and audit committee.  Update of internal audit manual.	KB	March 2022
Implementation of IT policy	Ensure full implementation of IT policy approved by the board in June 2020.	KB	March 2022
Staff recruitment and training	KB shall expedite recruitment process to fulfill the requirement that was designed in organogram. Following steps will be undertaken: <ul style="list-style-type: none"> <li>Complete hiring of 200 officers</li> <li>Recruit professional accountant (CA/CMA/CPA) in GM finance position</li> </ul>	KB	31 December 2022
Business plan	Develop comprehensive business plan and obtain approval of the Board/MOF	KB	June 2022
Project financial reporting requirements	Submit annual audited statement of utilization of funds to Bangladesh Bank.  Submit annual audited financial statements of KB to Bangladesh Bank.  Submit quarterly progress reports to Bangladesh Bank on the agreed format.	KB	Within 6 months of end of each FY  Within 1 month of approval  Within 45 days of end of each quarter

CA = Chartered Accountant, CBS = core banking solutions, CMA = Certified Management Accountant, CPA = Certified Public Accountant, FY = fiscal year, GM = General Manager, IT = information technology, KB = Karmasangsthan Bank, MOF = Ministry of Finance

Sources: Asian Development Bank, Bangladesh Bank, and Karmasangsthan Bank.

## 2. Disbursement

### 1. Disbursement Arrangements for ADB Funds

30. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time),<sup>8</sup> and detailed arrangements agreed upon between the government and ADB. Bangladesh Bank is responsible for collecting and retaining all relevant documentation and preparing and submission of withdrawal application to ADB.

31. **Advance fund procedure.** Separate advance account should be established and maintained by Bangladesh Bank for ADB funds. The currency of the advance account is the US dollar. The advance account is to be used exclusively for ADB's share of eligible expenditures. Bangladesh Bank, who administers the advance account is accountable and responsible for proper use of advances to the advance account.

32. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming 6 months. Bangladesh Bank may request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet<sup>9</sup> setting out the estimated expenditures to be financed through the account(s) for the forthcoming 6 months. Supporting documents should be submitted to ADB or retained by Bangladesh Bank in accordance with ADB's *Loan*

<sup>8</sup> ADB. 2017. *Loan Disbursement Handbook 2017*. Manila.

<sup>9</sup> Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

*Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

33. **Statement of expenditure procedure.**<sup>10</sup> The SOE procedure may be used for reimbursement of eligible expenditures or liquidation of advances to the advance account. Supporting documents and records for the expenditures claimed under the SOE should be maintained and made readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

34. Before the submission of the first withdrawal application, the borrower should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid (i) by Bangladesh Bank and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. The borrower should ensure sufficient loan demands before requesting disbursements. Use of ADB's Client Portal for Disbursement system is required for submission of withdrawal applications to ADB.<sup>11</sup>

35. The funds repaid by the PFIs will be onlent again to the eligible PFIs following the same process and requirements during the project implementation period. After the end of the project period, the fund will be utilized by Bangladesh Bank for future lending to the cottage, micro and small enterprises according to the terms and conditions laid down in the Subsidiary Loan Agreement. A special revolving funds account will be established for this purpose within Bangladesh Bank.

### 3. Accounting

36. Bangladesh Bank will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project following accounting and financial management procedures acceptable to ADB.

37. The PFIs will also maintain separate books and accounts relating to all subloans financed out of ADB's loan proceeds relating to this project. The statement of utilization of funds will be prepared using appropriate accounting principles and reporting framework.

38. Based on the statement of utilization of funds by each PFI, Bangladesh Bank shall prepare a consolidated set of project financial statements, i.e., a consolidated statement of utilization of funds for all PFIs, indicating the consolidated sources and uses of funds under the project.

### 4. Auditing and Public Disclosure

39. MOF-FD and Bangladesh Bank will cause the detailed consolidated statement of

<sup>10</sup> SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

<sup>11</sup> The CPD facilitates online submission of WA to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>

utilization of the funds, to be audited in accordance with international standards on auditing and with the Government's audit regulations by Foreign Aided Projects Audit Directorate (FAPAD). The audited consolidated statement of utilization of funds, together with the auditor's opinion will be presented in the English language to ADB within 6 months from the end of the fiscal year by Bangladesh Bank.

40. Bangladesh Bank and each of the PFI shall (i) maintain, separate accounts and records for the Project; (ii) prepare an annual statement of utilization of funds (indicating sources of funds and disbursements to PFIs/MSMEs) in accordance with accounting principles acceptable to ADB; (iii) have the statements referred to in subsection (iv) audited annually by Foreign Aided Projects Audit Directorate (FAPAD); (v) as part of each such audit, the respective auditors will prepare a report, which includes the auditors' opinions on the statements referred to in subsection and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (vi) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited statements, audit reports and management letters, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request. Bangladesh Bank shall ensure that the PFIs address in a timely manner key audit issues raised by the auditors as part of the audits carried out on their annual statements of utilization of funds, and Bangladesh Bank shall inform ADB on a quarterly basis on the progress being made by PFIs in addressing such audit issues.

41. Bangladesh Bank will also cause its entity-level financial statements to be audited in accordance with international standards on auditing and with the Government's audit regulations by an independent auditor. The audited entity-level financial statements, together with the auditors' report and management letter, will be submitted in the English language to ADB within 1 month after their approval by the competent authority.

42. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

43. The government, MOF-FD, and Bangladesh Bank have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the audited financial statements.<sup>12</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies

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<sup>12</sup> ADB's approach and procedures regarding delayed submission of audited statement of utilization of funds and entity-level financial statements:

- (i) When these documents are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next 6 months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When these documents are not received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next 6 months.
- (iii) When these documents are not received within 12 months after the due date, ADB may suspend the loan.



and procedures.

44. Public disclosure of the consolidated statement of utilization of funds, including the auditor's opinion, will be guided by ADB's Access to Information Policy (2018).<sup>13</sup> After the review, ADB will disclose these no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.<sup>14</sup>

## **VI. PROCUREMENT AND CONSULTING SERVICES**

### **A. Advance Contracting and Retroactive Financing**

45. There will be no advance contracting nor retroactive financing under the project.

### **B. Procurement of Goods, Works, and Consulting Services**

46. Procurement and consulting services to be financed by the proposed attached TA by following ADB Procurement Policy (2017, as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time).

47. The attached TA of \$900,000 from ADB's Corporate Pool for COVID-19 will help Bangladesh Bank to strengthen the banking sector's support for employment creation. The TA will also aim to strengthen PFIs and potential PFIs that are important for supporting employment creation, through institutional capacity development and promotion of best practices in CMSE banking. The TA will require a total of 10 person-months inputs from 2 international experts and 58 person-months inputs from 9 national experts. ADB will recruit a firm for two international consultants and nine national consultants using the quality- and cost-based selection method with a quality-cost ratio of 90:10 because of the highly-specialized expertise needed. The terms of reference for the consultants are in Appendix 2 of the TA.

## **VII. SAFEGUARDS**

48. In accordance with ADB Safeguards Policy Statement (2009), the project is classified as FI treated as C for impacts on the environment, involuntary resettlement, and indigenous peoples. The project is expected to have minimal environmental impact as the subloans to CMSEs will be mainly for light manufacturing, trade, and service sectors. Similarly, the subloans will be for activities that will not trigger any involuntary resettlements nor have any adverse impact on indigenous people.

49. To ensure that all subloans are compliant with ADB requirements, Bangladesh Bank has developed screening checklists for environmental, involuntary resettlement and indigenous people impact, which will be used by PFIs to screen each subloan. Bangladesh Bank will conduct review and confirmation of these documents and provide monitoring, annual reporting, and grievance redressing mechanisms. ADB will ensure that the subproject screening checklist is operational in accordance with ADB requirements before any disbursement of funds from the ADB loan account is made. To ensure that subprojects are properly screened and categorized,

<sup>13</sup> ADB. 2018. [Access to Information Policy](#). Manila.

<sup>14</sup> This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).



ADB through a TA, will provide capacity building workshops to PFI staff. Each PFI will be required to designate at least one staff member to be responsible for implementation of its subproject screening checklist.

50. ADB shall review and monitor compliance with the environmental and social safeguard requirements of the project. In relation to this, Bangladesh Bank will assign a staff who will be trained to develop and monitor the subproject screening mechanism and checklist to ensure that ADB's safeguard requirements will be adhered to. The assigned staff from Bangladesh Bank will, in turn, train staff from each of the PFIs in implementing and monitoring the screening mechanism through the screening checklist. Each PFI will provide its status of compliance with ADB's safeguard requirements through an annual monitoring report, which Bangladesh Bank will compile to provide to ADB.

51. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement (2009), ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009). All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

## VIII. GENDER AND SOCIAL DIMENSIONS

52. Potential gender and social impacts were reviewed. A gender assessment is reflected in the project documents and is an integral part of the project design which is categorized thematically as effective gender mainstreaming. The program addresses women's empowerment by narrowing gender disparities through access to financial resources and opportunities. The project targets a minimum of 20% for women entrepreneurs which will promote qualified women entrepreneurs by ensuring access to finance. Furthermore, the associated TA subproject will build women entrepreneurs' capacity to access finance resources.

53. A gender action plan (GAP) for this project has been developed (Table 8). Its implementation will be monitored regularly and ADB will receive an update on the GAP implementation at least semiannually. A gender specialist (8 person-months, intermittent) will be engaged to support the implementation and monitoring and reporting on the GAP.

**Table 8: Gender Action Plan**

Activities	Indicators & Targets	Responsibility	Time
<b>Output 1: Financial support to enterprises started or operated by migrants, rural enterprises, and youth from the formal banking sector increased.</b>			
1.1 Support 30,000 returning migrants, unemployed youth, and rural micro enterprise owners with financing	1.1.1 20% women supported with financing (June 2020 baseline: 500)	Bangladesh Bank	By June 2025
1.2 Enhance financial utilization skills of returning migrants, unemployed youth, and rural micro enterprise owners	1.2.1 Needs assessment conducted covering present job market and skills for both local and foreign employment opportunities for identified groups.	TA Consultants	By June 2025
	1.2.2 20% women who received financial support reported to	TA Consultants	By June 2025

Activities	Indicators & Targets	Responsibility	Time
	have increased entrepreneurial skills.		
<b>Output 2: Capacity of employment-supporting financial institutions strengthened.</b>			
2.1 Support at least two financial institutions in the enhancement of policy framework, and risk management area (including gender responsive corporate strategy, credit guidelines, risk management, and anti-money laundering policies).	2.1.1 Gender-responsive corporate strategy to support targeted (unemployed youth, returning migrants, and rural entrepreneurs) population with gender action plan developed and submitted to Bangladesh Bank board <sup>a</sup> 2.1.2 Incorporate gender-responsive features in credit guidelines and risk management policies <sup>b</sup>	Bangladesh Bank, TA Consultants	By December 2023
2.2 Raise awareness in best practices in supporting cottage, micro enterprises for at least 100 staff of PFIs enterprises	2.2.1 40% women staff report increased knowledge on best practices in supporting cottage, microenterprises.	Bangladesh Bank, TA Consultants	By June 2025
2.3 Build the capacity of the implementing agency on governance, risk management and financial management capacities.	2.3.1 At least 80% of all available and relevant women staff of two PFIs received capacity building training on governance, risk management, and financial management capacities	Bangladesh Bank, TA Consultants	By June 2025
<b>Output 3: Action plan for promoting formal banking sector support for cottage, micro, and small enterprises developed.</b>			
3.1 Develop a gender-responsive action plan for enhancing access to finance through banking sector.	3.1.1 A gender-responsive action plan (with enhanced credit guarantee schemes to broaden and strengthen reach to women micro entrepreneurs) developed and submitted to Bangladesh Bank for approval. <sup>c</sup>	Bangladesh Bank/ADB	By December 2024
3.2 Enhance knowledge on accessing financial services for at least 400 returning migrants	3.2.1 At least 150 women report increased knowledge	Bangladesh Bank/ADB/PFI	By December 2024
3.3 Establish an internet-based training platform for small enterprises	3.3.1. A user-friendly internet-based training platform developed with sex-disaggregated information	Bangladesh Bank/ADB	By December 2024
3.4 Provide incubation services to women entrepreneurs.	3.4.1 At least 200 women micro entrepreneurs supported	Bangladesh Bank/ADB	By December 2024

PFI = participating financial institution, TA = technical assistance.

