



## **Basic Features of SREUP**

### **Criteria of Project**

- Currency: Bangladeshi Taka (BDT)
- Maximum loan amount:
  1. BDT-equivalent of EUR 1 million.
  2. May be extended up to BDT-equivalent of EUR 3 million, in case of (i) Major environmental up-gradation or (ii) Any other duly justified and documented case
- Interest rate: Maximum 7% per annum. Revised rate will be 5% per annum.
- Maturity:
  1. Usually 3 to 5 years
  2. May be extended up to 7 years in the case of (i) Major environmental up-gradation or (ii) Any other duly justified and documented case
- Nature of works: Safety remediation, environmental and social up-gradation of RMG factories.
- Incentive: End borrower & PFIs will get Investment Grant as incentive for full utilization and completing the sub-projects accurately as-
  - 10% of the total loan amount related to safety remediation investments
  - 20% of the total loan amount related to environmental and/or social investments.

The breakdown of investment grants among Eligible RMG Companies and PFIs would be 90:10.

- Others:
  - a. Factories may avail both facilities if they are eligible for investments; but at first safety retrofits has to be done and then environment & social up-gradation.
  - b. Factories which have already completed their safety remediation and can provide evidence of full compliance to the CAP with positive review by the Independent Technical Assessors; or which simultaneously undertake to conduct their safety-related investments under the project will be eligible for their voluntary investments related to environment and/or social up-gradation to be financed under the loan funds.

### **Eligibility Criteria for Participating RMG factories**

- 1) RMG companies owning both a RMG factory and the building where the factory is located;
- 2) RMG companies owning a RMG factory, but not the building where the factory is located;

- 3) Owners of a building where at least one RMG factory is located.

Provided:

- a) The RMG factory is registered as an export-oriented factory, as evidenced by the holding of a BGMEA, BKMEA or BGAPMEA membership, or is covered by any of 3 initiatives for safety remediation in the RMG sector (Accord/RSC, Alliance/ Nirapon, NTPA);
- b) The RMG company is at least 3-year old with audited financial records;
- c) The RMG factory provides evidence of compliance with national tax regulation, and environmental certification from DoE;
- d) The RMG company does not receive any other concessional financing for the implementation of this sub-project;
- e) As an additional requirement in the case #3 above, there is a long-term lease agreement in place between the building owner and the RMG company (written and signed lease agreement with min. 5 years left), in order to ensure the bankability of the sub-project as well as the commitment of the RMG company to stay in the long term in the retrofitted /upgrades premises.

### **Eligibility Criteria for Investment related to safety remediation**

1. All investments related to the implementation of the CAPs and/or the Detailed Engineering Assessments as validated by any of the three initiatives for safety remediation (Accord/RSC, Alliance/ Nirapon, NTPA);
  2. For factories covered by the NTPA that do not have any CAP/DEA in place, all investments related to fire safety (e.g. fire-fighting system with alarms, smoke detectors, extinguishers, fire-proof doors, sprinklers, etc.) electrical safety (sound electrical system) and structural safety (stable and robust building structures):
    - Aiming at reaching a level a compliance equivalent to those of the Common Standards agreed by the (Accord/RSC, Alliance/Nirapon, NTPA); and
    - Designed as per investments plans validated by the Independent Technical Assessors in order to reach the level of compliance mentioned above.
- Project funds shall be used only for the above-mentioned eligible investments. In particular, costs related to demolition or land acquisition / lot servicing shall not be financed under the Project.



### Investments related to environmental and social upgrade

- Have already completed their safety remediation and can evidence full compliance to the CAP (with positive review by the Independent Technical Assessor); or
- Which simultaneously undertake to conduct their safety-related investments under the Project

A single RMG factory can benefit for both safety- and E&S-related investments provided it fulfils one of the two above-mentioned conditions.

*To access the Projects funds for the following E&S-related investments:*

1. All investments aiming at improving energy efficiency through the use of new green equipment and technologies, in particular those reducing energy consumption while providing productivity gains.

They include but are not limited to the following:

- Process optimization enabling reduction of energy consumption through the replacement or upgrading of energy-intensive equipment (e.g. boilers, generators, compressors, water pumps, etc.);
- Improved heat and steam management: installation of waste heat recovery units, steam condensate recovery, on-site cogeneration / regeneration, etc.;
- Small decentralized renewable energy power generation (e.g. biomass, biogas);
- Efficient lighting and ventilation systems, energy management systems.

2. All investments aiming at improving the environmental footprint of the factory (i.e. contributing to improve the local or global environment and/or to reduce its degradation) through the use of environmental-friendly technologies, in particular those reducing the consumption of natural resources and/or the generation of pollution.

They include but are not limited to the following:

- Wastewater recovery and treatment facilities (e.g.: effluent treatment plant);
- Safe disposal and recycling of chemicals and hazardous waste (e.g. caustic soda recovery);
- Waste management solutions: proper management of solid waste (e.g. decontamination and safe disposal of sludge), waste sorting, etc.

3. All investments aiming at improving the workplace environment and conditions.

They include but are not limited to the following:

- Upgrading of existing aeration /ventilation, Installation of air-conditioning;
- Improvement of toilets and fresh rooms;
- Construction of canteen/cafeteria, childcare facility, etc

This category of investments shall satisfy the following qualitative criteria:

- Prior consultation with employees and/or labour unions' representatives and evidence that their requests / expectations have been considered (priority, etc.);
- Objective: a majority of employees consider their workplace environment and conditions have been improved after the investment.

**Project funds shall not be used for refinancing sub-projects already completed or on-going. Only projects whose implementation has not started before the PFI participation date shall be financed under the Projects funds.**

For more details of the project, please check the circulars available in Bangladesh Bank's website. The link of that circular is:

<https://www.bb.org.bd/mediaroom/circulars/smespd/mar312019smespd01e.pdf>

<https://www.bb.org.bd/mediaroom/circulars/smespd/nov192020smespd15e.pdf>

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For more details, please visit:

**Website of SREUP:** <https://rmg-finance.com.bd/>