Memorandum of Understanding (MOU) for "RMG Sector Safe Working Environment Program"

This MOU is made on 3rd October, 2013.

AMONG

Japan International Cooperation Agency, an incorporated administrative agency duly organized and existing under the laws of Japan having its office in Bangladesh at UDAY TOWER (7th floor), Plot No.57 & 57/A, Gulshan Avenue (south), Circle-1, Dhaka-1212, Bangladesh (hereinafter referred to as "JICA") which expression shall unless repugnant to the context mean and include its successors and assigns of the FIRST PART.

AND

Bangladesh Bank (BB) represented by the Project Implementation Unit (PIU) of JICA assisted **"Financial Sector Project for the Development of Small and Medium-sized Enterprises (FSPDSME)"** of the SME and Special Programs Department of BB, the Central Bank of Bangladesh (hereinafter referred to as "**FSPDSME-PIU"**) having its registered office at Motijheel, Dhaka, where the project is implemented under Bank and Financial Institutions Division of the Ministry of Finance (hereinafter referred to as "**BFID, MOF"**), which expression shall unless repugnant to the context mean and include its successors and assigns of the SECOND PART.

AND

Public Works Department (PWD), under the Ministry of Housing and Public Works (hereinafter referred to as **MOHPW),** having its registered office at 13, Segun Bagicha, Dhaka (hereinafter referred to as **"PWD")** and its Project funded by JICA **"Capacity Development on Natural Disaster –Resistant Techniques of Construction and Retrofitting for Public Buildings in the People's Republic of Bangladesh"** (hereinafter referred to as **"CNCRP**") which expression shall unless repugnant to the context mean and include its successors and assigns of the THIRD PART**.**

AND

Bangladesh Garments Manufacturers and Exporters Association (BGMEA) an association of the Garments owners / Manufacturers having its registered office address at BGMEA complex, 23/1 Panthapath Link Road, Karwan Bazar, Dhaka - 1215 Bangladesh (hereinafter referred to as "**BGMEA"**) which expression shall unless repugnant to the context mean and include its successors and assigns of the FOURTH PART.

AND

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) an association of the Knitwear owners / Manufacturers having its registered office address at Press Club Bhaban, 1st Floor 233/1, B.B. Road, Narayaganj-1400, Bangladesh (hereinafter referred to as **"BKMEA"**) which expression shall unless repugnant to the context mean and include its successors and assigns of the FIFTH PART.

The parties shall be referred to as "Parties" collectively and "Party" individually henceforth.

This memorandum of agreement does not create or represent any legal obligation or legal commitment by, or provide or represent any legal right to, any party hereto, and none shall be implied. Any provision of this MOU except for Article 19 and 20 hereof shall not be legally binding on the parties hereto.

NOW THEREFORE, it is hereby agreed as follows;

1.Definitions and abbreviations:

i. The Project means RMG Sector Safe Working Environment Program as explained in the Concept Note (Annex 1).
ii. CNCRP Expert means Japanese Experts working for the CNCRP project with PWD.
iii. BUET means Bangladesh University of Engineering and Technology
iv. RAJUK means Rajdhani Unnonayan Kartipakkha.
v. RMG means Ready Made Garments.
vi. PFI means participating financial institutions under FSPDSME
vii. The assessment team means the CNCRP Experts and PWD engineers
viii. Definition of Retrofitting, Rebuilding and Relocation is described in the Schedule 1.

2. The scope of initiatives:

2.1 The MOU shall enable JICA, FSPDSME-PIU, PWD, BGMEA and BKMEA to be strategic partners to work collectively to reduce the risks of the vulnerable Garments Buildings (including Knitwear factories) in the area of safety assessment, construction, retrofitting, rebuilding, relocation and monitoring/supervising based on the concept note as in annex-1 of the MOU.

2.2 All the Parties can come up with ideas, plans, and proposals as a continuous process from time to time. There shall be detailed understanding and feasibility assessment between all the Parties on such ideas or proposals before launching the activities

2.3 The commencement of the works will be initiated with the services and activities described in Schedule 2 and Schedule 3 of this MOU but will not be limited to the scope of Schedule 2 and Schedule 3. These services and initiatives shall be launched in phases based on technical readiness and feasibility agreed by all the Parties. Detailed description and understanding shall be defined by all the Parties for each activity in the implementation.

2.4 All the parties may take part in the Awareness, Media campaign, communication activities and planning of such activities to deliver the benefits of the Project among the beneficiaries based on mutual understanding.

2.5 The MOU is valid for the period of CNCRP project (until March, 2015) from the date of execution of the MOU but it can be extended subject to the written agreement between all the parties.

2.6 The MOU shall not limit any Party to be associated with other government or non-government entities or organizations to carry out the similar activities related to the respective functions. However, any party shall inform all the other parties before initiating such activities.

2.7 All communication regarding the services and initiatives under this MOU shall be done by all the Parties jointly, using the logos of all the parties. At the same time, any party may launch its own communication campaign regarding the Project activities under this MOU with its funds, using the logos of all the parties if the other parties agree to do so.

3. JICA's Responsibility:

3.1 JICA will assign and notify to the other four Parties a Focal Point for implementation of the project under this MOU within two weeks of the signing of the MOU.

3.2 JICA's existing technical cooperation project with PWD, CNCRP will be utilized. PWD engineers will execute the assessment of the building and CNCRP experts will support PWD engineers. CNCRP experts will also support PWD engineers for design and cost-estimation of retrofitting work for the selected RMG and Knitwear factories as per the activities mentioned in schedule 2.

