



International
Labour
Organization

Access to remediation finance

A key to
Industrial safety in the
Bangladesh RMG sector

Credit Lines

Depending on the nature of remediation required, factory owners may need to gain access to loans or other funding. A number of specific initiatives have been established to

facilitate access to loans for ready-made garment (RMG) factory remediation activities at below market rates. An overview of these credit lines is given below.

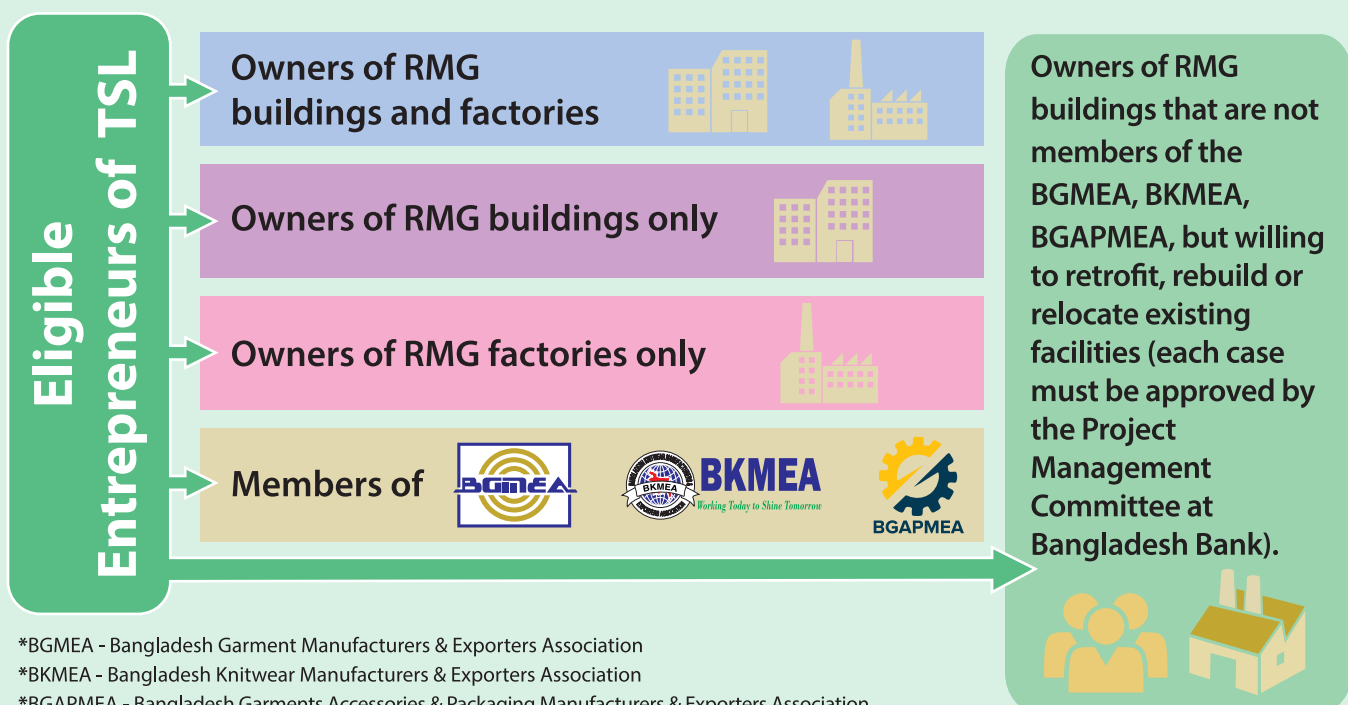
Financer	Total fund	Range of an individual credit line	Participating Financing Institutes (PFI)	Interest rate
JICA	BDT 305 crore	Max. BDT 35 crore	25 commercial Banks*	Max 6%
USAID	US\$ 220,00,000	Average US\$ 250,000	Prime Bank, UCB	Shall be determined by the PFIs
IFC	US\$ 500,00,000	US\$100,000- US\$ 2 million	Prime Bank, EBL, The City Bank, UCB	About 6%
AFD	EUR 500,00,000	Max. EUR 3 million	To be confirmed	Max 7%

*Contact details of the PFIs are attached

Bangladesh Bank-JICA TSL:

Bangladesh Bank has established a Two Step Loan (TSL) fund to strengthen building safety of RMG factories in Dhaka, Narayanganj, Gazipur and Chittagong City under its "Urban Building Safety Project" sponsored by Japan International Cooperation Agency (JICA). Technical supports are

provided through the Project Implementation Unit (PIU) of Public Works Department (PWD). Eligible RMG entrepreneurs will be provided with short and long term financing facilities through PFIs.