<sup>a</sup> Includes but is not limited to (i) assessment of barriers in banking to ensure women's rights to financial services and ensure that banks are financing sectors where the majority of women work; (ii) review of financial products to identify appropriate products that economically empower women; (iii) review and establish sex-disaggregated management information system for evaluation of financial services for women; and (iv) document select innovations in processes, mechanisms, and products for vulnerability reduction (e.g. pensions and insurance) and for women's economic empowerment.

<sup>b</sup> Includes but is not limited to guidelines that consider women's specific needs for loans and lack of collateral and has affirmative actions to ensure women receive loans. Risk management policies will be gender-responsive through assessments to ensure women's specific risks are accounted for.

<sup>c</sup> This plan will include activities to remove barriers in banking to ensure women's access to financial services and ensure that banks are financing sectors and providing financial products where the majority of women work. It will also include specific interventions to establish sex-disaggregated management information system for evaluation of financial services for women; and document select innovations in processes, mechanisms, and products for vulnerability reduction (e.g., pensions, insurance) and for women's economic empowerment.

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

### A. Project Design and Monitoring Framework

#### Impact(s) the Project is Aligned with

Rapid recovery from COVID-19 to restore employment, income and economic activities (Eighth Five-Year Plan, July 2020–June 2025)<sup>a</sup>

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
<b>Outcome</b>			
Adverse economic effects of COVID-19 on migrants, youth, and rural entrepreneurs mitigated	By December 2025, at least 45,000 employment opportunities created among the beneficiaries of the program. (2020 baseline: 0)	Business registry or project report using sample-based survey	R: Further economic downturn beyond projected levels exacerbates effective operations of banks and/or operations of the beneficiaries.
<b>Outputs</b>			
1. Financial support to enterprises started or operated by migrants, rural enterprises, and youth for self-employment from the formal banking sector increased	1a. By June 2025, \$150 million credit line to PFIs to expand financing to unemployed youth, returning migrants, and rural entrepreneurs provided (2020 baseline:0)  1b. By June 2025, 30,000 returning migrants, unemployed youth, and rural micro and small business owners (20% women) supported with financing (June 2020 baseline: 8.4%)	1a-1b.Executing agency report, project periodical monitoring report, bank's annual report.	A: Banks' capacity to meet the demand for managing the increased lending volume remains adequate.
2. Capacity of employment-supporting financial institutions strengthened	2a. By December 2023, at least two financial institutions are supported in enhancing their gender-responsive corporate strategy, credit guidelines, risk management, and anti-money laundering policies. (2021 baseline: 0)  2b. By December 2023, at least 100 PFI staff (40% female) have increased awareness of best practices in supporting cottage, micro, and enterprises. (2021 baseline: 0)	2a.–2b. TA reports, executing agency final report, bank letter confirmation of the policy actions taken	

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
3. Action plan for promoting formal banking sector support for cottage, micro, and small enterprises developed	<p>3a. By December 2024, a gender-responsive action plan for enhancing access to finance through the banking sector developed by Bangladesh Bank (2021 baseline: not developed)</p> <p>3b. By December 2024, at least 400 returning migrants (including at least 150 women) with increased knowledge in accessing financial services. (2021 baseline: 0)</p>	3a-3d. TA reports and final report	
	3c. By December 2023, internet-based training platform for cottage, micro, and small enterprises is established (2021 baseline: not applicable)		
	3d. By December 2024, at least 200 women entrepreneurs are supported by incubation services (2021 baseline: 0)		

#### Key Activities with Milestones

##### 1. Financial support to enterprises started or operated by migrants, rural enterprises, and youth from the formal banking sector increased.

- 1.1 Disburse \$40 million through Bangladesh Bank to PFIs by Q4 2022
- 1.2 Disburse an additional \$50 million by Q4 2023
- 1.3 Disburse an additional \$50 million by Q4 2024
- 1.4 Disburse additional \$10 million by Q2 2025

##### 2. Capacity of employment-supporting financial institutions strengthened.

- 2.1 Consultants support the PFIs and prospective PFIs to enhance the financial inclusive strategies by Q4 2022
- 2.2 Consultants support the PFIs and prospective PFIs to enhance the policy frameworks by Q4 2022
- 2.3 Consultants support the PFIs and prospective PFIs to develop guidelines for credit department and various committees by Q4 2022
- 2.4 PFIs take steps to improve underwriting standard to improve quality of the loan portfolio by Q4 2023
- 2.5 Consultants support the development of procurement plan for the MIS by Q2 2023
- 2.6 Capacity building activities for PMU and PFI officials on underwriting standards, risk management, GESI mainstreaming and environmental and social safeguards by Q4 2023

##### 3. Action plan for promoting formal banking sector support for cottage, micro and small enterprises developed

- 3.1 Action plan developed and discussed with Bangladesh Bank, the MOF, and related agencies by Q3 2023.
- 3.2 Training and knowledge event conducted for PMU, PFIs, and stakeholders to promote best practices by Q3 2023.
- 3.3 Online platform developed to make training materials available to broader audiences by Q1 2023.
- 3.4 Outreach conducted, including online, to increase awareness of the program by Q1 2025.

#### Project Management Activities

Conduct regular project review missions in coordination with ADB's Bangladesh Resident Mission.  
 Monitor banks' financial and operational reports and consultant reports.  
 Conduct a survey of the project outcome.

#### Inputs

ADB: \$150 million (loan)  
 Technical Assistance Special Fund—other sources: \$900,000 (TA)

A = assumption, ADB = Asian Development Bank, COVID-19 = coronavirus disease, GESI = gender equity and social inclusion, MIS = management information system, MOF = Ministry of Finance, OP = operational priority, PFI = participating financial institution, Q = quarter, R = risk, TA = technical assistance.

<sup>a</sup> Government of the People's Republic of Bangladesh, Bangladesh Planning Commission. 2020. [\*Eighth Five-Year Plan, July 2020–June 2025: Promoting Prosperity and Fostering Inclusiveness\*](#). Dhaka.

## **B. Monitoring**

54. **Project performance monitoring.** To ensure that the project is efficiently managed and its benefits are maximized, Bangladesh Bank will ensure that a project performance management system (PPMS) satisfactory to ADB is established and implemented. The key performance indicators and assumptions in the design and monitoring framework will be the basis for the system. Bangladesh Bank will have established the baseline for each of these indicators, and such information will be made available to review missions and to the Government for future impact assessment surveys. The scope of the system, quantity and quality of data, and frequency of collection will be guided by the need for feedback on implementation. Bangladesh Bank will submit annual monitoring and evaluation reports to ADB for the duration of the project. The PPMS will monitor and evaluate the project information and data to ensure that planned interventions achieve the desired result under each project component, including key impact and outcome indicators and associated assumptions with corresponding target dates. PPMS activities will be conducted periodically to gather information from multiple sources to determine whether the input deliveries for implementing project activities have rendered expected benefits to the intended beneficiaries. The PPMS will aim to detect any deficiencies and discrepancies between the plan and the execution of the project in using the resources efficiently so that timely corrections can be made to adjust the design of the project and thus improve its benefits, outcomes, and impact. The PFIs will undertake periodic subproject performance reviews to evaluate the scope, implementation arrangement, and progress and achievements of objectives of the project.

55. **Compliance monitoring.** PFIs' compliance with the covenants will be monitored by Bangladesh Bank based on the PFIs' monthly reports, annual financial statements, and audited project account. PFIs will be required to prepare and submit an annual report to Bangladesh Bank to confirm compliance with the stated requirements.

56. **Safeguards monitoring.** Bangladesh Bank will monitor the screening process carried out by the PFIs as part of the fund application process. ADB will receive annual reports on safeguard compliances.

57. **Gender and social dimensions monitoring.** GAP implementation status will be reported semiannually. PFIs' monthly report will have data pertaining to the social status and will be sex disaggregated.

## **C. Evaluation**

58. To ensure responsive and timely implementation, there will be regular review missions in accordance with the project implementation schedule. There will be regular interaction between the executing agency, Bangladesh Bank, and ADB. Annual performance review will be conducted by the government, Bangladesh Bank, and ADB. In addition, a comprehensive midterm review will be undertaken by the government, Bangladesh Bank, and ADB about 24 months after the project's effectiveness that will (i) evaluate the scope, design, and implementation arrangements; (ii) assess implementation performance against project indicators; (iii) review and establish compliance with loan covenants; and (iv) identify problems and constraints and, if necessary, recommend changes in the design or implementation arrangements.

59. Within 6 months after the loan closing date, the MOF-FD and Bangladesh Bank will submit a project completion report to ADB in a form acceptable to ADB. Subsequently, ADB will field a mission to finalize the project completion report.

#### **D. Reporting**

60. Bangladesh Bank will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for the next 12 months; and (iii) a project completion report within 6 months of physical completion of the project. To ensure that projects will continue to be both viable and sustainable, project accounts and the executing agency audited financial statement together with the associated auditor's report, should be adequately reviewed.

#### **E. Stakeholder Communication Strategy**

61. ADB will communicate the information about this project and the outcome of this project through its publications, presentations and on its website. ADB will also communicate with the project's internal stakeholders (MOF-FD and Bangladesh Bank) through written documents and official meetings, including SC meetings. Subborrowers would provide information at the time of subloan application and would have personal follow-up interactions with the PFIs. PFIs would communicate with Bangladesh Bank on the status of financial intermediary loans through submission of quarterly progress reports to the PMU at Bangladesh Bank, who, in turn, will forward the same to ADB. PFIs will also communicate to their staff through training programs, sensitization programs, and workshops to subborrowers through public campaigns. Internet based outreach and training will be piloted in this program.

62. The key communication objectives of the project are:

- (i) to inform potential and existing entrepreneurs and in particular women entrepreneurs of the opportunities that the project offers including capacity building activities and increased access to credit resources;
- (ii) to empower potential borrowers and women entrepreneurs and encourage them to enter into business ventures;
- (iii) to gather feedbacks on the project implementation and identify areas of improvement;
- (iv) to strengthen official network for cottage, micro and small enterprises and create a learning environment through sharing of experiences among the PFIs; and
- (v) to create public support for the project.

### **X. ANTICORRUPTION POLICY**

63. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.<sup>15</sup> All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service

<sup>15</sup> Anticorruption Policy: <https://www.adb.org/documents/anticorruption-policy>.

providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.<sup>16</sup>

64. To support these efforts, relevant provisions are included in the loan agreement of the project.

65. ADB's Office of Anticorruption and Integrity is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff.<sup>17</sup> Anyone coming across evidence of corruption associated with the project may contact below by telephone, facsimile, e-mail, or by mail:

Office of Anticorruption and Integrity  
Asian Development Bank  
6 ADB Avenue, Mandaluyong City  
1550 Metro Manila, Philippines  
Telephone: +63 2 632 5004  
Fax: +63 2 636 2152  
E-mail: integrity@adb.org or [anticorruption@adb.org](mailto:anticorruption@adb.org)

## **XI. ACCOUNTABILITY MECHANISM**

66. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.<sup>18</sup>

## **XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL**

67. This document is subject to revisions based on changing conditions on the ground, and all changes will be initiated by the government request and approved by ADB. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

	Date
PAM approved by ADB	
First Revision	

<sup>16</sup> ADB's Office of Anticorruption and Integrity website: <https://www.adb.org/integrity>.

<sup>17</sup> ADB's Integrity Office website is available at <http://www.adb.org/integrity/unit.asp>.

