

# Engaging Banks and Financial Institutions in Bangladesh for Developing Water Credit Products

Report for Water.Org

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## Executive Summary:

The financial system of Bangladesh is comprised of three broad types of institutions– Banks, Microfinance Institutes and Cooperatives, and Informal financiers. Each of these segments are under the purview of a different set of regulators, and thereby, operate completely differently.

The informal sector, which is unregulated can charge as high as 100% interest rate on an annualized basis. They can do so as they are not registered under any regulatory authority. The micro finance institutions and cooperatives can charge up to 25% interest rate on an annualized basis. Full-fledged banks, and non-banking financial institutions can charge up to 9% annualized interest rates as per the regulatory laws passed in March 2020.

As such, the loan disbursement and recovery system of Banks and NBFIs must be much more efficient than that of Micro Finance institutions. Dollar for dollar, MFIs earn 4 times more margin than Banks. As such, what is feasible for MFIs is often not feasible for Banks and NBFIs.

	Cost of Fund	Interest Ceiling	Margin per 100 USD
Bank	5%	9%	4
MFI	9%	25%	16

The biggest difference between Banks and MFIs lies in their reach. Because of lower spreads, banks can afford far fewer number of demand generation/recovery agents. To remain profitable, they must disburse higher ticket size loans. In addition, they do not have the man-power to generate demand for wash products at the field level.

As per the current regulations in the market, consumer financing on the part of banks and non-banking financial institutions is not economically or operationally viable.

However, recent focus of the government on attainment of SDGs has caused the regulators nudge financial institutions at all levels to design and disburse WASH loans. As such, financial institutions are quite interested in launching WASH products – provided the model is economically sustainable.

As per our discussions and brainstorming sessions with the banks, the following strategies may enable us to engage active participation of the banks:

- Partner with WASH product manufacturers/entrepreneurs to whom banks will disburse high ticket loans. They will in turn provide WASH products to the consumers on credit. While this may be appreciated by the banks, it will be difficult to understand the actual impact, as these entrepreneurs are likely to avoid extending credit to the marginalized community who most need the support. A solution could be employing independent monitoring and evaluation partners, who will present impartial reports to water.org.
- Pursue advocacy with the central bank of Bangladesh, mandating Banks to allocate a certain portion of their capital for WASH loans. In order to comply with these regulations, Banks will make more capital available to Micro Finance Institutions who have already launched WASH products, thereby increasing the volume of WASH products disbursed in the market. Bangladesh has received USD 200 Million from World Bank for Safe Water and Sanitation Services in rural areas. Water.Org could also attempt to collaborate with World Bank in order to capitalize on these funds.

We have reached out to multiple banks, the details of which are presented in the report below. Three institutions were keen to launch WASH products and have developed proposals for Water.Org (Brac Bank Limited, IPDC Finance, and Mutual Trust Bank Limited). However, the product has not yet been launched, as Water.Org and the financial institutions in question have not been able to arrive at an economic solution that is sustainable for both parties.

## 1.0 An Overview of Financial Sector of Bangladesh:

The financial system of Bangladesh is comprised of three broad fragmented sectors categorized in accordance with their degree of regulation

- Formal Sector
- Semi-Formal Sector
- Informal Sector

The nature of business of each sector varies drastically, as each sector deals with a separate consumer class, that have different risk features.

The **formal sector** includes all regulated institutions like Banks, Non-Bank Financial Institutions (FIs), Insurance Companies, Capital Market Intermediaries like Brokerage Houses, Merchant Banks etc.; This sector is heavily regulated.

The **semi-formal sector** includes those institutions which are regulated otherwise but do not fall under the jurisdiction of Central Bank, Insurance Authority, Securities and Exchange Commission or any other enacted financial regulator. This sector is mainly represented by Specialized Financial Institutions like House Building Finance Corporation (HBFC), Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank etc., Non Governmental Organizations (NGOs and discrete government programs. These are regulated but do not fall under the jurisdiction of Central Bank. This sector is mainly represented by Specialized Financial Institutions such as Palli Karma Sahayak Foundation (PKSF), Samabay Bank, Grameen Bank etc., Non Governmental Organizations (NGOs and discrete government programs.