3.3 JICA through the assessment team will assess the RMG and Knitwear factory buildings. The assessment team will prepare report on necessary action to be taken including cost implications.

3.4 JICA will monitor the performance of the assessment team and bear the cost of the training to the group of selected engineers from BGMEA, BKMEA and other concerned agencies who may join the assessment activities.

3.5 JICA through CNCRP will mobilize the technical support required for the project and bear the costs of assessment, retrofitting designing and top supervision work of retrofitting/construction for the selected RMG and knitwear buildings as long as the Project continues. The cost of actual construction will be covered by RMG and Knitwear buildings factory owners.

3.6 CNCRP Experts, along with PWD engineers, will not take responsibility for the outcome of the assessment if the information or data submitted to them by RMG and knitwear enterprises is based on insufficient or false information (data).

3.7 JICA will coordinate with FSPDSME-PIU, PWD, BFID, MOF, BGMEA and BKMEA in execution of the project

3.8 JICA's existing ODA loan to BB for the FSPDSME project will be utilized for the on-lending loans to selected RMG and Knitwear factories for "retrofitting", "rebuilding" and "relocation" work according to the definitions mentioned in the Schedule 1 of the MOU and as per the Operating Guidelines of the FSPDSME project and activities mentioned in schedule 2 subject to approval of the Steering Committee of the FSPDSME project chaired by BFID, MOF. Through the assessment team, JICA will support PWD in providing a certificate of completion to FSPDSME-PIU that the works have been done as per the report of the assessment team.

3.9 JICA will monitor lending loan proceedings and loan operation to the RMG and knitwear units as per the agreed terms and condition of the FSPDSME project.

4. BB's Responsibility:

4.1 FSPDSME-PIU will assign and notify to the other four Parties a Focal Point for implementation of the project under this MOU within two weeks of the signing of the MOU

4.2 FSPDSME-PIU will conduct a loan operation to selected RMG and knitwear units as per the Operating Guidelines of the FSPDSME project for the purpose of "retrofitting", "rebuilding" and "relocation" as per the definition mentioned in the Schedule 1 of the MOU subjected to the approval of Steering Committee of this project and signing of MOU.

4.3 FSPDSME-PIU will circulate the loan program to Participating Financial Institutions (PFIs) (List Attached in Annex-2) of the FSPDSME project within one month after the signing of MOU.

4.4 FSPDSME-PIU will share with PFIs the supporting list of RMG and knitwear factories which require assessment of the buildings provided by BGMEA and BKMEA within three weeks of receiving the supporting list from BGMEA and BKMEA.

4.5 When FSPDSME-PIU receives an application from the eligible RMG and Knitwear factory owner through PFI, FSPDSME-PIU will send the application to JICA for comment, if any, and following assessment by the assessment team in association with the BGMEA / BKMEA engineers within two weeks of receiving an application.

4.6 FSPDSME-PIU will make sure that the loan proposals are submitted as per the assessment report and cost certification given by PWD Engineers before providing a loan, so that the retrofitting (or rebuilding) process follows the way suggested by the assessment team.

4.7 FSPDSME-PIU will make disbursement at least in three tranches to each RMG and Knitwear units selected for pre-finance through PFIs upon receiving certificates from PWD engineers and PFI engineers in the different stages of work.

5. PWD's Responsibility:

5.1 The PWD will assign and notify to the other four Parties a Focal Point for implementation of the Project under this MOU within two weeks of the signing of the MOU.

5.2 The PWD will assign Engineers who are working with CNCRP (duration 2 years) to carry out technical assessment. PWD engineers will execute design and cost-estimation of retrofitting work under the support of CNCRP experts, utilizing outsourcing consultants, of the selected RMG and knitwear factory buildings according to the list forwarded by FSPDSME-PIU and PFIs through JICA after signing of the MOU, which is to be completed within reasonable time period on the basis of presence of necessary documents as mentioned in the item B of the Schedule 3 and technical consideration.

5.3 The PWD Engineers assigned for this work will provide assessment reports, retrofit design report and certification of cost estimation (inclusive of construction and construction monitoring cost during and after the tenure of CNCRP and the assessment cost) within reasonable time period (maximum 6 months) as per the activity mentioned in schedule 2.

5.4 The assigned Engineers of PWD will carry out training for selected engineers from BGMEA and BKMEA (and other organizations) immediately after signing of the MOU.

5.5 After the assessment is completed by the assessment team, with support from CNCRP Experts, PWD will provide a certificate of completion to FSPDSME-PIU that the works have been done as per the report of the assessment team. The assessment reports, cost estimation certificate and design drawing will be shared with FSPDSME-PIU through PWD within three weeks of the completion of the report.

5.6 The PWD Engineers under the support of CNCRP Experts will provide top supervision for the retrofitting, rebuilding and relocation works as per the schedule 3 of the selected RMG and knitwear factory buildings for which the loan has been arranged and ensure compliance with the law as per the activities mentioned in schedule 2.

5.7 The PWD Engineers who were trained under the CNCRP project will carry out the assessment and top supervision work of the selected RMG and knitwear buildings for which the loan has been arranged for as long as CNCRP project continues under the agreement between JICA and Government of Bangladesh.

5.8 PWD Engineers trained under the CNCRP project will carry out the assessment activity of vulnerable RMG and knitwear buildings in the future to spread and utilize the knowledge transfer gained through CNCRP.

5.9 PWD, with the assistance of JICA, will provide a certificate of completion to FSPDSME-PIU that the construction works have been done by RMG and Knitwear factory owners as per the report of the assessment team.