<sup>18</sup> Accountability Mechanism. <http://www.adb.org/Accountability-Mechanism/default.asp>.

## ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT

### A. Scope of Participating Financial Institutions' Environmental Monitoring of Subborrowers

1. Environmental monitoring will be based on information gathered relating to environmental impacts and risks during the lifetime of a transaction and supplemented with site visit, if needed. Monitoring is needed to ensure subborrowers' compliance with applicable national laws and regulations, with ADB safeguard requirements and legal agreements. Monitoring of subborrowers should focus on the following main aspects:

- (i) The subborrowers' ongoing compliance with applicable national laws and regulations and with ADB's safeguard-related requirements in Safeguard Policy Statement;
- (ii) The subborrowers' compliance with conditions included in the ADB loan agreement with Bangladesh Bank;
- (iii) Regulatory trends (e.g., changing environmental laws and regulations) may introduce new standards which cannot easily be met by the subborrower, thus exposing both parties (bank and subborrower) to new sources of risk and liability; and
- (iv) Subborrowers continuing to pay significant fines for ongoing environmental violation and non-compliance and for which the PFI's assistance may be needed to help the subborrower achieve compliance. Although fines may appear as minor operating costs, they may signal future major liabilities.

2. Periodic reports on the environmental and social performance of subloans should be brief and focus on the following:

- (i) The nature of subloans made (size, purpose, term), vulnerability of location, and environment and social safeguards categories;
- (ii) Any major environmental and/or social-related accidents or incidents;
- (iii) Any litigation, complaints, or fines for non-compliance with environmental or social or health and safety regulations brought to the PFI's attention or otherwise known to the PFI; and
- (iv) Any non-compliance with ADB's prohibited investment activities list.

#### List of Approved CMSE Subloan

Subproject/ company name	Location (ideally to include land use or surrounding environmental feature)	Sector/ subsector	Nature of business activity	Subloan amount	Purpose of subloan	Term of Subloan	Category EN/IR/IP	Compliant with applicable national laws and regulation(Y/N)	Compliant with PIAL* (Y/N)	Remarks

EN = environment, IP = indigenous people, IR = involuntary resettlement, PIAL = prohibited investment activity list.

Note: This information will be captured through the project performance management system.

Source: Asian Development Bank.



**B. Scope of Bangladesh Bank's Environmental Monitoring of PFIs**

3. Bangladesh Bank's monitoring of PFIs will focus on the following:

- (i) Appointment of trained staff to implement the safeguards screening checklist;
- (ii) Appropriate implementation of safeguards screening checklist for subprojects;
- (iii) Compliance with relevant selection criteria for qualified subprojects as stipulated in the loan agreement between ADB and Bangladesh Bank;
- (iv) Bad subloans resulting from environmental and social problems;
- (v) Environmental opportunities or effects associated with subloans;
- (vi) Subloans rejected on environmental, social, health, and safety grounds;
- (vii) Operationalization of environmental and social safeguards management system, and availability of qualified staff;
- (viii) Management of environmental risks consistent with the Environmental Risk Management Guidelines for Banks and Financial Institutions in Bangladesh issued by Bangladesh Bank in 2011 or its update; and
- (ix) Difficulties and constraints related to the implementation of the safeguard screening checklist or environmental safeguards management system.

**C. Scope of ADB monitoring of Bangladesh Bank**

- (i) Review and approve subproject safeguard screening checklist in consultation with ADB prior to loan disbursement to any PFI;
- (ii) Training of PFI staff on the use of subproject safeguard screening checklist and monitoring of subborrowers;
- (iii) Compliance with relevant PFI selection criteria;
- (iv) Compliance with safeguard-related provision on conditions for disbursement to each PFI; and
- (v) Compliance with other relevant loan covenants.

**D. Scope of Monitoring Report of Bangladesh Bank to ADB**

4. Bangladesh Bank's annual monitoring report to ADB will cover points outlined in sections A, B, and C above.

## PARTICIPATING FINANCIAL INSTITUTION SELECTION CRITERIA

1. Prior to declaring a financial institution eligible for inclusion in the project as a participating financial institution (PFI), Bangladesh Bank as the implementing agency will evaluate each candidate financial institution based on the criteria defined in this document. ADB will assess all potential PFIs to ensure that the eligibility criteria for PFIs as defined in OM D6 have been met.<sup>1</sup> ADB will further assess the PFI's financial soundness as evidenced by adequate capital, asset quality, liquidity, and profitability. ADB concurrence is required prior to declaring each PFI as eligible for inclusion in the project as a PFI. Moreover, all PFIs should continue to meet the eligibility criteria for the duration of project implementation. ADB reserves the right to disallow disbursements from the credit facility to any PFI not conforming with any of the above criteria until such time as the PFI is able to satisfy the PFI eligibility criteria.

2. Each private sector scheduled bank or FI can avail funds from the program up to equivalent of 20% of its shareholder equity, unless with the explicit agreement of Bangladesh Bank and ADB.

3. The PFIs must comply with the following eligibility criteria:

- (i) Cottage, micro, small lending commitment and capacity of PFIs. Each PFI must have a track record of performance on lending to the relevant sector;
- (ii) Compliance with applicable prudential regulations and guidelines of Bangladesh Bank. Each PFI must follow all applicable prudential regulations and guidelines of Bangladesh Bank;
- (iii) Minimum CAMELS rating. Each PFI must have a minimum rating of 2 or better on the CAMELS-based assessment carried out by Bangladesh Bank. Each PFI must at least maintain its CAMEL rating throughout the life of the project, unless it's a target bank<sup>2</sup> for which MOF has provided a guarantee in favor of Bangladesh Bank<sup>3</sup>
- (iv) The non-performing loan ratio lower than 10% (footnote 18) unless it's a target bank for which MOF has provided a guarantee in favor of Bangladesh Bank;<sup>4</sup> and
- (v) commitment to disburse \$3 million each year under the project.

4. Provisions will be included in each participation agreement between Bangladesh Bank and a PFI that require the PFI to (i) maintain financial soundness; (ii) conduct its operations in accordance with sound financial principles and practices; (iii) maintain a lending and investment policy acceptable to ADB and Bangladesh Bank to enable it to effectively appraise the financial, technical, environmental, and economic feasibility of investment projects; and (iv) supervise and monitor the implementation of investment projects by beneficiaries. ADB reserves the right to disallow disbursements from the credit facility to any PFI not conforming with any of the above criteria until such time as the PFI is able to satisfy the criteria. Such PFI shall be required to

<sup>1</sup>ADB. 2003. Bank Policy Financial Intermediation Loans. Operations Manual. OM D6. Manila.

<sup>2</sup>Target bank means a state-owned bank or financial institution owned by the government, or a bank or financial institution established under a special act or regulation, with the objective of employment creation for youth, returning migrants or rural entrepreneurs.

<sup>3</sup>For banks established by the government with the objective of employment creation among the youth, returning migrants, and rural entrepreneurs, MOF may provide guarantee on the repayment of the loans to Bangladesh Bank in lieu of meeting this criterion.

<sup>4</sup> Non-performing loan ratio is the ratio of gross non-performing loan over all outstanding loan amount.

remedy any default of eligibility criteria within 6 months of default and in any event, within the disbursement period of the Employment Project.

5. Each PFI must comply with the environmental and social safeguards management arrangement of the project in form of a subproject screening checklist designed to identify, remedy, and monitor subprojects' compliance according to ADB's Safeguard Policy Statement (2009).

## SUBLOAN AND SUBBORROWER CRITERIA

1. Participating financial institutions (PFIs) will comply with the following requirements in selecting eligible subborrowers:

- (i) Subborrower must be economically and financially viable and presented reasonable business plans;
- (ii) Subborrowers may not be related parties of the PFI's board or senior management;
- (iii) Subborrowers must be (a) operated by returning migrants (returned since the beginning of 2020) or families of migrants, or (b) operated by youth with training (18–45 years old), or (c) located outside Dhaka and Chattogram metropolitan areas;
- (iv) Subborrowers must contribute 20% of the equity in their business;
- (v) Subborrowers must not have default history; and
- (vi) Subborrowers must meet other credit requirements of the PFIs.

2. Subborrowers must belong to the cottage and micro enterprise as defined by Bangladesh Bank. Small enterprises as defined by Bangladesh Bank and located outside of Dhaka and Chattogram metropolitan area that are also affected by COVID-19 pandemic.<sup>1</sup> will also qualify. Maximum subloan size is Tk 5 million. With a tenor of less than 5 years. Subloans can be used for the purpose of working capital or long-term investment.

3. PFIs will ensure that the subloans are for financing subprojects with no significant environmental, involuntary resettlement or indigenous peoples impacts under ADB's Safeguard Policy Statement (2009), i.e., only category C subloans are permitted in this project.

4. The interest rate for the subloan shall reflect funding cost of the PFIs and the credit risk of the subborrowers and shall be determined by Bangladesh Bank, agreeable to ADB.<sup>2</sup>

5. In addition to the above criteria, PFIs must adhere to other requirements as specified in the loan agreement and the project agreement.

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<sup>1</sup>PFIs will determine Covid-19 affected small entrepreneurs by using their banking experience and prudence.

<sup>2</sup> ADB project officer's written concurrence will be needed.

**QUARTERLY/ANNUAL MONITORING REPORT**  
as of Q1 2022

**Bangladesh: Supporting Post-COVID-19 Small-Scale Employment Creation Project**  
**Loan Agreement No: [xxxx]**

**A. Introduction and Basic Data:**

ADB Loan Number:	Xxxx
Project Title:	Supporting Post-COVID-19 Small-Scale Employment Creation Project
Loan Allocations:	ADB (\$million):150
Important dates:	Dates of Approval (dd-mm-yyyy): Date of Signing (dd-mm-yyyy): Date of Effectiveness (dd-mm-yyyy):
Executing Agency:	
Implementing Agency:	
Original Loan Closing Date:	30 June 2025
Revised Loan Closing Date:	N/A

**B. Disbursement**

**Quarterly Disbursement Progress**  
(BDT million with two decimal points)

Quarters	ADB Fund	Government/Bangladesh Bank	PFI	Sub-Borrowers' Equity	Total
<b>Target:</b>					
Quarter 1, Year 1					
Quarter 2, Year 1					
Quarter 3, Year 1					
Quarter 4, Year 1					
...					
<b>Total Target</b>					
<b>Actual:</b>					
Quarter 1, Year 1	-	-	-	-	

PFI = participating financial institutions.

**Discussion on Deviations and Remedial Measures**

<b>Reasons for deviation:</b> Any reasons for deviations of actual and target disbursements will be discussed in detail.	<b>Remedial measures for addressing deviations:</b> The actions that would be taken to address the deviations should be discussed here.