The **informal sector** includes private intermediaries which are completely unregulated and not under the purview of any regulatory institutional body.

## 1.2 Understanding the Nature of Banks and MFIs

For our project, the relevant bodies are Banks and Micro Finance Institutions

Banks and MFIs cater to very different client segments. The products offered by the two types of institutions are also very different, and therefore, the regulatory body and the extent to which they are regulated also vary a lot.

Banks fall into the formal sector, and is heavily regulated by the Central Bank. MFIs are in the semi-formal sector, and regulated by the Microfinance Regulatory Authority.

Details are presented in the sections below in order to highlight the differences between actors in the two segments.

### 1.21 Banks and MFIs deal with different ticket sizes of loans:

	Bank	Micro Finance Institution
Licensed Institutions	60	724
Total Disbursement	USD 112 Billion	USD 9.26 Billion
Number of Branches	10,607	18,977
Disbursement Per Institution	USD 1.87 Billion	USD 12.79 Million
Disbursement Per Branch	USD 10.56 Million	0.49 Million
Number of Employees	182,610	162,175
Disbursement per Employee	USD 613,328	USD 57,098
Average Loan Size	Not Found	USD 359.56

As can be seen from the table above, the preferred ticket sizes of Banks and MFIs are quite different, with Banks disbursing loans at least 10 times more efficiently than MFIs.

The average disbursement per employee for Banks stand at USD 613K per employee, whereas the average disbursement per employee is only USD 57K per employee, almost 1/10<sup>th</sup> of the disbursement of an officer employed at banks.

This is because for MFIs, the officers need to be prioritize recovery over sales. Because majority of their efforts are in recovery, they are allocated lower targets, and expected to ensure full recovery of their portfolio.

MFI officers are expected to visit the client on a regular basis, and collect the repayment amount from them before they become delinquent.

## 1.22 Banks and MFIs deal with different types of risk/asset classes:

Banks in Bangladesh focus mostly on industrial and enterprise loans, and are based in urban areas. The agenda for MFIs however, is to ensure access to capital for micro and nano entrepreneurs. This is evident in the distribution of loans across urban and rural areas.

Loan Disbursement Area	Predominantly Urban	Predominantly Rural
Urban:Rural Ratio	89:11	Not Found
Number of Members	Not Found	32,400,000
Business:Consumer Loan Ratio	98:2	0:100
Large Loans:SME Loan Ratio:	93:7	NA
Unsecured Loan	USD 2 Billion	USD 14 Billion

As can be seen above, only 2% of total bank loans is disbursed to consumers. These consumers are mostly wage earners, and people who receive salary on a regular basis, or have other collateral (cars, houses, land) that they can mortgage against the loans.

Of the business loans, 93% is extended to large corporates who have collateral to offer – land, export contracts, capital machinery. Only 7% is extended to small businesses who have little or no collateral to offer against the loans.

## 1.23 Unsecured loan portfolio of leading banks:

The top 20 banks in Bangladesh disburse 70% of the loans.

While all banks in Bangladesh have provision for unsecured loans for SMEs, only few banks actively engage in unsecured lending. Most are dependent on large corporates for their interest income. The following table shows the banks that are prominent in Bangladesh. Foreign Banks and State Owned Banks have not been included in the table.

There are three Foreign owned banks in Bangladesh, HSBC, CitiNA, and Standard Chartered Bank, which contribute to a significant volume of corporate lending, but do not have any unsecured products.

As shown in the table below, Brac Bank Limited, and IPDC are the institutions who contribute to the highest percentage of unsecured lending, and we have made the highest progress with these two organizations.