5.10 The certificate will also check that the fire safety issues are addressed during the retrofitting/construction works. PWD will advise BGMEA and BKMEA to ensure the fire safety issues in consultation with the Fire service and Civil Defense during the retrofitting/construction work.

5.11 PWD with the assistance of CNCRP shall make a short list of consultants to assist CNCRP team members in consultancy and top supervision matters.

5.12 PWD with the assistance of CNCRP shall make a short list of contractors and train their engineers and technicians. Selection of contractors for retrofitting/rebuilding works shall be done based on the agreement between RMG/Knitwear factory owners and PWD.

6. BGMEA and BKMEA's Responsibility:

6.1 The BGMEA/BKMEA will assign and notify to the other four Parties a Focal Point for implementation of the Project under this MOU within two weeks of the signing of the MOU.

6.2 BGMEA/BKMEA will provide a list of the vulnerable garments factory buildings owned by the member of BGMEA based on its primary assessment endorsed by the Presidents of BGMEA and BKMEA to the FSPDSME-PIU through JICA or directly which will be shared with interested PFIs and the team leader of the assessment team within three weeks of the signing of the MOU.

6.3 The list of vulnerable garments building must be self-owned by the RMG and knitwear owners who are member of BGMEA/BKMEA and must be RAJUK / Government approved. The selected owners must provide the following information to the assessment team based on availability: (a) soil investigation report (b) architectural design drawing (c) structural design drawing (d) BUET and other Government assessment reports.

6.4 BGMEA/BKMEA will mobilize a group of Engineers who will be trained by CNCRP Experts and PWD immediately after signing of the MOU and involve these engineers in assessing the RMG and knitwear factory buildings on the list and in cooperating with PWD Engineers when required.

6.5 BGMEA/BKMEA will provide FPSDSME-PIU with the information on the number of RMG and knitwear units by average number of employees (for example:0-500,500-1000,1000-2000,) so that FSPDSME PIU can assess the eligibility of these RMG and knitwear units under the Project within two weeks of the signing of MOU.

6.6 BGMEA/BKMEA will monitor the overall activities of its members and take appropriate actions (such as warning or suspension of the membership etc.) against its member RMG and knitwear entrepreneurs for non-compliance during the course of assessment, retrofitting, rebuilding and relocation work if required.

6.7 BGMEA/BKMEA will motivate and enhance awareness among the member RMG and knitwear units to utilize the Project through assessment of the buildings and loan application.

6.8 BGMEA/BKMEA will be responsible for involving and utilizing the group of engineers trained by CNCRP Experts and PWD engineers in the assessment work of buildings in future after the validity of the MOU to promote knowledge transfer (and exchange) gained through the Project.

6. 9 BGMEA/BKMEA will be responsible for coordinating with the assessment team during the monitoring and assessment work of the buildings of its member RMG and knitwear units.

6.10 BGMEA/BKMEA will ensure and monitor the safety issues of the selected buildings (such as fire and short-circuit issues etc which might be done by owner’s own cost.) during the retrofitting/construction of the buildings in cooperation with the PWD / Fire service and Civil Defense and other related agencies.

7. Joint Responsibility:

7.1 All the parties involved in this MOU will work according to the activities and services mentioned in the schedule 2 and Schedule 3.

7.2 All the parties will conduct awareness campaigns to address the necessity of the retrofitting and subsequent rebuilding and relocation among RMG and knitwear enterprises and provide an opportunity for them to utilize the JICA assisted CNCRP and Loan project (FSPDSME) implemented by BB and executed by BFID, MOF.

7.3 All the parties will be responsible for monitoring the performance of the project activities and coordinating with other agencies to share the gaps/ limitations/ improvement of the activities.

7.4 All the parties (Preferably Focal Points) will join the coordination meeting which will be organized to share the experiences of the project and working out on the possible solution if necessity arises

7.5 The effectiveness and benefit of the Project shall be shared with the relevant stakeholders through the national workshop/seminars whenever required.

7.6 Public announcement will be made jointly by JICA, FSPDSME-PIU, PWD, BGMEA and BKMEA regarding this activity. Embassy of Japan (EOJ) and BFID, MoF may join the public announcement if necessary.

7.7 All the parties involved specially BGMEA, BKMEA and PWD through their engineers trained under this scheme will carry forward the assessment activity in future to spread and utilize the knowledge gained through this scheme.

7.8 All the parties will be individually responsible to follow the existing rules and regulation of the Government of Bangladesh specially which are related to the goals and objective of the project

8 .Point of Contact (Focal Points):

JICA
Name:
Designation:
E-mail:
Cell / PSTN numbers:

BB:
Name:
Designation:
E-mail:
Cell / PSTN numbers:

PWD
Name:
Designation:
E-mail:
Cell / PSTN numbers:

BGMEA
Name:
Designation:
E-mail:
Cell / PSTN numbers:

BKMEA
Name:
Designation:
E-mail:
Cell / PSTN numbers:

9. Content Liability:

9.1 All the Parties will take active and reasonable efforts to ensure the authenticity or validity of the content of any data, compilations, research, spreadsheets, graphs, reports, diagrams, designs, work, Products, software, or any other documents (hereinafter referred to as "the Products") supplied to one another and to its stakeholders during and after the project.

9.2 None of the Parties shall be liable in full or in part for the authenticity or validity of the content of the Products provided by any of the other four Parties.