**C. Subloan Analysis**

Parameters	Year 1 (YTD)	Year 2 (YTD)	Year 3 (YTD)	Year 4 (YTD)	Year 5 (YTD)	Total
<b>Type of Loan: Number</b>						
Working Capital Loan ( $\leq 1$ year)						
Loan for Capital Investment (1–5 years)						
<b>Type of Loan: BDT million</b>						
Working Capital Loan ( $\leq 1$ year)						
Loan for Capital Investment (1–5 years)						
<b>Maturity Analysis: Number</b>						
Short Term Loan ( $\leq 1$ year)						
Medium Term Loan (1–3 years)						
Long Term Loan (3–5 years)						
<b>Maturity Analysis: (BDT million)</b>						
Short Term Loan						
Medium Term Loan						
Long Term Loan						
<b>Subloans by PFI: (number)</b>						
Banks						
FIs						
<b>Subloans by PFI: (BDT million)</b>						
Banks						
FIs						
<b>Gender Analysis: (number)</b>						
Male-owned						
Female-owned						
<b>Gender: (BDT million)</b>						
Male-owned						
Female-owned						
<b>Business Classification:(number)</b>						
Manufacturing						
Service						
Trade						
<b>Business Classification: (BDT million)</b>						
Manufacturing						
Service						
Trade						
<b>Type of SME:(BDT million)<sup>a</sup></b>						
Cottage						

Parameters	Year 1 (YTD)	Year 2 (YTD)	Year 3 (YTD)	Year 4 (YTD)	Year 5 (YTD)	Total
Micro						
Small						
<b>Type of SME:(Number)</b>						
Cottage						
Micro						
Small						
<b>Employment: (Headcount)</b>						
Employment before Refinancing						
Additional employment created						
<b>Subloan Type: (Number)</b>						
First Time Borrower						
Old Borrower						
<b>Loan Performance: (BDT million)</b>	Data	Not	Available			
Unclassified						
Overdue						
Special Mention						
Bad Loss						
<b>Loan Performance: (Number)<sup>b</sup></b>						
Unclassified						
Overdue						
Special Mention						
Bad Loss						
<b>Environmental category: (Number)</b>						
Red						
Orange						
Green						
<b>Subloan Size: (Number)</b>						
<BDT 500,000						
BDT 500,000 - BDT 2,000,000						
BDT 2,000,000 - BDT 5,000,000						
<b>Subloan Size: (BDT)</b>						
<BDT 500,000						
BDT 500,000 - BDT 2,000,000						
BDT 2,000,000 - BDT 5,000,000						

<sup>a</sup>As per definition of the Government/Ministry of Industries/Bangladesh Bank.

<sup>b</sup>As per Bangladesh Bank Guideline.

**D. Compliance with Covenants****Key Operational Covenants**

<b>Parameters</b>	<b>Target</b>	<b>Actual (Cumulative BDT million)</b>	<b>Comments with reasons for any deviation and remedial action</b>

**Compliance with Loan Agreement**

**Covenants will be inputted as stipulated in Loan Agreements  
(Article IV–Particular Covenants, Schedule 3–Execution of Project; Financial Matters)**

<b>Covenants</b>	<b>Reference in Loan Agreement</b>	<b>Timeline</b>	<b>Complied / Being Complied with / Not Complied Reasons for non-compliance and remedial action taken or to be taken</b>

**Compliance with Project Agreement**

**Covenants will be inputted as stipulated in Project Agreement  
(Article IV–Particular Covenants)**

<b>Covenants</b>	<b>Reference in Project Agreement</b>	<b>Timeline</b>	<b>Complied / Being Complied with / Not Complied. Reasons for non-compliance and remedial action taken or to be taken</b>

**Compliance with Audit Report of Foreign-Aided Project Audit Directorate (FAPAD)**

<b>FY</b>	<b>FAPAD Observations</b>	<b>Response from the Implementing Agency and timeline for resolution</b>
2021–2022		
2022–2023		



**E. Progress with Parameters of Design and Monitoring Framework (DMF)**

<b>Performance Indicators with Targets and Baselines</b>	<b>Achievement to date with data source and projection of compliance by timeline; Any reason for not achieving the target.</b>
Output 1:	
Output 2:	
Output 3:	

**F. Continuing Eligibility of PFIs**

<b>Name of PFIs</b>	<b>Bank/NBFI</b>	<b>Qualified or not</b>	<b>Reasons if not qualified</b>

**Discussion on performance of PFIs:** Provide a discussion on PFIs, who are the lowest performers in terms of disbursement, interest rate and non-performing assets, and the action plan for improving their performance.

Attachment: Annual report of Participating Financial Institution

**Summary of participating financial institutions (PFIs):** Apart from individual analysis, the implementing agency will also provide every year a summary of all PFIs as part of compliance of continuing eligibility criteria.

**G. Project Issues and Problems**

<b>Describe major Issues related to the project and its implementation</b>	<b>Describe the remedial actions taken or to be taken to address each issue</b>
Design Issues:	
Readiness Issues:	
Implementation Issues:	
Compliance Issues:	
Other Issues:	

**H. Attachments:**

- (i) Annual Report of PFIs (yearly submission)
- (ii) Audit Report of Foreign Aided project Audit Directorate (yearly submission)
- (iii) Continuing Eligibility Report of PFIs (yearly submission)
- (iv) Minutes of meeting of Project Steering Committee
- (v) Environmental and social safeguard report

- (vi) Excel file: The implementing agency will provide a softcopy of excel of PFI-wise data containing columns of the following parameters:
- Vulnerable group tagging;
  - Gender of the borrower;
  - Tenors;
  - Geographic location in terms of districts and divisions;
  - Type of financial institutions, such as bank and non-banking financial institutions;
  - Interest rate;
  - Broad sector classification, such as, trade, service and industry;
  - Type of enterprise (cottage, micro, and small)
  - Ownership by type of gender–male and female;
  - Employment generation;
  - Loan performance as per Bangladesh Bank guidelines;
  - Type of subloans– unemployment youth, returnee migrant and rural enterprise;
  - First time loan by sub-borrower / repeat sub borrower of the project
  - Type of project–new or expansion
  - Collateral–none, land and buildings, stocks and book debts, guarantees etc.
  - Type of loan–working capital and fixed investment in land and buildings or machinery
  - Export-orientation–export-oriented or domestic consumption
  - Environmental category

**SEMI-ANNUAL GENDER ACTION MONITORING REPORT**

<b>Targets</b>	<b>Indicators</b>	<b>Activities</b>	<b>Responsibilities</b>	<b>Status</b>

# **Environmental and Social Management System Arrangement**



## **Supporting Post COVID-19 Small Scale Employment Creation Project (SPCSSECP)**

Project Number: 54336-001

October 2021  
(RRP BAN 54336)

## CURRENCY EQUIVALENTS

(as of 30 August 2021)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.0117
\$1.00	=	Tk85.1799

## ABBREVIATIONS

ADB	–	Asian Development Bank
EIA	–	environmental impact assessment
EMP	–	environmental management plan
ESMS	–	Environmental and Social Management System
IEE	–	Initial Environmental Examination
PIAL	–	Prohibited Investment Activities List
SPS	–	Safeguards Policy Statement

## NOTE(S)

- (i) The fiscal year (FY) of the Government of Bangladesh and its agencies ends on 30 June. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2021 ends on 30 June 2021.
- (ii) In this report, "\$" refers to United States dollars.

This environmental and social management system arrangement is a document of the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff; and may be preliminary in nature.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

## A. Introduction

1. The Asian Development Bank (ADB) will provide a sovereign loan to the People's Republic of Bangladesh to onlend to Bangladesh Bank. The loan would be relent by Bangladesh Bank through the eligible participating financial institutions (PFIs) to on lend to trained youth, returning migrants, and rural entrepreneurs to engage in self-employment business activities or micro, and small-sized enterprises. Within ADB, it is categorized as a financial intermediary loan.

2. The Environmental and Social Management System (ESMS) Arrangement was prepared by the Bangladesh Bank for managing environmental and social risks of the subloans to be supported under the "Supporting Post-COVID-19 Small-Scale Employment Creation" project. The ESMS has complied the requirement of ADB Safeguard Policy Statement (SPS) 2009 and Bangladesh Bank's Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh. The ESRM was approved by the Bangladesh Bank Board of Directors and disclosed in February 2017.

3. The subloans under this project will be supporting business activities in cottage and micro enterprises which will be unlikely to have significant environmental and social safeguard impacts. This project is classified as *FI-C* for environment, involuntary settlement and Indigenous Peoples<sup>1</sup> in line with the Safeguard Policy Statement (SPS) 2009 of ADB. To ensure all the subloans are compliant with ADB and Bangladesh Bank requirements, Bangladesh Bank has developed screening checklists for environmental, involuntary resettlement and Indigenous People impact, which will be used by PFIs to screen each subloan. Bangladesh Bank will conduct review and confirmation of these documents and provide monitoring, semiannual reporting and grievance redressing mechanisms.

## B. Applicable Domestic Legal Framework

4. **Environmental regulations.** Bangladesh has an environmental legal framework that is conducive to both environmental protection and natural resources conservation. In addition, a wide range of laws and regulations related to environmental issues are in place in Bangladesh. Many of these are cross-sectoral and partially related to environmental issues. Table 1 presents a summary of relevant environmental regulations.

**Table 1: Relevant Environmental Regulations and Policies**

Regulation	Brief Description
National Environmental Policy, 1992	Approved in May 1992, this policy provides for the basic framework for environmental action together with a set of broad sectoral action guidelines. Key elements include (i) maintenance of ecological balance and overall progress and development through protection and improvement of the environment, (ii) protection against natural disasters, (iii) identification and regulation of all types of activities that pollute and degrade the environment, (iv) ensuring sustainable use of all natural resources, and (v) active association with all environmentally related international initiatives.

<sup>1</sup>Also known as tribes, minor races, ethnic sects and communities in the context of Bangladesh.

<b>Regulation</b>	<b>Brief Description</b>
Bangladesh Environmental Conservation Act, 1995 (as amended by Act Nos 12 of 2000 and 9 of 2002)	This Act provides for conservation of the environment, improvement of environmental standards and control and mitigation of environmental pollution.
Environment Conservation Rules (ECR) of 1997 (adopted under the provision of ECA 1995 and amended in February and August 2002, 2005, February 2010, and February 2017)	This Act provides rules related to the declaration of ecologically critical areas, obtaining environmental clearance certificate (ECC), environmental quality standards, acceptable limits for discharges of waste, and environmental guidelines on pollution prevention.
National Disaster Management Act 2012	This Act provides for establishment of a framework for managing disasters in a comprehensive way.
Environment Court Act 2000 (amended in 2002 and 2010)	Under the Judiciary and Ministry of Environment, Forests, and Climate Change (MOEFCC), this Act ensures the resolution of disputes on environmental and social damages resulting from any development activities. This also allows for the completion of environment-related legal proceedings effectively.
National Forest Policy 1977 (amended in 1994)	This policy is designed to conserve the existing forest areas, bring about 20% of the country's land area under the Forestation Programme, and increase reserve forests by 10% per year to 2015 through coordinated efforts of Government of Bangladesh and nongovernment organizations, and through active participation of the people.
Wetland Protection Act 2000	The law provides for the protection of water bodies of the cities, divisional and district towns, and municipalities. The water bodies in the rural areas are outside the jurisdiction of this Act. However, the Act does not have any provision that prohibits construction of any kind of permanent or temporary structure within a determined distance of the water bodies.
Natural Water Bodies Protection Act 2000	According to this Act, the character of water bodies (i.e., rivers, canals, tanks, or floodplains identified as water bodies in the master plans or in the master plans formulated under the laws establishing the municipalities in division and district towns) shall not be changed without approval of the concerned ministry. This Act is under the Rajdhani UnnayanKartipakkha/Town Development Authority/Municipalities.
Bangladesh Water Act 2013	This Act makes provisions for integrated development, management, abstraction, distribution, use, protection, and conservation of water resources.
National Safe Drinking Water Supply and Sanitation Policy of 1998	Ensures access to safe water and sanitation services at an affordable cost

<b>Regulation</b>	<b>Brief Description</b>
Infectious Diseases (Prevention, Control and Elimination) Act 2008	This Act provides to “keep or quarantine any suspected person infected with an infectious disease, at a specific hospital, temporary hospital, establishment or home”. This law empowers government in notification, isolation, quarantine, sample collection and testing in emerging diseases.
Medical Waste Management Rules 2008	Any solid, liquid, gaseous, and radioactive waste material generated during the diagnosis, treatment, preventive, and curative measure, or in research activities pertaining to disease diagnosis when it is released, discharged, or disposed causing detrimental effect on human health and environment is considered medical waste
Public Health (Emergency Provisions) Ordinance, 1994	Calls for special provisions in case of emergency to prevent the spread of human disease, safeguarding public health and providing them adequate medical service and other services essential to the health of respective community and workers in particular during the construction related work.
Environment Court Act 2000 (amended in 2002 and 2010)	This Act ensures the resolution of disputes on environmental and social damages resulting from any development activities. This also allows for the completion of environment-related legal proceedings effectively.
Bangladesh Labour Act 2006, Bangladesh Labor Act 2013, Factory Rule 1979	These regulations aim to protect the interests and rights of the workers, through provision of comfortable working environment, reasonable working conditions, and to ensure workers’ safety. This also provides for the prohibition of employment of children and adolescent.
Bangladesh Labour Rules 2015	The rules state compliance procedure to engage manpower and obtaining approval of the Manpower Policy. The Rules prescribe the process and forms for the registration of manpower supply agencies under the Labour Act and use of certain forms for various register such as service book, labour register, leave register, etc.
Bangladesh National Building Code 2006	The Code sets minimum standards for design, construction, quality of materials, use and occupancy, location, and maintenance of all buildings to safeguard, within achievable limits, life, limb, health, property, and public welfare.
Bangladesh Building Construction Rules 2008	These rules aim to control development by imposing conditions on setbacks, site coverage, construction of garages, access to plot, provision of lift, land use of that particular plot and height of building. It regulates technical details of building construction and maintains standards of building construction.
Bangladesh Factory Act 2006	The Act requires every workplace including small- or large-scale construction where women are employed to have an arrangement of childcare services. Based on this Act and Labor Laws - medical facilities, first aid and accident and emergency arrangements are to be provided by the authority to the workers at workplaces.