Sl.	Bank	Total Loan Book (USD M)	SME+Consumer (USD M)	Unsecured (USD M)	% of Unsecured as Total Loan Book
1	ISLAMIBANK	9,482.35	2,364.71	165.53	2%
2	BRACBANK	3,105.88	1,352.94	823.53	27%
3	UCB	3,470.59	1,035.29	33.76	1%
4	DBBL	4,329.41	505.88	5.06	0%
5	BANKASIA	2,670.59	482.35		0%
6	CITYBANK	2,682.35	329.41	164.71	6%
7	IPDC	1,070.59	364.71	182.35	17%
8	EBL	2,729.41	329.41		0%
9	PRIMEBANK	2,517.65	305.88	35.29	1%
10	ONE BANK LIMITED	2,614.08	258.82	7.76	0%
11	MUTUAL TRUST BANK LIMITED	3,529.40	352.94	17.65	1%
	<b>TOTAL</b>	<b>38,202.31</b>	<b>7,682.35</b>	<b>1,366.59</b>	<b>3.58%</b>

## 1.24 The Special Position of Brac Bank Limited:

It should be noted that of the total unsecured loans disbursed in Bangladesh, Brac Bank Limited owns approximately 40% of the portfolio. They are able to dominate this sector because they can tap into the client base of BRAC MFI.

Clients with good repayment history in Brac MFI are graduated to Brac Bank's unsecured lending program, where they receive loans at a much lower rate.

## 1.25 Feasibility of small ticket loans for Financial Institutions:

The financial landscape of MFI and FIs in Bangladesh are drastically different. Even though MFIs disburse a lower amount than Banks, and are more people intensive and on paper, less efficiently run than banks, the larger and notable MFIs have much higher profit margins than banks for several reasons. The reasons are presented in the paragraphs below.

## 1.26 Banks have a lower spread:

As seen in the table below, the central bank of Bangladesh has imposed a ceiling of 9% that can be charged to clients, which gives them room for very little margin.

The MRA (Micro Credit Regulatory Authority) however, allows MFIs to charge up to 24%, which leaves the MFIs significant margin that they can deploy for resources engaged in recovery and assessment.

	Cost of Fund	Interest Ceiling	Margin per 100 USD
Bank	5%	9%	4
MFI	9%	25%	16

## 1.27 Banks have more charges to pay:

In addition to this, Banks are also subject to charges, duties, and audits, and must maintain a more rigorous set of records and documentation, irrespective of the amount of the loan. For Banks, the documentation requirements for a USD 1,000 loan is the same as the documentation requirements of a USD 50,000 loan, which drastically increases the overhead cost of each loan. Because of these reasons, it seldom makes sense for a Bank to extend loans lower than USD 5,000.

The table below presents the schedule of charges and duties payable by a bank upon processing each loan. Per loan, irrespective of ticket size, already has cost of USD 45 due to regulatory requirements.

Documentation Charges	Cost BDT	Cost USD
Account onboarding	200	2.35
Assessment Cost	100	1.18
Documentation Charges	2350	27.65
Loan Application Cost	200	2.35
CIB Application Fee	100	1.18
DP Note Stamp Charge	50	0.59
Letter of Continuity	200	2.35
General Loan Agreement Stamp Charge	300	3.53
Letter of Undertaking	300	3.53
<b>Total</b>	<b>3,800</b>	<b>45</b>

## 1.3 Credit Rating Infrastructure:

Despite the phenomenal growth Bangladesh has been having for the past few years, in terms of both GDP and other socio economic factors, banking infrastructure of the country is only catching up.

### 1.31 Unreliable Information from Credit Information Bureau:

The CIB was set up on 18 August 1992 in the Bangladesh Bank. The objectives behind setting the CIB was to minimize the extent of default loans by providing the institutions with timely reports on credit information about the loan applicants. However, this was useful only for large borrowers and institutional loans, as there was still no unique identifier for an individual citizen.