9.3 All the Parties will indemnify and keep indemnified and hold free and harmless the other four Parties against all liabilities, claims, damages, loss and proceedings arising out of or in any way connected with the project, which include any liabilities, claims, damages, loss and proceedings of intellectual property rights of the Products supplied to one another or produced in the projects.

10. Termination of AGREEMENT:

Any Party may propose termination of this agreement but the termination shall subject to the decision of the majority of all the Parties. Upon standing decision of termination a 3(three) months prior written notice to the other four Parties shall have to be passed.

11. Post Termination:

The termination of this agreement shall not exempt without prejudice any pre-existing obligations of all the Parties including the payment of all services charged to any of the Parties up to the date of termination.

12. Assignment:

No rights or liabilities under this agreement may be assigned, transferred, conveyed or otherwise disposed by any Party to any other party without the prior written consent of all Parties.

13. Governing Law:

This agreement shall be governed in accordance with the laws of Peoples Republic of Bangladesh and all the Parties shall submit the exclusive jurisdiction of the courts of Peoples Republic of Bangladesh in the event of any dispute.

14. Force Majeure:

None of the Parties shall be under any liability for any loss or damage resulting from delay or failure to perform this agreement either in whole or in part where such delay or failure shall be due to a cause beyond its reasonable control, including but not limited to, wars, the threat of imminent wars, riots, other act of civil disobedience insurrection, act of God, restraints imposed by government, industrial or trade disputes, fires, explosion, storms, floods, lightings, earthquakes and other natural calamities.

15. Notices:

Any notice required to be given may be given by one Party to the other Parties either personally or by email, post, facsimile, telegram to the addresses specified in this agreement or any address as notified by the other Parties. Any such notice shall be deemed to have been received and given at the time when the ordinary course of transmission should have been delivered to the address to which it has sent.

16. Entire agreement:

This agreement hereto embodies the entire understanding between the Parties and there are no promises, terms, conditions or obligation, expressed or implied, orally or in writing other than those contained herein. No amendment or variation of any provisions herein shall be effective unless it is agreed in writing and signed by the Parties hereto.

17. Non-Waiver:

Failure or delay on the part of the Parties hereto to exercise any right, power or remedy under this agreement shall not operate as a waiver thereof. The rights and remedies provided herein are cumulative and are not exclusive of any rights, powers or remedies under law.

18. Severability:

18.1 If any provisions of this agreement shall be construed to be illegal or invalid, they shall not affect the legality, validity and enforceability of the other provisions of this agreement.

18.2 The illegal or invalid provision shall be deleted from this agreement with the agreement in writing by all the Parties and no longer incorporated herein but all other provisions of the agreement shall continue.

19. Confidentiality:

19.1 All the Parties recognize that in the course of the transactions envisaged between them, each of them shall be privy to certain Confidential Information, which specifically identified as Confidential in writing, relating or belonging to the other Parties. In consideration of the mutual benefits accruing to the Parties from their association, each Party hereto agrees:

(a) that it shall not, without the prior written permission of the other Party(ies) who possess such Confidential Information, directly or indirectly disclose or cause to be disclosed any Confidential Information of such other Parties to any other party;

(b) that it shall take all steps as may be reasonably necessary to protect the integrity of the Confidential Information of the other four Parties and to ensure against any unauthorized disclosure thereof;

(c) that it shall promptly inform the other four Parties of any potential or accidental disclosure of Confidential Information of any of the other four Parties and shall take all steps, together with the other four Parties, to retrieve and protect the said Confidential Information;

(d) that it shall ensure that all its employees and/or representatives or other persons who are given access to the Confidential Information of any of the other four Parties shall at all times be bound by legally valid and written non-disclosure obligations; and

(e) that it shall use the Confidential Information of any of the other four Parties only for the purpose for which it was provided and shall not profit from the same in an unauthorized manner to the exclusion of the other four Parties.

19.2 If at any time demanded by the other four Parties, each Party shall forthwith return to the other four Parties all documents, information, software and property of the other four Parties and all copies thereof in the possession or under the control of the Party.

20. Intellectual Property:

Nothing herein shall in any manner grant a Party any rights, title or interest in respect of any Intellectual Property or processes belonging to or devised by the other four Parties.

AS WITNESS the hands of the authorized representatives of the Parties hereto as of the day, month and year first before written.