Regulation	Brief Description
Local Government (Pourashava) Act 2009 and the Local Government (City Corporation) Act 2009	Provides guidance for integrated community and workers health and hygiene at the construction, and operation and maintenance stages of the project.

5. **Land acquisition and resettlement.** Articles 42 and 47 of the Bangladesh Constitution 1972 set forth the basic principles of property compensation while the Land Acquisition Act 1894, and the Acquisition and Requisition of Immovable Property Ordinance (ARIPO) 1982 (amended in 1994, 1995, and 2004) are regulations being enforced by the Revenue Department. However, ARIPO 1982 has been revised and the current policy framework for land acquisition and resettlement will now be based on the Acquisition and Requisition of Immovable Property Act of 2017.

6. **Indigenous Peoples.** The protection of the fundamental rights of all citizens, which include Indigenous Peoples, is provided for in Articles 11, 19, and 28 of the 1972 Constitution. Specifically, Articles 23–24 set forth the protection of the cultural tradition of Indigenous peoples. The Chhoto Nagpur Tenancy Act of 1908 allows for (i) individual ownership of lands to ethnic communities, whereby the transfer of tribal land to non-tribal people without the permission of the Deputy Commissioner would be illegal; (ii) free to profess and practice their religions and develop their own culture; and (iii) “*Adivasi*” right to protect their own land.<sup>2</sup>

### C. Bangladesh Bank’s ESRM Guideline

7. With a view of integrating sustainability into overall credit management of banks and FIs, Bangladesh Bank issued the Guidelines on Environmental and Social Risk Management (ESRM) in 2011 which has been the pioneering initiative from any central bank or financial sector regulator. The latest update has been made to ESRM in February 2017.<sup>3</sup> In parallel to the DOE assigned four color coded environmental categories, the Bangladesh Bank’s ESRM also proposed to assign financial intermediary as a risk category to those transactions involving clients such as banks, microfinance institutions, private equity funds, and leasing and insurance companies, which act as financial intermediaries in making financing available to other clients. The Bangladesh Bank’s ESRM proposed 3 categories: (a) High - transactions typically involve clients with business activities with significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites; (b) Medium - transactions typically involve clients with business activities with specific environmental and social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practice. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of High-risk transactions; and (c) Low - Transactions typically involve clients with business activities with minimal or no adverse E&S impacts.

<sup>2</sup> *Adivasis* is Bangladesh’s minority tribal group.

<sup>3</sup> [https://www.bb.org.bd/aboutus/regulationguideline/esrm\\_guideline\\_feb2017.pdf](https://www.bb.org.bd/aboutus/regulationguideline/esrm_guideline_feb2017.pdf)

## D. Safeguard Requirements of the ADB

8. **Environment categorization of the ADB.** According to Safeguard Requirements 1 of the SPS, a subproject's environment category is determined by the category of its most environmentally sensitive component, including direct, indirect, induced, and cumulative impacts. Each proposed subproject is scrutinized as to its type, location, scale, sensitivity and magnitude of its potential environmental impacts.

9. A proposed subproject is assigned one of the following categories depending on the significance of potential environmental impacts and risks:

- (i) **Category A.** A proposed subproject is classified as category A if it is likely to have significant adverse environmental impacts that are irreversible, diverse, or unprecedented. These impacts may affect an area larger than the sites or facilities subject to physical works. A subproject in this category is not allowed under this project;
- (ii) **Category B.** A proposed subproject is classified as category B if its potential adverse environmental impacts are less adverse than those of category A subprojects. These impacts are site-specific, few if any of them are irreversible, and in most cases mitigation measures can be designed more readily than for category A subprojects. An initial environmental examination (IEE), including an environmental management plan (EMP), is required. A subproject in this category is not allowed under this project; and
- (iii) **Category C.** A proposed subproject is classified as category C if it is likely to have minimal or no adverse environmental impacts. An environmental impact assessment or IEE is not required, although environmental implications are reviewed and subproject specific environment management plan is framed, as necessary.

10. **Involuntary resettlement categorization.** According to Safeguard Requirements 2 of the SPS, a subproject is assigned one of the following categories depending on the significance of the probable involuntary resettlement impacts:

- (i) **Category A.** A proposed subproject is classified as category A if it is likely to have significant involuntary resettlement impacts. A subproject in this category is not allowed under this project;
- (ii) **Category B.** A proposed subproject is classified as category B if it includes involuntary resettlement impacts that are not deemed significant. A subproject in this category is not allowed under this project; and
- (iii) **Category C.** A proposed subproject is classified as category C if it has no involuntary resettlement impacts. No further action is required.

11. **Indigenous Peoples categorization.** According to Safeguard Requirements 3 of the ADB Safeguard Policy Statement (2009), a proposed subproject is assigned to one of the following categories depending on the significance of the potential impacts on Indigenous Peoples:

- (i) **Category A.** A proposed subproject is classified as category A if it is likely to have significant impacts on Indigenous Peoples. A subproject in this category is not allowed under this project.
- (ii) **Category B.** A proposed subproject is classified as category B if it is likely to have limited impacts on Indigenous Peoples. A subproject in this category is not allowed under this project.

- (iii) **Category C.** A proposed subproject is classified as category C if it is not expected to have impacts on Indigenous Peoples. No further action is required.

## E. Applicable Environmental and Social Requirements for the Project

12. As the project's implementing agency, Bangladesh Bank will make sure that PFIs carry out proper due diligence for selection of subloans for financing. PFIs will conduct environmental and social screening using the guidelines provided in the ESMS to comply with the requirements of Bangladesh Bank, national laws and regulations, and ADBSPS. All subloans/subprojects are reviewed and evaluated against the ESMS, national laws, regulations and standards on environment, health, safety, involuntary resettlement and land acquisition, Indigenous Peoples, and physical cultural resources. The guidance for selection of subloans are as follows:

- (i) Subloans/subprojects will be screened against ADB's Prohibited Investment Activities List (PIAL) (see Appendix 1);
- (ii) subprojects belonging to prohibited or discouraged List of Activities of Bangladesh will not be eligible.
- (iii) all subprojects that passed criteria (i)–(ii) will need to fill in the (a) environmental screening checklists; (b) involuntary resettlement screening checklist; and (c) indigenous peoples screening checklist (Appendix 4) for further screening of their nature, scale, and siting to determine possible adverse social impacts and thus, the category and eligibility of the subloans will be determined based on their environmental and social categorization and the criteria set in Table 2.

13. This ESMS will be communicated to all relevant staff and operational employees of Bangladesh Bank, PFIs and loan recipients (subborrowers) for compliance.

14. Overall, ADB's safeguard selection criteria for subloans under ADB project is summarized in Table 2 below.

**Table 2: Summary of Safeguard Requirements**

Category (Risk Rating)	Environmental Assessment	Involuntary Resettlement	Indigenous Peoples
Category A (with potential significant impacts)	Ineligible for project financing		
Category B (with less significant impacts)			
Category C (with minimal or no impacts for environmental; and no impact for involuntary resettlement and Indigenous Peoples)	Comply with national laws, ESMS, and ADB's PIAL		

ADB = Asian Development Bank, PIAL = Prohibited Investment Activities List.

## F. Implementation Arrangements

15. The Ministry of Finance, acting through its Economic Relations Division is the executing agency while the Finance Division is the financial management agency, and Bangladesh Bank is the implementing agency. A project management unit (PMU) will be established by Bangladesh Bank to monitor the screening and selection of subprojects/subloans and the day-to-day implementation of the project. Bangladesh Bank has developed environmental and social screening guidelines for the PFIs, which were agreed by ADB. PFIs will screen all subprojects

based on the screening checklist to exclude all subprojects with category A and category B impacts on the environment, involuntary resettlement, and tribes, minor races, ethnic sects and communities; and finance only subprojects that are classified category C. Training will be provided for Bangladesh Bank and PFI staff on safeguards. Bangladesh Bank will assign experienced staff to oversee safeguard implementation. The annual safeguards monitoring reports are to be submitted to ADB by Bangladesh Bank PMU.

## **G. COVID-19 Health and Safety Guidance**

16. Considering community transmission of COVID-19 in Bangladesh, all selected PFIs and subloan beneficiaries will follow the guidance and protocols of Bangladesh and ADB (see Appendix 5). ADB has shared the guidance notes with its executing and implementing agencies in the DMCs. Bangladesh government has also issued a technical instruction in June 2020 for reopening the businesses and activities. All PFIs and subborrowers are required to follow the instructions provided by Bangladesh government and ADB.

## **H. Compliance Monitoring and Reporting**

17. Bangladesh Bank will ensure that screening checklists, associated permits, any grievance redress-related documents are systematically recorded. These documents will be made available during ADB review missions. ADB will conduct periodic review missions which may include review of screening checklists and site visits to sample subprojects to ensure that only the eligible subprojects are financed through the ADB loan.<sup>4</sup> As a precautionary measure, Bangladesh Bank will submit to ADB an annual environmental and social safeguard monitoring report (Appendix 6).

## **I. Grievance Redress Mechanism**

18. Bangladesh Bank's Financial Integrity and Customer Service Department (FICSD) is the existing channel for Grievance Redress Mechanism (GRM). The GRM will provide a systematic, transparent, and timely process for receiving, evaluating, and addressing affected people's subproject-related complaints and grievances. The GRM will be open to all subproject affected people, regardless of the nature of their complaint using an understandable and transparent process that is gender responsive, culturally appropriate, and readily accessible to all segments of the affected people at no costs and without retribution.

19. A complaint may be registered by stakeholders who may be directly or indirectly affected by the subloan. An affected person may opt to remain anonymous. A representative may register on behalf of the affected person or group provided that the representative is identified by the affected person or group and submits evidence of the authority to act on their behalf. A complaint can be submitted through written application, by e-mail or personal appearance at any branch office and/or Head Office of PFIs. Any unresolved issues may be forwarded to the Head Office of Bangladesh Bank.

20. Complainant may file grievances through the following channels:

- (i) **Level 1.** The complainant files a grievance against a subproject to branch office of PFIs. The branch office is required to resolve complaints against the client within 10 working days of receipt of the complaint. The office will receive, acknowledge

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<sup>4</sup>Missions will be conducted virtually until such time that it is allowed by national government and ADB.

and record all complaints received (including contact details of the complainant, date the complaint was received, nature of grievance), take actions or decisions to address the grievance, and provide feedback to the complainant, via writing (so that a record is maintained).