### 1.32 No unique identifier for an individual:

Citizens did not have a unique National ID number until 2006. This too was a rudimentary solution – a paper based laminated card that was susceptible to counterfeiting and fraudulence. There was also no central database with which one could check the validity of the NID number presented by an individual.

In 2016, Bangladesh introduced smart NID cards complete with the biometric information of the individual. Most people received their smart cards by 2018. It is only in recent times that citizens have been mandated to include their NID numbers while opening their bank accounts or taking out a loan.

Because of this gap, the both loan disbursement and recovery process has remained a manual process. Even today, it is possible for a defaulter to easily get a loan if he switches to another area.

For example, a person who had defaulted a loan from Brac MFI in Rangpur can easily receive a loan from Brac MFI in Chittagong within two years.

This is because Brac MFI still does not have the means to report the default in a central database, or check whether a particular person has previous defaults through the system. The due diligence process is incredibly manual – and depends on the local reputation of an individual.

Because of this reason, people who have a good credit history, but have just moved to a new area will not receive a loan from an MFI – as they will not have enough people advocating/referring them to the local credit officers. But a defaulter with bad credit history in the past may receive a loan if his local reputation is satisfactory.

For these reasons, unsecured lending has largely remained a forte of MFIs, who have the necessary man power and field force that can ensure recovery.

However, things are gradually changing as in February 2020, The election commission has allowed banks to access to its NID database to enable them to cross-check customer details while opening account or settling any financial transaction. As credit history builds, more and more banks will be able to extend unsecured loans to consumers and small retailers.

### 1.33 Central Bank has become more and more strict over the years:

Over the past few years, the banking system of Bangladesh has faced some major default issues.

Total Disbursement	USD 112 Billion	USD 9.26 Billion
Default/Delinquency	USD 11 Billion	USD 277 Million
Default/Delinquency As percentage	9.82%	2.45%

The gross nonperforming loan (NPL) ratio<sup>18</sup> in the banking sector showed an upward trend during the last year. The amount of gross NPL in 2020 increased USD 49.41 M to reach USD 11.09 billion in 2020.

High cost of debt servicing, and moral hazard problem of some borrowers anticipating potential benefits from the expected special loan restructuring policy were some of the key reasons behind the elevated NPLs.

This has caused the central bank has been monitoring banks stringently. Recent circulars issued by the central bank holds loan approving officers more accountable, where irresponsible approvals may result in them being charged to jail time. As such, credit approvers working even at banks with very low NPL have become more conservative in their approval process and further removed themselves from risky products that do not have collateral tied to them.

## 2.0 The way forward for Banks to extend Water Credit:

As established in the sections above, often, it is not possible for Banks to directly extend small ticket loans to end consumers in the current context. They often do not have the reach, the manpower, or the margins to ensure recovery of these small ticket loans.

However, it is possible to engage Banks by incorporating them into an embedded financing model, whereas retailers act as the recovery arm of the Banks.

This model has been implemented by several startups including ShopUp, and have proven to be an excellent way of giving small retailers and consumers access to lower cost loans.

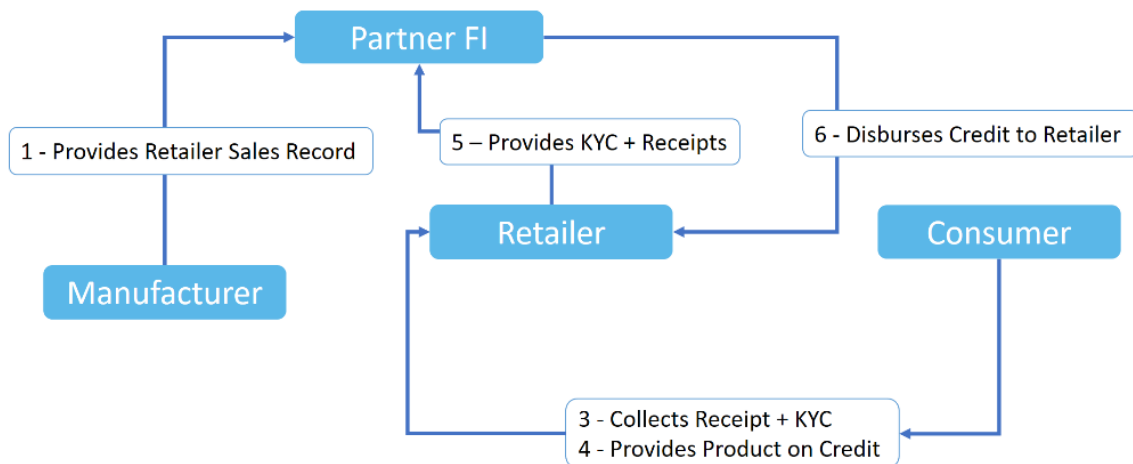
The model proposed for water credit is presented below.