For and on behalf of JICA

Mr. Hiroyuki Tomita
Senior Representative

For and on behalf of PWD

Mr. Kabir Ahmed Bhuiyan
Chief Engineer

For and on behalf of BB

Mr. Sukamal Sinha Choudhury
General Manager & Project Director

For and on behalf of BGMEA

Mr. Md. Shahidullah Azim
Vice President

For and on behalf of BKMEA

Mr. A. H. Aslam Sunny
Second Vice President

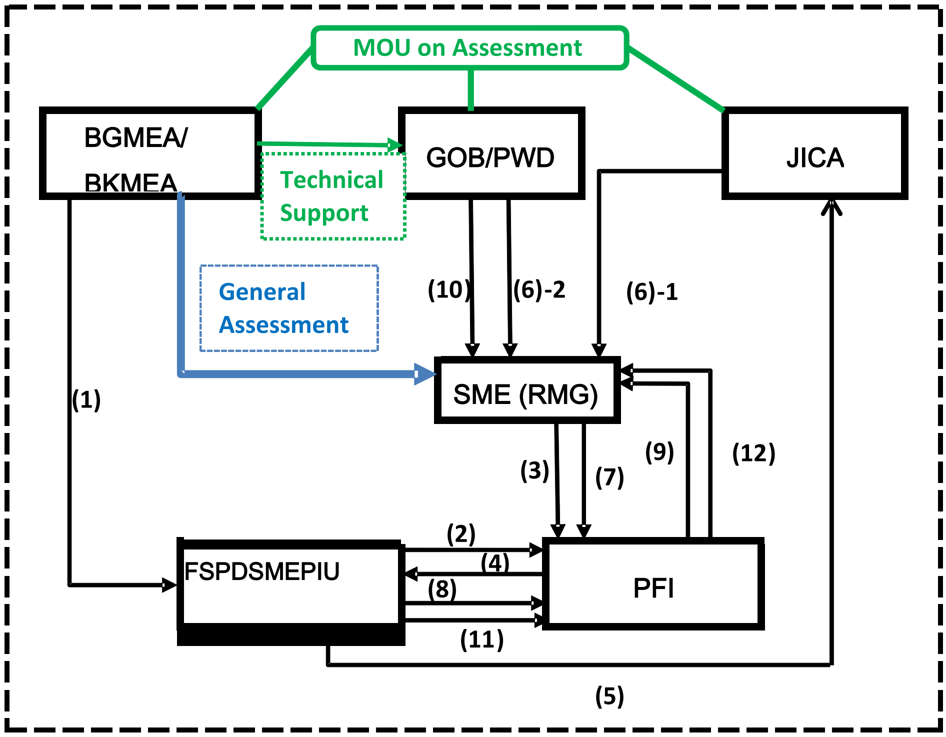
<u>SCHEDULE 1:</u> Definition of Retrofitting, Rebuilding and Relocation

1. Retrofitting: “Retrofitting” means making changes to the systems or the structure of the factory building after the initial construction to improve the performance of the building and safe working environment of BGMEA and BKMEA workers. “Retrofitting” will be implemented based on the retrofit design after the assessment of the factory building by the assessment team.
2. Rebuilding: “Rebuilding” means constructing a new factory building in the same premises after the demolition of an existing one to improve the performance of the building and safe working environment of BGMEA and BKMEA workers. ”Rebuilding” will be implemented after the assessment of the factory building by the assessment team.
3. Relocation: “Relocation” means constructing a new factory building in the different premises after the demolition of an existing one to improve the performance of the building and safe working environment of BGMEA and BKMEA workers. ”Relocation” will be implemented after the assessment of the factory building by the assessment team and provided that the existing building has been duly demolished (certified by the assessment team). In terms of “Relocation”, the suggested Program will not finance the purchase of land as per FSPDSME project eligible items criteria.

   Note: During the process of retrofitting construction and/or rebuilding RMG and Knitwear factory building, Entrepreneurs may also require relocation of his/her existing manufacturing unit in other rental places. In that case the entrepreneur may require funding for renting spaces/premises for running/ continuing his/her production process. The “relocation” cost will also include such costs for example, the cost of renting the temporary factory premises. Construction cost of retrofitting and rebuilding of factory after assessment will include the top supervision cost of PWD engineers (if required) who will ensure the construction work is done according to design, this will also be eligible for financing.

SCHEDULE 2

(1)	Total Fund Amount for Sub-Loan:	Up to 100,000,000 BDT per applicant
(2)	Eligible Applicant:	Enterprises working under RMG and knitwear sector, which have a membership of BGMEA and BKMEA are ready to carry out the assessment and subsequent retrofitting of his factory.
(3)	Eligible Portion to Finance:	Construction cost of Retrofitting of the factory, Rebuilding of the factory, Equipment required for safe working environment, Relocation of Equipment, and relocation of the factory building as per definitions mentioned in the clause 1 of MOU.
(4)	Financing Process:	a. BGMEA and/or BKMEA submits the supporting list of vulnerable factories (enterprises) to FSPDSME. FSPDSME-PIU shares the supporting list with Participating Financial Institutions (PFIs) under the FSPDSME project (BD-P67). b. RMG and knitwear enterprises on the supporting list submit a preliminary application for the safety assessment and financing support of his/her facilities. c. FSPDSME-PIU will send this application to JICA and PWD for the safety assessment. The assessment team (led by JICA Experts of CNCRP and PWD Engineers) will assess the building and provide a report on the necessary actions to be taken and possible cost implication. d. RMG and knitwear enterprises submit loan application along with this assessment report to PFI. e. PFI follows its due diligence, appraises, decides and sends it to FSPDSME-PIU for allocation of pre-finance. f. FSPDSME-PIU will make sure that the loan proposal is submitted as per the assessment given by the assessment team before providing a loan. g. FSPDSME-PIU will disburse loan in three tranches to each RMG and knitwear units through PFIs based on the progress of works provided that PWD engineer's certificate will have to be submitted to PIU in different stages of work.
(5)	Percentage of Coverage:	In order to provide preferable terms for SMEs, 100 percent of the project cost will be financed under this program.
(6)	Interest Rate:	Will be fixed on the basis of banker-customer relation. However, a maximum of 5 percent spread on BB financing rate can be charged by the PFIs.
(7)	Collateral	Decided by PFIs following the BB prudential guidelines.
(8)	Repayment:	Up to 15 years repayment period with 2 years grace period (assuming the retrofitting or rebuilding must be completed in 2 years), which will be decided by PFIs.
(9)	Procedure	



(1) BGMEA/BKMEA submits the supporting list for potential factories to FSPDSME-PIU
(2) FSPDSME-PIU shares the supporting list with PFIs.
(3) SME-RMG/Knitwear factories submit the assessment request and preliminary loan request to PFI.
(4) PFI requests FSPDSME-PIU for assessment and funding under the pre-finance scheme.
(5) FSPDSME-PIU requests JICA and PWD to make technical assessment.
(6) The assessment team provides technical assessment.
(7) SME-RMG and Knitwear unit submits the official loan request to FSPDSME-PIU through PFI.
(8) FSPDSME-PIU checks and approves funding to PFI.
(9) PFIs release funds to RMG and Knitwear entrepreneurs.
(10) PWD supervises the implementation under the assistance of JICA experts.
(11) FSPDSME-PIU makes three tranche disbursements.
(12) PFI makes disbursement according to above.