- (ii) **Level 2.** If the complainant is not satisfied with the action taken or if the branch office of PFI is not able to resolve the grievance within 10 working days, it will be forwarded to the head office of PFIs, where the case will be reviewed, further information and clarification will be sought from the branch office if necessary. A feedback will be provided to the complainant within 10 working days, and the action will be documented.
- (iii) **Level 3.** If the head office of PFIs not able to resolve the case within 10 working days, it will be forwarded to the head office of Bangladesh Bank, wherein the same process will be followed, and the grievance will be addressed within 10 working days. In total if the case needs to be resolved within 30 working days.

21. The GRM can run parallel to legal redress. Complainant may resort to the country's legal system at any stage.

22. **Accountability mechanism.** In the event that the complainant is not satisfied with the GRM process, the complainant may resort to ADB's Accountability Mechanism at any stage. Before submitting a complaint to the Accountability Mechanism, it is recommended that affected people make a good faith effort to resolve their issues by working with the ADB Resident Mission operations department. Only after doing that, and if they are still dissatisfied, they could approach the Accountability Mechanism.

## **J. Organizational Responsibilities, Resources and Capacity**

23. Bangladesh Bank has extensive prior experience in implementing the ESMS for ADB and other development agencies. Through a TA under the project, an environmental and social safeguard specialist (consultant) will be hired to supplement Bangladesh Bank to implement the ESMS and further develop safeguard capacity in Bangladesh Bank and PFIs. The environmental and social safeguards specialist (consultant) will develop a training program on environmental and social safeguards. Using Bangladesh Bank funds, the consultant will provide training to staff of Bangladesh Bank (head office, regional offices) and PFI safeguards focal points to implement the ESMS.

## ADB PROHIBITED INVESTMENT ACTIVITIES LIST

The following do not qualify for Asian Development FI financing:

- (i) production or activities involving harmful or exploitative forms of forced labor;<sup>1</sup> or child labor;<sup>2</sup>
- (ii) 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 phaseouts or bans, such as (a) pharmaceuticals,<sup>3</sup> pesticides, and herbicides,<sup>4</sup> (b) ozone-depleting substances,<sup>5</sup> (c) polychlorinated biphenyls<sup>6</sup> and other hazardous chemicals,<sup>7</sup> (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,<sup>8</sup> and (e) transboundary trade in waste or waste products;<sup>9</sup>
- (iii) production of or trade in weapons and munitions, including paramilitary materials;
- (iv) production of or trade in alcoholic beverages, excluding beer and wine;<sup>10</sup>
- (v) production of or trade in tobacco;<sup>10</sup>
- (vi) gambling, casinos, and equivalent enterprises;<sup>10</sup>
- (vii) production of or trade in radioactive materials,<sup>11</sup> including nuclear reactors and components thereof;
- (viii) production of, trade in, or use of unbonded asbestos fibers;<sup>12</sup>
- (ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and
- (x) 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.

<sup>1</sup> Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

<sup>2</sup> Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" ([www.ilo.org](http://www.ilo.org)).

<sup>3</sup> A list of pharmaceutical products subject to phaseouts or bans is available at <http://www.who.int>.

<sup>4</sup> A list of pesticides and herbicides subject to phaseouts or bans is available at <http://www.pic.int>.

<sup>5</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 phaseout dates. Information is available at <http://www.unep.org/ozone/montreal.shtml>.

<sup>6</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>7</sup> A list of hazardous chemicals is available at <http://www.pic.int>.

<sup>8</sup> A list is available at <http://www.cites.org>.

<sup>9</sup> As defined by the Basel Convention; see <http://www.basel.int>.

<sup>10</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>11</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 adequately shielded.

<sup>12</sup> This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

## ENVIRONMENT SCREENING CHECKLIST

**Please check if the proposed subproject was checked against PIA: Yes/No**

Date of Screening (D/M/Y):...../...../.....

### Section A: Basic information

Sub-borrower's Name: .....

Location: .....

Amount of loan requested: .....

Name of the Enterprise/Employment	Description Size/Volume/Production Capacity of Enterprise

1. **Main product(s):**Briefly describe the name of ultimate product, etc.
  
2. **Main production process(es):** (Provide simple flowchart to show main input of materials, water, energy (heat, steam or fuels etc.), output of intermediate and final products, and wastes (gaseous,liquid or solid) etc.
  
3. **Production capacity:** (per year and/or per day; if not applicable, need to explain here)

### Section B:Checklist for Environmental Screening

Sl.	General Intervention Issues	Yes	No	N/A	Remarks
<b>1. Possible common environmental issues in Enterprises</b>					
1.01	Is the subproject located within or adjacent to any protected area (reserve forest, rehabilitation camp, Ecologically Critical Area, heritage area etc.)?				
1.02	Will the subproject cause damage to any of the cultural heritage sites/structures?				
1.03	Is there any source of surface water nearby?				
1.04	Will the subproject create a barrier from natural runoff?				
1.05	Is deep tube-well required for using huge amount of ground water?				
1.06	Is there any possibility of blocking the local drainage system?				
1.07	Is there a possibility of polluting the adjacent water body?				
1.08	Are there significant sources of air pollution?				
1.09	Is there significant noise pollution which may disturb the community and biodiversity (e.g., birds)?				
1.10	Is resettlement of existing inhabitants or temporary occupants needed?				

1.11	Is there child labor in the work force?				
1.12	Are there any complaints from nearby neighbors/sensitive receptors?				
1.13	Is there any Grievance Redress Mechanism in place?				
1.14	Is there any arrangement for ensuring of environment and social safeguards compliance?				
<b>2. Issues Related to Agriculture (Crop, Fruit, Vegetable, Spices production)</b>					
2.01	Are the agricultural products safe for humans and harmless to the environment?				
2.02	Is the enterprise responsible for introducing invasive plant species?				
2.03	Will the invasive plant species be harmful for native species?				
2.04	Are the pesticides and herbicides included in the banned list in <a href="http://www.pic.int">http://www.pic.int</a> ?				
2.05	Is there any post harvesting agro-product storage place?				
2.06	Is there any significant quantity of bi-product from harvesting?				
2.07	Is the bi-product useful for the poultry and livestock as fodder?				
2.08	Are residuals used as bio-fertilizer?				
<b>3. Issues related to Livestock and Poultry</b>					
3.01	Is there enough source of food/fodder and medicine?				
3.02	Is there any source of fresh water?				
3.03	Is there proper ventilation?				
3.04	Is the place dry, clean and healthy for the livestock?				
3.05	Is there any scope for waste management?				
3.06	Will the shade belong a waste management facility (if the answer of 3.05 is 'no')?				
3.07	Is the shade vulnerable to spread disease by runoff and water contamination?				
3.08	Is there a possibility of degrading the quality of adjacent water bodies by run-off/seepage/leakage/spillage?				
<b>4. Issues Related to Fisheries</b>					
4.01	Will there be civil works which may affect the quality of surface waters?				
4.02	Is the dike high enough to protect the pond/ditch from surface run-off?				
4.03	Is there any scope for dike-plantation/grass surfing to prohibit soil erosion?				
4.04	Is there any scope of organic waste management?				
4.05	Is there a possibility of accidental oil spills (i.e., from boats)?				
<b>5. Issues related to Manufacturing</b>					
5.01	Is there proper ventilation in the facility?				
5.02	Are there sources noise (i.e., from the equipment)?				
5.03	Are there any sources of air pollution (dust, smoke, odor)?				
5.04	Is there any water treatment facility (to minimize the salinity/iron/arsenic in drinking water)?				
5.05	Are there alternative water sources (rainwater)?				
5.06	Are the workers provided with proper training on emergency procedures and safety measures?				
5.07	Are the workers provided with Personal Protective Equipment (i.e., masks, safety-belts, gloves, spectacles, air-pluck, helmet, gumboot, aprons, etc.)?				



5.08	Are the workers provided with sanitary facilities (i.e.? toilet)				
5.09	Are solid wastes disposed of properly (biodegradable and non-biodegradable)?				
5.10	Are there any harmful chemicals used in the process?				
<b>6. Issues related to Food Processing</b>					
6.01	Is the facility located near sensitive receptors? (i.e., hospital, school, residential area)				
6.02	Does the food processing facility have impacts on soil, ground water and surface water?				
6.03	Is wastewater treated?				
6.04	Are food ingredients permitted by the proper authorities (e.g., colors & chemicals)?				
6.05	Is proper hygiene observed by the workers?				
6.06	Are the surroundings regularly sanitized?				
6.07	Is there any bad odor observed or reported within the facility?				
6.08	Are solid wastes disposed of properly (biodegradable and non-biodegradable)?				
6.09	Are the workers provided with Personal Protective Equipment (i.e., masks, safety-belts, gloves, spectacles, air-pluck, helmet, gumboot, aprons, etc.)?				
6.10	Are the workers provided with proper training on emergency procedures and safety measures?				
6.11	Are there safety signs within the facility?				
6.12	Are there any accreditations/certifications related to food safety?				
<b>7. Issues related to Trade &amp; Services</b>					
7.01	Is there any landing and storage space for products?				
7.02	Is there any harmful chemicals used for storage?				
7.03	Are the harmful chemicals labelled and stored properly?				
7.04	Are there any sources of air pollution (dust, smoke, odor)?				
7.05	Are the packages (plastic, glass, wood, polymers) managed or disposed of properly?				
7.06	Are there any related activities which may cause pollution (i.e., solid waste accumulation)?				
<b>8. Others : 8.01-Salt cultivation and trade, 8.02-Hospital</b>					
8.01	Is there any system that protect salt-leaching?				
8.02	Is the hospital managing medical waste properly?				
Description (if any):					

Environmental Screener of PFI Regional		
Office.....		
Name	Signature	Date

**PART 3 – To be filled by PFI loan officer**

After completing Parts 1–2, subprojects that fall to category C should be further screened by the list below about its siting which contributes to its potential environmental-social risks thus category.

<b>Sensitive receptors and/or protected areas Include but are not limited to:</b>	<b>If inside these areas, please provide details</b>	<b>If outside, where and how far from its boundary?</b>
Critical habitat and natural habitat as defined by ADB Safeguard Policy Statement, world natural or cultural heritage sites, officially designated nature reserves, forest park, geo-park, important wetland, key habitats for wildlife, reproduction area of protected flora, spawning, feeding, wintering ground and migrating route for key aquatic life, estuary, mangrove		
Designated basic farmland, basic grassland, scenic area/park, drinking water source protective zone, oceanic special protective zones, natural fishery ground, key zone for water and soil erosion control, closure zone for desertification etc.		
Areas with main function as residential, health and medical, cultural, educational, research and development, and offices as well as physical cultural resources/relics, airports, airfields or military bases/zones etc.		

## INVOLUNTARY RESETTLEMENT SCREENING CHECKLIST

**Name of Subborrower:**

**Name of Enterprise:**

**Location:**

Probable Involuntary Resettlement Effects	Yes	No	Not Known	Remarks
<b>Involuntary Acquisition of Land</b>				
1. Will there be land acquisition?				
2. Is the site for land acquisition known?				
3. Is the ownership status and current usage of land to be acquired known?				
4. Will easement be utilized within an existing Right of Way (ROW)?				
5. Will there be loss of shelter and residential land due to land acquisition?				
6. Will there be loss of agricultural and other productive assets due to land acquisition?				
7. Will there be losses of crops, trees, and fixed assets due to land acquisition?				
8. Will there be loss of businesses or enterprises due to land acquisition?				
9. Will there be loss of income sources and means of livelihoods due to land acquisition?				
<b>Involuntary restrictions on land use or on access to legally designated parks and protected areas</b>				
10. Will people lose access to natural resources, communal facilities and services?				
11. If land use is changed, will it have an adverse impact on social and economic activities?				
12. Will access to land and resources owned communally or by the state be restricted?				
<b>Information on Displaced Persons:</b>				
<b>Any estimate of the likely number of persons that will be displaced by the Project?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes If yes, approximately how many? _____				
<b>Are any of them poor, female-heads of households, or vulnerable to poverty risks?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes				
<b>Are any displaced persons from indigenous or ethnic minority groups?</b> <input type="checkbox"/> No <input type="checkbox"/> Yes				

Note: The project team may attach additional information on the project, as necessary.