## 2.1 Embedded Water Credit:

### 2.11 The Disbursement Process:

- 1) The Financial Institution will analyze sales record of retailers and allocate limit for each retailer.
- 4) Retailer will extend products to the implementation partner on credit, and collect consumer phone number, NID Number, and Address from the implementation partner
- 5) At day end, the retailer will submit the documents and the total amount to the financial institution.
- 6) Upon passing due diligence, the amount of credit sales made will be disbursed into the retailers account.
- 7) A monitoring and evaluation partner will ensure the credit is going to the right people.

### KYC and Disbursement Flow

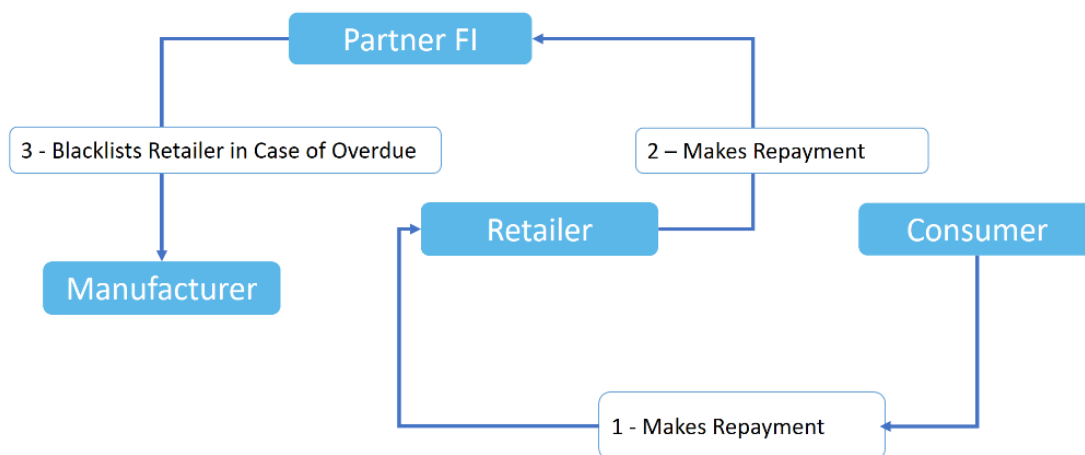




## 2.12 The Repayment Flow:

- 8) Retailer will collect the repayments from the consumers and make weekly payments to the FI to repay the loan.
- 9) FI will not have to communicate/visit the consumer

### Repayment Flow



## 3.0 Progress Summary:

Sl.	Bank	Status	Comments
1	Brac Bank Limited	Open	Proposal in progress.
2	IPDC Limited	Open	Proposal in progress, pending on Water.Org end.
3	Bank Asia Limited	Open	Discussion ongoing
4	Mutual Trust Bank Limited	Open	Discussion ongoing
5	IDLC Limited	Open	Discussion ongoing
6	The City Bank Limited	Open	Discussion on hold, as there is management changes upcoming.
7	One Bank Limited	Open	Discussion on hold, as there is management changes upcoming.
8	Prime Bank Limited	Open	Discussion yet to begin
9	Dutch Bangla Bank Limited	Open	Discussion yet to begin
10	HSBC Limited	Closed	Do not plan to launch any unsecured product. Open to CSR financing.
11	Standard Chartered Bank	Closed	Do not plan to launch any unsecured product. Open to CSR financing.