Schedule 3

Requirement for seismic assessment, retrofit design and retrofit construction supervision work for RMG and Knitwear buildings of Bangladesh by PWD Engineers in cooperation with CNCRP Experts.

A. Basis of Estimate
(Medium Size Industry)
6 Story Frame
20,000sft (apx.) / Floor
Employee's number: 100 to 2000
Garments Bldg at/around Dhaka

B. Information Check List:
1. Availability of soil investigation report
2. Availability of architectural design drawing
3. Availability of structural design drawing
4. Any previous assessment report by BUET/ Government/other organization
   (if the information is reliable, following activities will be reduced)

C. Steps to be followed: proposed methodology (tentative) for the work
1. Inspection of the building : PWD in cooperation with CNCRP (Reconnaissance)
2. Preparation of as built Architectural drawing (Inc. Digital survey):
   Outsource (with PWD supervision supported by CNCRP)
3. Preparation of as built structural drawing : Outsource (with PWD supervision supported by CNCRP)
   a. Soil Investigation
   b. Foundation check(with excavation)
   c. Re-bar scanning + stripping of concrete surface*
   d. Concrete core-test for assessing compressive strength*
   e. Carbonation test*
   f. Re-bar test
   g. Schimdt hammer test*
   h. Masonry shear strength test
4. Gravity load screening : PWD in cooperation with CNCRP
5. 1st level Screening for earthquake assessment: PWD in cooperation with CNCRP
   (Only architectural drawings & concrete strengths are needed)
6. 2nd level screening for further earthquake assessment: PWD in cooperation with CNCRP

7 (a). Retrofit design: PWD in cooperation with CNCRP
7 (b). Pre-retrofit construction activities: Outsource (with PWD supervision supported by CNCRP)
   a) for design drawing preparation
   b) for cost estimate
   c) for tender documentation
   d) for tendering
7 (c). Certify the building for loan approval : PWD in cooperation with CNCRP

8. Construction Supervision: Outsource by employing Consultant (PWD top supervision supported by CNCRP)
   a) Quality control
   b) Progress report
   c) Full time supervision by qualified engineers of outsourced consultant

* Equipment (without operator) will be supplied by PWD and/or CNCRP

Annex-1. Concept Note - RMG Sector Safe Working Environment Program

1. Background

(1)Sector Feature and Challenges

Ready Made Garment (RMG) and knitwear sectors are the most important sectors which has played a vital role in achieving high economic growth and earning a majority of export earnings in Bangladesh. At the same time, the Sector has provided an employment opportunity to more than 3.5 million workers among which 2.8 million are women with low literacy and less opportunity for education. By providing an employment opportunity for those women, the Sector has contributed to social development as well as economic and industrial development in Bangladesh. Thus, the importance of the Sector is beyond comparison among other sectors and industries in the country.

However, after the Savar tragedy in April, 2013, people in Bangladesh and abroad have started to cast a suspicious eye on RMG and knitwear sectors in Bangladesh. Both the Sectors have been criticized for putting higher priority on profit-making without paying due attentions to securing safe working environment for its workers. Other critics mentioned that there was lack of awareness among concerned entities (such as RMG and knitwear enterprises and government agencies) to follow the rules given by labor and construction laws. However, one thing is certain that the most vulnerable players in the Sector, namely the RMG and knitwear sector employees working under harsh working condition, have suffered (and will suffer) most from such an incident.

Now, Bangladeshi people are concerned that the incident might undermine the reputation of RMG and knitwear sectors that has contributed to earning export revenues and provided a great number of employment opportunities for Bangladeshi people. They are worried that international buyers may suspend or shift their imports of RMG and knitwear goods from Bangladesh, which might slow down the process of economic and social development brought about by the Sector as a main driver. If the vitality of both the sectors slows down, it may cause a remarkable adverse effect on the Bangladesh economy and society.

(2)Challenges and Way Forward

Facing the critical situation surrounding RMG and knitwear sectors in Bangladesh, Embassy of Japan (EOJ); Japan International Cooperation Agency (JICA); Bank and Financial Institutions Division (BFID), Ministry of Finance; the Governor and the Project Implementation Unit (PIU) of Financial Sector Project for the Development of SME Enterprises (FSPDSME) of Bangladesh Bank (BB) and the Public Works Department (PWD) under the Ministry of Housing and Public Works have taken an initiative to formulate a special program by integrating the schemes of two ongoing JICA projects (namely "Financial Sector Project for the Development of Small and Medium-sized Enterprises (FSPDSME)", the ODA loan project implemented by Bangladesh Bank and "Capacity Development on Natural Disaster-Resistant Techniques of Construction and Retrofitting for Public Buildings in the Peoples' Republic of Bangladesh (CNCRP)", the Technical Cooperation Project implemented by the Public Works Department) to address the challenges which RMG and knitwear sectors in Bangladesh is facing right now. Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) expressed their willingness to cooperate with the above-mentioned actors to tackle the difficulties surrounding the Sector, RMG enterprises and their employees.