<b>IR Categorization:</b>  <input type="checkbox"/> A – significant IR impacts (200 or more); RPrequired <input type="checkbox"/> B – insignificant IR impacts; RPrequired <input type="checkbox"/> C – no impact; norequirement	<b>Prepared by: PFI Loan Officer</b> NameandSignature: _____ Designation: _____ Date: _____
	<b>Reviewed by: PFI Safeguard Officer</b> NameandSignature: _____ Designation: _____ Date: _____

## INDIGENOUS PEOPLES SCREENING CHECKLIST

**Name of Subborrower:**

**Name of Enterprise:**

**Location:**

<b>KEY CONCERNS</b> (Please provide elaborations on the Remarks column)	YES	NO	NOT KNOWN	Remarks
<b>A. Indigenous Peoples Identification</b>				
1. Are there socio-cultural groups present in or use the project area who may be considered as "tribes" (hill tribes, scheduled tribes, tribal peoples), "minorities" (ethnic or national minorities), or "indigenous communities" in the project area?				
2. Are there national or local laws or policies as well as anthropological research/studies that consider these groups present in or using the project area as belonging to "ethnic minorities", scheduled tribes, tribal peoples, national minorities, or cultural communities?				
3. Do such groups self-identify as being part of a distinct social and cultural group?				
4. Do such groups maintain collective attachments to distinct habitats or ancestral territories and/or to the natural resources in these habitats and territories?				
5. Do such groups maintain cultural, economic, social, and political institutions distinct from the dominant society and culture?				
6. Do such groups speak a distinct language or dialect?				
7. Has such groups been historically, socially and economically marginalized, disempowered, excluded, and/or discriminated against?				
8. Are such groups represented as "Indigenous Peoples" or as "ethnic minorities" or "scheduled tribes" or "tribal populations" in any formal decision-making bodies at the national or local levels?				

<b>KEY CONCERNS</b> (Please provide elaborations on the Remarks column)	<b>YES</b>	<b>NO</b>	<b>NOT KNOWN</b>	<b>Remarks</b>
<b>B. Identification of Potential Impacts</b>				
9. Will the project directly or indirectly benefit or target Indigenous Peoples?				
10. Will the project directly or indirectly affect Indigenous Peoples' traditional socio-cultural and belief practices? (e.g., child-rearing, health, education, arts, and governance)				
11. Will the project affect the livelihood systems of Indigenous Peoples? (e.g., food production system, natural resource management, crafts and trade, employment status)				
12. Will the project be in an area (land or territory) occupied, owned, or used by Indigenous Peoples, and/or claimed as ancestral domain?				
<b>C. Identification of Special Requirements</b> <i>Will the project activities include?</i>				
13. Commercial development of the cultural resources and knowledge of Indigenous Peoples?				
14. Physical displacement from traditional or customary lands?				
15. Commercial development of natural resources (such as minerals, hydrocarbons, forests, water, hunting or fishing grounds) within customary lands under use that would impact the livelihoods or the cultural, ceremonial, spiritual uses that define the identity and community of Indigenous Peoples?				
16. Establishing legal recognition of rights to lands and territories that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?				
17. Acquisition of lands that are traditionally owned or customarily used, occupied or claimed by indigenous peoples?				

#### **D. Anticipated project impacts on Indigenous Peoples**

Project component/ activity/ output	Anticipated positive effect	Anticipated negative effect
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1. LIST ALL PROJECT COMPONENT / ACTIVITY / OUTPUTS HERE	---- INDICATE EFFECTS TO IPS OR PUT N/A AS NECESSARY	
2.		
3.		
4.		
5.		

Note: The project team may attach additional information on the project, as necessary.

<b>IP Categorization:</b> <input type="checkbox"/> A – significant impacts; IPP required <input type="checkbox"/> B – insignificant impacts; IPP required <input type="checkbox"/> C – no impact; no requirement	<b>Prepared by: PFI Loan officer</b> Name and Signature: _____ Designation: _____ Date: _____
	<b>Reviewed by: PFI Safeguard Officer</b> Name and Signature: _____ Designation: _____ Date: _____

## **COVID-19 HEALTH AND SAFETY GUIDANCE NOTE (DRAFT)<sup>1</sup>**

### **A. Objective**

1. This health and safety plan (H&SP) was prepared based on guidance notes from the WHO, the US Centers for Disease Control and Prevention (CDC), Canadian Centre for Occupational Health and Safety, the requirements of the government and the guidance notes issued by ADB. The H&SP aims to prevent incidence of coronavirus disease (COVID-19) in subproject activities supported by Bangladesh Bank through the ADB-financed Supporting Post-COVID-19 Small-Scale Employment Creation Project by providing information on its symptoms, modes of transmission, exposure risk assessment, and precautionary measures following the hierarchy of controls.

### **B. About COVID-19**

2. COVID-19 is an infectious disease caused by the SARS-CoV-2 virus. COVID-19 is a disease that can infect a person causing illness that can be mild to severe or even fatal. An infected person may commonly experience mild to moderate symptoms such as fever, cough, tiredness, and loss of taste or smell while others have no symptoms at all and are referred to as asymptomatic cases. Symptoms may vary as the disease variants mutate. According to the CDC, symptoms can appear in as few as 2 days or as long as 14 days after exposure.

### **C. Symptoms**

3. The WHO identifies the most common symptoms as fever, cough, and fatigue and loss of taste or smell while other symptoms that are less common that may affect some patients include sore throat, headache, aches and pains, diarrhoea, rashes or discoloration of fingers and toes, and red or irritated eyes. A severe case of COVID-19 has symptoms like difficulty breathing or shortness of breath, loss of speech or mobility, or confusion, and chest pain. People with mild symptoms who are healthy are advised to manage symptoms at home while those with severe symptoms are advised to seek medical attention.

### **D. Modes of Transmission**

4. The WHO states that COVID-19 mainly spreads from an infected person to others in close contact (less than 1 meter) through respiratory droplets (e.g., coughing, sneezing, laughing, talking, singing). By touching something with the COVID-19 virus on it and then touching the face (e.g., mouth, nose, eyes) before washing hands. People infected with COVID-19 can show no symptoms but still spread the disease. According to CDC, although COVID-19 can survive for hours or days on different surfaces, infection from contact with contaminated surfaces appears to be less common.

### **E. Workplace Risk Assessment**

5. The risk of work-related exposure depends on the probability of coming into close contact (i.e., less than 1 meter) or frequent contact with people who may be infected with COVID-19, and through contact with contaminated surfaces and objects. WHO describes the risk levels (Figure 1) that may be useful in carrying out a workplace risk assessment for

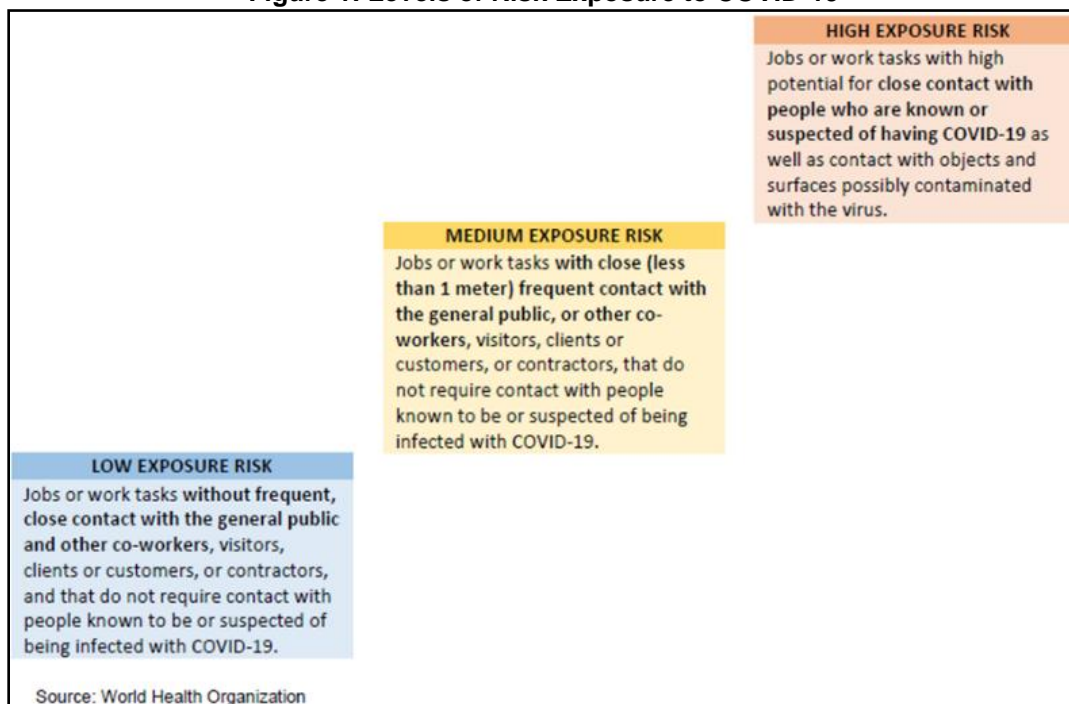
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<sup>1</sup> Contractor will finalize the plan to be approved by the PMU



exposure risk to COVID-19 and in planning for preventive measures to non-health care workplaces.<sup>2</sup>

**Figure 1: Levels of Risk Exposure to COVID-19**



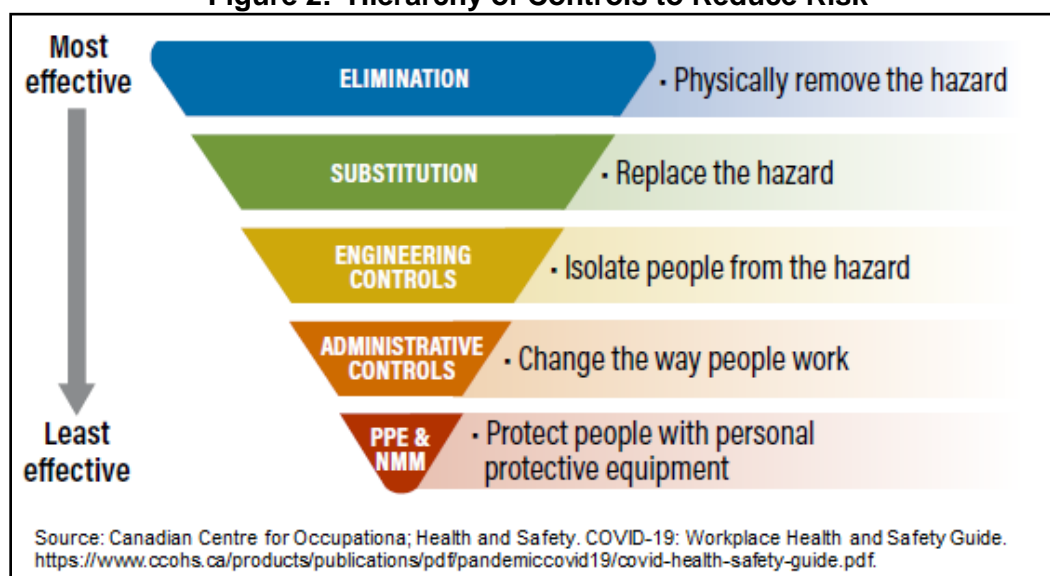
6. The level of risk in the workplace of each subproject activity should be assessed. The level of risk is affected by several factors such as person's underlying health conditions, presence of transient workers where original community has or had an outbreak, poor condition of sanitary facilities, poor housekeeping practices, workers in and out of the local communities, and lack of reliable health care facilities to respond to any COVID-19 incidence.

7. The subborrowers shall coordinate with the respective local government units in case positive cases are identified.

## **F. Hierarchy of Controls to Reduce Risk**

8. The WHO and the Canadian Centre for Occupational Health and Safety (CCOHS) provide guidance on COVID-19 preventive measures that can be implemented in the workplace. According to CCOHS, a zero risk for COVID-19 transmission is not possible in any setting, and as such, the best approach is to always keep the risk exposure as low as possible. Figure 2 shows the hierarchy of controls to reduce risk while Table 1 presents the preventive measures that can be applied.