### 3.1 Progress Report: Brac Bank

Bank Name:	Brac Bank Limited
Contact Person:	Mansib Khan
Designation:	Associate Manager, SME Banking
Date	4 <sup>th</sup> December 2020
Meeting Number:	1

A meeting was done to discuss the methodology through which Brac Bank can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

Attendees:

**Brac Bank: Lending Partner**

Mansib Khan: Associate Manager, SME Banking

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org

Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

In this meeting, the purpose and values of water.org was presented to representatives from the bank. The current status of water and sanitation in Bangladesh was explained, and the business viability of water credit was explained to them.

Brac Bank Limited understood the income enabling aspect of water credit, but had concerns about the low ticket size of the loans.

We pitched the embedded financing model to them, explaining their low involvement in the recover process, and requested for a second meeting with the decision makers of the company.

It was understood that sanitation credit falls under the sustainable values championed by the bank and that they would be keen to help us in any regard possible, provided that the launched product had business viability.

Bank Name:	Brac Bank Limited
Contact Person:	Adnan Jamilee
Designation:	Head of ICT and Digital Businesses
Date	25 <sup>th</sup> December 2021
Meeting Number:	2

A meeting was done to discuss the methodology through which Brac Bank can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

Attendees:

**Brac Bank: Lending Partner**

Adnan Jamilee: Head of ICT and Digital Businesses

Mansib Khan: Associate Manager, SME Banking

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org

Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

Given Brac Bank is the pioneer in the unsecured lending sector, water.org was interested to design a pilot with them.

In this meeting, the embedded financing model was proposed and explained to the stakeholders from the business side as well as address issues of the credit side.

Brac Bank Limited understood the model properly and has shown interest to allocate capital for water credit. It was understood that the Bank will communicate only with the retailer, and recover the amounts from the retailers.

However, when the monitoring and evaluation requirements of water.org was presented, they were unable to finalize solutions for the following issues:

- 1) Responsibility of verification that the retailer has indeed extended the credit to the consumers.
- 2) Responsibility for ensuring that retailer business is not hampered due to consumers delaying/defaulting on payments.
- 3) Amount of resources they could commit to the cause in case they needed to deploy additional people for demand generation and recovery of the loans.

For issues 1 and 2, it was decided that a separate implementation partner would be onboarded.

For issue 3, Brac Bank inquired whether water.org would pledge any amount for starting up and running the pilot.

Bank Name:	Brac Bank Limited
Contact Person:	Adnan Jamilee
Designation:	Head of ICT and Digital Businesses
Date	14 <sup>th</sup> January 2021
Meeting Number:	3

A meeting was been to outline the process through which Brac Bank can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

Attendees:

**Brac Bank: Lending Partner**

Adnan Jamilee: Head of ICT and Digital Businesses  
Mansib Khan: Associate Manager, SME Banking

**iSocial: Monitoring and Evaluation Partner**

Bipasha Hossain: CEO, Shujog.xyz@iSocial  
Simran Tabassum Ali:  
Executive, Finance & Business Development at iSocial

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org  
Siffat Sarwar: FI Consultant, Water.Org

Water.Org Bangladesh has chosen Brac Bank Limited as the first partner for running a pilot through which water credit can be extended to consumers through scheduled banks. This is because Brac Bank Limited is the largest bank in terms of unsecured (collateral free) lending in Bangladesh. Their total unsecured lending stands at USD 1 Billion Dollars, which is roughly 45% of the total unsecured lending done by the entire Banking sector in Bangladesh. They have the risk appetite and agility to execute pilots, and learn from trial and errors to develop a product that can actually scale.