*BGMEA - Bangladesh Garment Manufacturers & Exporters Association

*BKMEA - Bangladesh Knitwear Manufacturers & Exporters Association

*BGAPMEA - Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association

Stakeholders

AFD Programme:

The French Development Agency (AFD) has established a financing initiative that will provide technical assistance and affordable funding to the RMG sector. The programme is co-financed by AFD, Asian Investment Facility (AIF) under European Union (EU) and KfW Development Bank while German development agency, GIZ will provide technical cooperation. The objective of the AFD is to support investments of RMG factories related to safety retrofits/remediation as well as higher environmental and social standards.

USAID Guarantee Scheme:

In September 2015, the United States Agency for International Development (USAID) established an US\$ 18 million credit facility for small and medium-size export oriented factories that fall under the Alliance for Bangladesh Worker Safety. The credit facilities are available for factories that have already undergone a safety assessment and have a Corrective Action Plan (CAP) in place. As part of this initiative, the Alliance contributes US\$ 1.5 million to a risk sharing facility.

IFC - Access to low-cost loans through local banks:

The International Finance Corporation (IFC) provides US\$ 40 million to make low cost loans available to factory owners undertaking safety and retrofit activities. The credit facility is available to factories which fall under the Accord on Fire and Building Safety in Bangladesh and the Alliance for Bangladesh Worker Safety. It is being distributed by four Participating Finance Institutions (PFIs) which are using the funds to finance RMG factory remediation work as identified in Corrective Action Plans.



Finance & development partners (IFC, JICA, AFD and USAID):

Mainly mobilize credit facilities in Bangladesh and facilitate the process of selecting PFIs. They help steer the discussion with relevant stakeholders to ease access to finance for end borrowers.



Participating banks (PFIs):

PFIs are responsible for identifying clients, implementing loan agreements, distributing the loan amounts, collecting payments and monitoring the use of the fund as per the loan agreement.



RMG factories (end borrowers):

In line with respective credit facilities, RMG factories receive remediation funds at a given interest rate. In order to obtain remediation financing RMG factories are responsible for producing necessary documents, reporting the status of remediation to the PFIs and proper use of funds as per any agreement.




International buyers:

International buyers help increase the awareness of factory owners about the need to invest in remediation as well as help monitor the implementation of remediation activities.

Contact

Contact information of participating financing institutes

Bank	Credit line
 Mr. Abdul Momen BRAC Bank Ltd. SME Banking Division SAVP & Head of SME ☎ +88 02 8836302	■ JICA - Two Step Loan (TSL)
 Mr. Md. Khurshed Alam Eastern Bank Ltd. (EBL) SME Banking EVP & Head of SME ☎ +88 02 9515078	■ JICA - Two Step Loan (TSL) ■ IFC - Access to low-cost loan through local Banks
 Mr. Md. Kazi Mahmood Karim Prime Bank Ltd EVP & Head of SME ☎ +88 01713 277 693	■ JICA - Two Step Loan (TSL) ■ IFC - Access to low-cost loan through local Banks ■ USAID - Guarantee Scheme
 Mr. Sadat Ahmed Khan Head of SME The City Bank Ltd. ☎ +88 01819 328 980	■ JICA - Two Step Loan (TSL) ■ IFC - Access to low-cost loan through local Banks
 Mr. Saiful A Chowdhury United Commercial Bank (UCB) SVP, RMG Business Division ☎ +88 02 55668070 Ext. 4204	■ JICA - Two Step Loan (TSL) ■ IFC - Access to low-cost loan through local Banks ■ USAID - Guarantee Scheme

For additional Information

Mr. MD. Mahfuzur Rahman
Deputy Inspector General (DIG)
Department of Inspection for
Factories & Establishment (DIFE)
Tel: +88 02 55013638
Email: dig.safety.dife@gmail.com

Mr. Md. Faruk Hossain
Asst. Join Secretary, BKMEA
Research & Development
Tel: +88 02 9670498
Email: iart3@bkmea.com

Engr. Robiul Islam
Sr. Deputy Secretary, BGMEA
Tel: +880 167 390 0320
Email: robiulee8@gmail.com

For more info visit: <http://rcc.dife.gov.bd>