<sup>2</sup> World Health Organization. 2021. [\*Considerations in implementing and adjusting public health and social measures in the context of COVID-19: interim Guidance.\*](#)

**Figure 2: Hierarchy of Controls to Reduce Risk**

## G. Preventive Measures

9. The subborrowers should put in place measures to minimize the chances of spreading and contain the spread of the virus, ensure their worksites are prepared for an outbreak, and develop and practice contingency plans so that personnel know what to do if an outbreak occurs and how treatment will be provided. These preparation measures should be communicated to its employees.

**Table: Preventive Measures to Reduce Risk to COVID-19 Exposure**

Controls	Preventive Measures
Characteristics	Prepare detailed profile of the workforce, activities and work schedule, breakdown of workers (i.e., living at home, those who stay within the local community, and onsite accommodation); identify measures to minimize movement in and out of the worksite
Information/awareness	<ul style="list-style-type: none"> <li>• Prepare/print materials on COVID-19 (refer to WHO Bangladesh website, <a href="https://www.who.int/bangladesh/emergencies/coronavirus-disease-(covid-19)-update">https://www.who.int/bangladesh/emergencies/coronavirus-disease-(covid-19)-update</a>).</li> <li>• Place COVID-19 posters and signs in the worksite/office with images and text in Bengali and English (refer to website of WHO Bangladesh and DGHS)</li> <li>• Provide updates to workers and staff on COVID-19 risks in the workplace from sources such as WHO, CDC, and DGHS</li> </ul>
Education (briefing and orientation)	<ul style="list-style-type: none"> <li>• Include safety briefings that cover issues such as safety procedures, appropriate use of PPEs, occupational health and safety, workers' code of conduct, flexible work hours, etc. to ensure compliance to COVID-19 safety requirements.</li> <li>• Appoint an occupational health and safety (OHS) officer onsite who will be the authority to issue directives to maintain health and safety of all workers and staff.</li> <li>• Briefing to include topics such as: (i) signs and symptoms of COVID-19, (ii) how it is transmitted, (iii) how to protect oneself (safety protocols), (iv) what to do if one has the symptoms or others have the symptoms, (v)</li> </ul>

Controls	Preventive Measures
	discrimination or prejudice in case a worker becomes positive to COVID-19, and (vi) site access control system and monitoring.
Communication	<p><i>Workers and Staff</i></p> <ul style="list-style-type: none"> <li>• Information/updates on COVID-19 risks will only come from the OHS officer (or back-up in case the OHS Officer gets sick) to avoid confusion.</li> <li>• Workers can report to the OHS officer on work situations that are not safe or healthy.</li> <li>• Workers will be given opportunities to ask questions, raise their concerns, and make suggestions as they see fit.</li> <li>• Seek assistance from the local government unit in designing appropriate health and safety measures.</li> <li>• General hygiene requirements will be communicated and monitored by the OHS officer. This includes: (i) ensure handwashing stations are equipped with soap, disposable paper towels, and waste bins with cover in key areas at the worksite (e.g., entry/exit to work areas, toilet, canteen/food distribution, drinking water station, workers' temporary rest area, waste disposal area, etc.). If hand washing stations with soap and water are not available, alcohol-based sanitizer (at least 60% alcohol) will be used.</li> <li>• Communicate clearly based on information from WHO or DGHS in a manner that can be easily understood by workers such as putting of posters on handwashing, social distancing or on how to protect themselves.</li> </ul>
Access Control	<ul style="list-style-type: none"> <li>• Prohibit entry if employees have symptoms or may have been exposed.</li> <li>• Sign-in devices will be sanitized and contact during sign-in will be minimized.</li> <li>• Keep a distance of at least 1 meter between persons and avoid direct physical contact (e.g., shaking hands).</li> <li>• Temperature check using thermal scanner will be mandatory before entry and at the end of work shift (low-grade fever of 37.3oC or more will not be allowed entry to the workplace). Anyone who leaves and re-enters within the work shift will be re-checked.</li> <li>• An area will be designated for staff to wear personal protective equipment (PPE) such as facial mask and will be disinfected twice a day.</li> <li>• Meetings will be held outdoors with social distancing. If conducted indoors, number of persons will be limited to maintain social distancing or additional sessions will be done.</li> <li>• Any person on medication for a specific medical condition that will affect work performance will not be allowed.</li> </ul>
Sanitation	<p><i>Hand hygiene</i></p> <ul style="list-style-type: none"> <li>• Put signs or posters to encourage frequent hand washing with soap and water for at least 20 seconds.</li> <li>• Ensure availability of adequate hand washing stations (even just a spouted water container, catch bucket for water, soap, and paper towels) accessible to workers. If water and soap are not available, alcohol-based hand sanitizers (with at least 60% alcohol) will be used.</li> <li>• Regular and thorough handwashing: (i) before starting work, (ii) before eating or drinking, (iii) frequently during the work shift, especially after contact with co-workers or touching shared items/tools/equipment, (iv) after going to the washroom, (v) after handling garbage, (vi) after contact with potentially contaminated objects (gloves, clothing, masks, used tissues, waste), and (vii) immediately after removing gloves and other PPEs but before touching eyes, nose, or mouth.</li> <li>• Sharing phones, tools, or equipment will be discouraged unless they can be disinfected between users.</li> </ul>

Controls	Preventive Measures
	<ul style="list-style-type: none"> <li>Discourage sharing of items such as phones, tablets, tools, or equipment unless they can be cleaned and disinfected between users.</li> <li>If possible, assign each worker a unique set of tools for their use only.</li> <li>Have workers bring their own pre-filled water bottles and food. Food and water bottles should not be shared.</li> </ul> <p><i>Respiratory hygiene</i></p> <ul style="list-style-type: none"> <li>Post signage promoting respiratory etiquette in the workplace.</li> <li>Wear mask or face cover based on the requirements of the government and will ensure its safe and proper disposal.</li> <li>Medical facial mask and paper tissues will be made available for those who may sneeze (or into the bend of the arm) or develop a runny nose at work, along with no-touch plastic lined garbage bins with lids for hygienic disposal of used tissues and mask.</li> <li>A worker who is sick will not be allowed to work and if a worker feels unwell at work, a medical mask will be provided and will be allowed to get home safely.</li> </ul> <p><i>Cleaning, disinfection, and waste disposal</i></p> <ul style="list-style-type: none"> <li>Clean offices, washrooms, lunch/break rooms and other workspaces every day focusing on commonly touched surfaces such as doorknobs, handrails, tables, chairs, tools, radios, etc., using soap or neutral detergent. Disinfect after cleaning to kill pathogens with disinfectants approved by local authorities such as DGHS.</li> <li>Regularly clean shared tools, phones, and other devices with alcohol or disinfectant wipes.</li> <li>Train cleaning staff on appropriate cleaning procedures and frequency of high-use areas</li> <li>Monitor and restock washrooms and workspaces for soap paper towels and hand sanitizer.</li> <li>No touch garbage bins will be provided for waste collection in all common access areas, manage waste as a type of medical waste, and dispose accordingly.</li> </ul>
Physical distancing	<ul style="list-style-type: none"> <li>Maintain a distance of at least 1 meter between people and avoid direct physical contact, strict control over external access, queue management.</li> <li>Limit the number of people allowed in indoor spaces and common areas at the same time to maintain distance.</li> <li>Mandatory use of mask if social distancing cannot be followed. Reusable mask will be cleaned and disinfected after use and will not be shared. Single use mask will be disposed of in designated covered bins.</li> </ul>
Work schedule and work practices	<ul style="list-style-type: none"> <li>Identify work that can be done offsite and allow staff to work from home or remotely where and when possible.</li> <li>Use technology such as Zoom, Microsoft Team, and other platforms to help workers while working from home.</li> <li>Stagger work hours or workdays to reduce the number of workers at one time on-site or in common spaces like entry, as necessary</li> <li>Arrange that work breaks are taken in outdoor areas on-site.</li> <li>Workers returning from an area where there is COVID-19 transmission should monitor themselves for symptoms for 14 days and take their temperature twice a day; if they are feeling unwell, they should stay at home, self-isolate, and contact a medical professional.</li> </ul>
Worker who may have COVID-19 symptoms	<ul style="list-style-type: none"> <li>Any person showing signs of cough or colds will not be allowed access to the work site and will be advised to stay home and isolate.</li> </ul>

Controls	Preventive Measures
	<ul style="list-style-type: none"> <li>• A contingency plan/protocol will be developed, in consultation with local authorities, to set out procedures if someone becomes ill at the worksite.</li> <li>• Report if there is stoppage of work due to incidence of sick workers and staff, or any health and safety concerns at the worksite.</li> </ul>

Sources: ADB. 2020. [Protecting the Safety and Well-Being of Workers and Communities from COVID-19](#). Manila; Canadian Centre for Occupational Health and Safety. 2020. [Coronavirus \(COVID-19\) Tips](#). and [COVID-19: Workplace Health and Safety Guide](#); US Centers for Disease Control and Prevention. [COVID-19 Workplaces and Business](#); World Health Organization. [Bangladesh. Coronavirus disease \(COVID-19\) Update](#); and World Health Organization. [Considerations for public health and social measures in the workplace in the context of COVID-19](#). 10 May 2020.

## SUGGESTED SCOPE FOR A SEMI-ANNUAL ENVIRONMENTAL AND SOCIAL MONITORING REPORT

Bangladesh Bank is required to submit the semiannual Environmental and Social Monitoring Report (ESMR) to ADB. Please include additional sheets or attachments as required to provide details.

Name of Organization			
Completed by (name):			
Position in organization:		Date:	
Reporting period	From:	To:	

### A. Subprojects processed under ADB fund during the reporting period

Name of Subproject	Sub /sector	Tenor of Subloan (Months)	Subloan amount (\$'000)	Safeguard Category			Env, IR or IP issues and actions taken	Status (approve, revise or reject)	Reasons (for revise or reject)
				Env	IR	IP			

Env = environment, IR = involuntary resettlement, IP = Indigenous Peoples.

<sup>a</sup> Please use the sectors listed in the earlier table or any standard classification

### B. Subprojects Supported Using ADB Funds

More information about all subprojects approved during this reporting period.

Name of Subborrower and subproject:	
Subproject location:	
Industry/ sector:	
Value of exposure (US\$ million):	

Any E&S due diligence by your organization? If yes, is it desk review of safeguard documents, and/or field visit, and by whom and when?	
Any environmental assessment report (including EMP), IR plan, or IP plan, or audit reports reviewed by your organization? If yes, please provide the names of documents reviewed.	
What were the main environmental, IR and IP issues associated with this subproject, and how were the issues dealt with?	
Were any conditions or covenants related to E&S issues made along with the investment? If yes, please briefly describe.	
Does the subproject comply with applicable domestic and ADB safeguard requirements? <b>Any incidents of non-compliance? Please describe how you ensure subproject E&amp;S compliant.</b>	
<b>How you monitor the subborrower and its subproject's performance? Please describe supporting docs such as E&amp;S monitoring reports.</b>	

### C. FI's portfolio by Sub/Sectors

Please provide an indicative % of FI's portfolio, or only those financed under ADB project if it can be separated from its entire portfolio.

[illegible]

**D. Additional Information for the Reporting Period**

- 1. Please provide the number of subprojects where a field visit was conducted to review aspects including social E&S issues.**
  
  
  
  
  
  
  
  
  
  
- 2. Please provide details of any accidents/ litigation/complaints/regulatory notices and fines, their causes and corrective actions being taken.**
  
  
  
  
  
  
  
  
  
  
- 3. Please state any difficulties related to the ESMS implementation. What are the possible causes and actions being taken by your organization? What are the recommendations of ADB's mission?**