By combining JICA's ongoing financial and technical assistance scheme, it could be possible for all the concerned organizations to take the first step to address one of the most critical issues surrounding the Sector (such as safe working environment for the workers) in a timely manner. Although this Program alone may not able to solve all the issues surrounding the Sector, it could make a difference in raising awareness about the importance of safe working environment in RMG and knitwear (and other) sector in Bangladesh by showing the concerted initiatives, responsibilities and determinations shared by public, private and international development partners which have been working for the betterment of the people of Bangladesh.

2. Objective

- To rebuild the international reputation of RMG and knitwear industries in Bangladesh and creating better work place for the associated workers by introducing the good practice of improving safe working environment in the Sector in an urgent manner.
- To demonstrate the seriousness of the issues surrounding the Sector by sharing the responsibility between Government of Bangladesh (GoB), private sector and international development partners.

3. Program Description

The overall scheme of this Program is to provide financial support for the RMG enterprises which undertake the safety assessment of the building (or factory) conducted by the assessment team led by JICA experts and PWD engineers, working in the CNCRP. During this process, JICA experts will provide training for PWD engineers (and possibly other engineers from BGMEA and BKMEA (and other organizations) to conduct a sound safety assessment which complies with international standards. JICA has trained 20+ engineers in PWD for more than two years, and is planning to further enhance the capacity of engineers in PWD and other organizations by taking advantage of the training experience in the past and partnership which it has nurtured during this period. Financial support will be provided for these RMG and knitwear enterprises through the Two-Step Loan (TSL) scheme under FSPDSME to implement retrofitting and/or rebuilding work and incorporating safety equipment. Details of the activities in this Program are given below:

Component 1: Financial Support for RMG Enterprises

(1)	Total Fund Amount:	Up to 1 billion BDT (up to 100 million BDT per applicant/factory)
(2)	Eligible Applicant:	Enterprises working under RMG sector, who has a membership of BGMEA and/or BKMEA and is ready to carry out the

		assessment and subsequent retrofitting of its factory.
(3)	Eligible Portion to Finance:	a. Retrofitting / Rebuilding of the factory (building) b. Purchase of equipment required for safe working environment, c. Relocation of the factory (and equipment)
(4)	Financing Process:	d. BGMEA and/or BKMEA submits the supporting list of vulnerable factories (enterprises) to FSPDSME. FSPDSME-PIU shares the supporting list with Participating Financial Institutions (PFIs) under the FSPDSME project (BD-P67). e. RMG and knitwear enterprises on the supporting list submit a preliminary application for the safety assessment and financing support of his/her facilities. f. FSPDSME-PIU will send this application to PWD and JICA for the safety assessment. The assessment team (led by JICA Experts of CNCRP and PWD Engineers) will assess the building and provide a report on the necessary actions to be taken and possible cost implication. g. RMG and knitwear enterprises submit loan application along with this assessment report to PFI. h. PFI follows its due diligence, appraises, decides and sends it to FSPDSME-PIU for allocation of pre-finance. i. FSPDSME-PIU will make sure that the loan proposal is submitted as per the assessment given by the assessment team before providing a loan. j. FSPDSME-PIU will disburse loan in three tranches to each RMG and knitwear units through PFIs based on the progress of works provided that PWD engineer's certificate will have to be submitted to PIU in different stages of work.
(5)	Coverage on each sub-project:	100 percent of the sub-project cost will be financed under this program.[1]
(6)	Interest Rate:	Interest rate will be fixed on the basis of banker-customer relation. However, a maximum of 5 percent spread on BB financing rate can be charged by the PFIs.[2]
(7)	Collateral	Collateral will be decided by PFIs, following the BB prudential guidelines.
(8)	Repayment:	Up to 15 years repayment period with 2 years grace period (assuming the retrofitting or rebuilding must be completed in 2 years), which will be decided by PFIs.[3]
(9)	Procedure	All the procedures for loan and activity will be as per the operating guidelines under FSPDSME (See the flow chart below)

[1] Minimum 10% of the sub-project cost is financed by the SME applicants under the conventional FSPDSME scheme.
[2] Interest rate is to be determined by arrangement between PFI and Borrower in compliance with the rules and regulations prevailing in Bangladesh.
[3] Repayment period is up to 8 years with maximum two year of grace period under the conventional FSPDSME scheme.