Given that they are the pioneers in the unsecured lending sector, we expect that a successful pilot with Brac Bank will also enable us to replicate the same model with other Banks who have interest in these projects, but lower risk appetites.

### **Meeting Discussion:**

Brac Bank Limited is interested to allocate capital for water credit. They will explore two different avenues to launch water credit and mitigate the current capital gap that exists in the market.

1) Allocate extra credit lines for WASH projects with MFIs with whom they already have a relationship. Brac Bank Limited currently works with 26 top MFIs in the country. Water.Org is currently working with 8 MFIs. Brac Bank has agreed to let [water.org](http://water.org) know their existing limits with these MFIs, and based on feedback from Water.Org, allocate additional limit for the purpose of water credit with selected MFIs.

#### Actionables:

- Provide current limits extended to MFIs (Brac Bank- Mansib/team - 20 Jan 2021)
- Select MFIs that [water.org](http://water.org) wants to work with (Water.org- Shaoli/team -20 Jan 2021)
- Set a meeting date to discuss the limits to be allocated to selected MFIs, and the conditions for allocating those limits. (Shaoli/Mansib - 20 Jan 2021)

2) Disburse credit to retailers, so that they can in turn extend sanitation products on credit to consumers.

-The loan will be created in the name of the retailer, and the responsibility of the repayment will also lie with the retailer. However, the retailer will be expected to propagate the credit to the end consumers who currently do not have access to water and sanitation.

-Brac Bank will deploy iSocial in order to monitor the implementation of the sanitation projects, and generate reports for Water.Org.

-A contract will be signed between iSocial and Brac Bank Limited to define their terms of engagement and cooperation

-Water.Org will be responsible for providing the training and collateral for generating the demand for these loans

-We have targeted 50 pilot disbursements by 31st March 2021.

#### Actionables:

- Finalize MOU between BBL and Water.Org (Shaoli/Mansib - 17th January 2021)
- Finalize agreement between iSocial and BBL (Bipasha/Mansib-18th January 2021)
- Finalize pilot area (Bipasha/Mansib - 17th January 2021)
- Finalize the retailers to be engaged in the pilot (Bipasha/Mansib - 17th January 2021)
- Finalize the reporting mechanism (Shaoli/Bipasha/Mansib - 18th January 2021)

## 3.2 Progress Report: IPDC Limited

Bank Name:	IPDC Limited
Contact Person:	M Solaiman Sarwar
Designation:	AGM & Head of Strategic Initiatives
Date	7th December 2020
Meeting Number:	1

A meeting was done to discuss the methodology through which IPDC can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

#### Attendees:

##### **IPDC Limited: Lending Partner**

Solaiman Sarwar, AGM & Head of Strategic Initiatives

##### **Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org

Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

In this meeting, the purpose and values of water.org was presented to representatives from the bank. The current status of water and sanitation in Bangladesh was explained, and the business viability of water credit was explained to them.

IPDC Limited understood the income enabling aspect of water credit, but had concerns about the low ticket size of the loans.

We pitched the embedded financing model to them, explaining their low involvement in the recover process, and requested for a second meeting with the decision makers of the company.

IPDC Limited explained that they had already executed similar models with Unilever and are launching a similar product with BAT. They were keen to partner with water.org and requested some time to revert with an MOU.

They also inquired whether there was a minimum amount that they must pledge, and whether water.org would pledge any amount for starting up and running the pilot.

Bank Name:	IPDC Limited
Contact Person:	M Solaiman Sarwar
Designation:	AGM & Head of Strategic Initiatives
Date	7 <sup>th</sup> December 2020
Meeting Number:	2

A meeting was done to discuss the details of the proposal through which IPDC can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

Attendees:

**IPDC Limited: Lending Partner**

Solaiman Sarwar, AGM & Head of Strategic Initiatives

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org

Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

IPDC had already submitted a proposal to which water.org had observations. The two parties agreed to edit and update the proposal and develop terms that would be feasible and beneficial to both parties.