Component 2: Technical Cooperation and Training

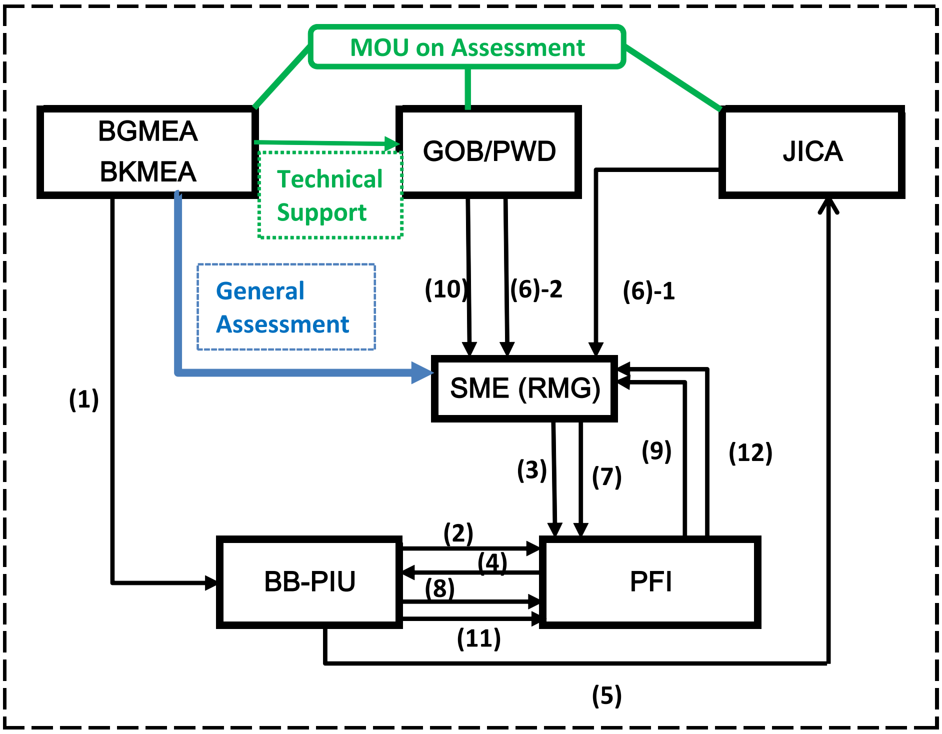
(1)	Assessment of the factories (buildings)	Once the preliminary loan application was shared with BB (FSPDSME-PIU), the assessment team (led by JICA Experts and PWD Engineers) will assess the buildings and provide a report on the necessary actions to be taken and possible cost implications. RMG and knitwear enterprises will retrofit (or reconstruct) the building based on the recommendation given by the report with a financing from the TSL program.
(2)	Technical Training for engineers	While conducting safety assessments, JICA experts will provide training for PWD engineers (and possibly other engineers from BGMEA, BKMEA and other organizations) to conduct a sound safety assessment which complies with international standards.
(3)	Monitoring of assessment	PWD Engineers will be responsible for top supervising and monitoring during the implementation (of the retrofitting or rebuilding) phase.

4. Timeline

A) Public announcement will be made jointly by JICA, FSPDSME-PIU, PWD, BGMEA and BKMEA regarding this activity. Embassy of Japan (EOJ) and BFID, MoF may join the public announcement if necessary. Circular for the Program will be delivered to PFIs by FSPDSME-PIU.

B) Loan Operation will be executed in accordance with the BB guidelines and the operating guidelines of the FSPDSME project.

5.Flow Chart of the Suggested Program



(1) BGMEA/BKMEA submits the supporting list for vulnerable factories to FSPDSME-PIU.
(2) FSPDSME-PIU shares the supporting list with PFIs.
(3) RMG and knitwear enterprises submit an assessment request and preliminary loan request to PFI.
(4) PFI requests FSPDSME-PIU for an assessment and funding under the pre-finance scheme.
(5) FSPDSME-PIU requests JICA and PWD to conduct a technical assessment.
(6) The assessment team conducts a technical assessment.
(7) RMG and knitwear enterprises submit the official loan request.
(8) FSPDSME-PIU evaluates and approves funding to PFIs.
(9) PFI releases funding to RMG and knitwear enterprise.
(10) PWD supervises the implementation under the assistance of JICA experts.
(11) FSPDSME-PIU makes three tranche disbursements to RMG and knitwear enterprises through PFIs.
(12) PFI makes disbursement according to above.

Annex-2 PFI List

Names of Participating Financial Institutions (Banks and Non-bank Financial Institutions)
Given below the list of names of the banks and NBFIs who are accredited by BB as PFIs:
Name of banks considered eligible for accreditation

Sl. No.	Name of Banks	Type
1	AB Bank Limited	Private Commercial Bank (PCB)
2	IFIC Bank Limited	-do-
3	National Bank Limited	-do-
4	Eastern Bank Limited	-do-
5	NCC Bank Limited	-do-
6	Prime Bank Limited	-do-
7	Southeast Bank Limited	-do-
8	Dhaka Bank Limited	-do-
9	Dutch Bangla Bank	-do-
10	The City Bank Limited	-do-
11	Mercantile Bank	-do-
12	One Bank Limited	-do-
13	The Premier Bank Ltd	-do-
14	Standard Bank Limited	-do-
15	Trust Bank Limited	-do-
16	Mutual Trust Bank	-do-
17	Bank Asia Limited	-do-
18	Jamuna Bank Limited	-do-
19	Brac Bank Limited	-do-
20	Commercial Bank of Ceylon PLC	Foreign Bank (FB)
21	Habib Bank Ltd.	-do-

Name of non-bank financial institutions (NBFIs) considered eligible for accreditation

Sl. No.	Name of NBFIs
1	IDLC Finance Limited
2	Bangladesh Finance & Investment Company Limited
3	United Leasing Company Limited
4	Union Capital Limited
5	Uttara Finance and Investment Limited
6	Prime Finance & Investment Limited
7	Phoenix Finance & Investment Limited
8	Bangladesh Industrial Finance Company Limited
9	International Leasing & Financial Services Limited
10	Bay Leasing & Investment Ltd.
11	Lanka Bangla Finance Ltd.
12	FAS Finance & Investment Ltd.
13	Industrial & Infra. Dev. Finance Co. Ltd (IIDFC)
14	Fareast Finance & Investment Ltd
15	Premier Leasing International Ltd.
16	MIDAS Financing Ltd
17	First Lease International Ltd.
18	National Housing Finance & Investment Ltd.