Bank Name:	Mutual Trust Bank Limited
Contact Person:	Khalid Hossin
Designation:	Senior Vice President, Digital Lending and Solutions
Date	8-Feb-2020
Meeting Number:	1

A meeting was done to discuss the details of the proposal through which Mutual Trust Bank Limited can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.

Attendees:

**Mutual Trust Bank Limited: Lending Partner**

Khalid Hossin, Bank Asia

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org

Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

Mutual Trust Bank Limited had heard of the pilot Brac Bank was undertaking, and was interested to allocate capital for water credit. They were keen to disburse credit to retailers, so that they can in turn extend sanitation products on credit to consumers.

-The loan will be created in the name of the retailer, and the responsibility of the repayment will also lie with the retailer. However, the retailer will be expected to propagate the credit to the end consumers who currently do not have access to water and sanitation.

-MTBL will deploy an NGO called "padakkhkep" in order to monitor the implementation of the sanitation projects, and generate reports for Water.Org. They have chosen this NGO as they have other projects running with this organization, and it would be easier to coordinate.

-A contract will be signed between Padakkhkep and Mutual Trust Bank Limited to define their terms of engagement and cooperation

-Water.Org will be responsible for providing the training and collateral for generating the demand for these loans

-We have targeted 50 pilot disbursements by 31st May 2021.

Actionables:

- Finalize MOU between MTBL and Water.Org (Shaoli/Khalid)
- Finalize the retailers to be engaged in the pilot (Shaoli/Khalid)
- Finalize the reporting mechanism (Shaoli/Khalid)

Bank Name:	Bank Asia Limited
Contact Person:	Shajedul Haq Shadhin
Designation:	Deputy Managing Director, Bank Asia
Date	12-December-2020
Meeting Number:	1
A meeting was done to discuss the methodology through which Bank Asia can extend water credit to consumers with no access to clean water and sanitation. The section below outlines the discussion points of the meeting, and the way forward.	
Attendees:	
<b><u>Bank Asia Limited: Lending Partner</u></b>	
Shajedul Haq Shadhin, Bank Asia	
<b><u>Water.Org: Facilitation Partner</u></b>	
Khandaker Shaoli Hassan: Program Officer, Water.Org	
Siffat Sarwar: FI Consultant, Water.Org	
<b><u>Meeting Discussion:</u></b>	
The purpose and values of water.org was presented to representatives from the bank. The current status of water and sanitation in Bangladesh was explained, and the business viability of water credit was explained to them.	
We pitched the embedded financing model to them, explaining their low involvement in the recover process, and requested for a second meeting with the decision makers of the company.	
The team present at the meeting were convinced of the potential this model held and agreed to set up a meeting with the senior executive who was the decision maker for new product developments.	

Bank Name:	Bank Asia Limited
Contact Person:	Akhter Hamed
Designation:	Deputy Managing Director, Bank Asia
Date	20-December-2020
Meeting Number:	2

**Bank Asia Limited: Lending Partner**

Akhter Hamed, Bank Asia  
Shajedul Haq Shadhin, Bank Asia

**Water.Org: Facilitation Partner**

Khandaker Shaoli Hassan: Program Officer, Water.Org  
Siffat Sarwar: FI Consultant, Water.Org

**Meeting Discussion:**

In this meeting, the purpose and values of water.org was presented to representatives from the bank. The current status of water and sanitation in Bangladesh was explained, and the business viability of water credit was explained to them.

We pitched the embedded financing model to them, explaining their low involvement in the recover process, and requested for a second meeting with the decision makers of the company.

Bank Asia was keen to launch consumer WASH loans via their agent network, as a means of incremental income for their agents. We explained that we would be able to provide them with a seed/startup fund, but the model would require to be sustainable on it's own.

After this, they were more keen to consider the model where bigger ticket sizes would be disbursed via WASH entrepreneurs. However, they have requested for a final figure that water.org can pledge in order for them to design a solution for WASH products.