



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 04-Jan-2018 | Report No: PIDISDSA23045



BASIC INFORMATION

A. Basic Project Data

Country Bangladesh	Project ID P163250	Project Name Sustainable Enterprise Project	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 07-Jan-2018	Estimated Board Date 27-Feb-2018	Practice Area (Lead) Environment & Natural Resources
Financing Instrument Investment Project Financing	Borrower(s) Government of Bangladesh	Implementing Agency Palli Karma-Sahayak Foundation (PKSF)	

Proposed Development Objective(s)

To increase adoption of environmentally sustainable practices by targeted microenterprises

Components

Enhancing Services and Enabling Systems
Strengthened Access to Finance for environmentally friendly and resilient microenterprises
Project Management, Knowledge Management and Monitoring & Evaluation

Financing (in USD Million)

Financing Source	Amount
Borrowing Agency	20.00
International Development Association (IDA)	110.00
Total Project Cost	130.00

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue

B. Introduction and Context



Country Context

- Poverty has decreased markedly in Bangladesh since the turn of the century thanks to strong economic performances, but it remains high.** Sustained export-led growth of about 6 percent per year in the decade to 2015 has allowed Bangladesh, a country with a population of around 165 million inhabitants, to reach lower-middle income status. Between 2000 and 2010, 17 million Bangladeshis moved out of poverty, as a result notably of the better job opportunities for both men and women created by structural shifts in the economy towards manufacturing and services and away from agriculture¹. Based on the international poverty line at US\$1.90 per day (2011 PPP), the poverty headcount ratio declined from 44.2 percent in 1991 to 13.8 percent in 2016. Bangladesh nonetheless remains one of the poorest countries in South Asia and the pace of poverty reduction has decreased in recent years. While rural areas continue to account for the bulk of the poor, the share and number of the urban poor have increased since the 1990s, as more people move to cities in search of better employment and income opportunities.
- Microenterprises are a critical segment of the economy for the poor in Bangladesh.** Out of 7.8 million nonfarm economic units in Bangladesh in 2013, almost 7 million were cottage and microenterprises with less than 25 employees.² These enterprises are estimated to account for around 14 million jobs, or 56 percent of total employment in all enterprises. Microenterprises are vehicles for diversifying economic activity and can make significant contributions to poverty alleviation through self- and wage-employment opportunities. Surveys in Bangladesh have found that households with microenterprises as an additional source of revenue had 36 percent higher per capita income than those which do not.³ Bangladesh is known for its success in pioneering approaches that support microenterprises as a means of poverty alleviation. In particular, microcredit has been widely used as a channel to provide financial and technical assistance to the poor. Notably, the Palli Karma-Sahayak Foundation (PKSF), an apex microcredit funding and capacity building organization established by the Government to reach out to the poor, started in 2001 a microenterprises loan program implemented through 178 Partner Organizations (POs) throughout the country⁴.
- Enhancing environmental sustainability and climate resilience are becoming increasingly important for sustaining Bangladesh's economic progress.** Bangladesh ranked 173 out of 180 countries on Yale's 2016 Environmental Performance Index.⁵ Globally, Bangladesh ranks among the countries with the economy most at risk due to the impacts of climate change. With two-thirds of its landmass less than 5 m above sea level, the country is very vulnerable to sea level rise, cyclones, storms, and storm-induced tidal flooding. According to a World Bank study, 5.3 million of the poor in Bangladesh will be vulnerable to the effects of climate change in 2050.⁶ An ongoing Country Environmental Analysis estimated that outdoor and indoor air pollution (PM_{2.5}) and workplace environment risks are responsible for productivity loss at about 1.6 and 0.5 percent, respectively, of gross domestic product (GDP).⁷ In particular, the rapid growth of manufacturing, dominated by micro, small and medium enterprises (MSMEs), has led to a massive increase in natural resource use and degradation and to growing air, soil and water pollution. Reducing negative environmental externalities has thus been identified as a priority area for Bangladesh to continue progress toward reducing poverty and inequality.⁸ Embarking on a greener growth pathway would provide major benefits for Bangladesh in terms of increased productivity and innovation, access to new markets, generation of public revenue, and reduction of vulnerability to shocks.⁹

¹ World Bank. 2015. Bangladesh Systematic Country Diagnostic.

² Business Finance for the Poor in Bangladesh. 2017. "Diagnostics of Micro-enterprise Lending by MFIs in Bangladesh: Opportunities and Challenges." (http://inm.org.bd/wp-content/uploads/2017/07/Policy-Brief_ME_English.pdf). Cottage enterprises are defined as having either a value (replacement cost) of fixed assets, excluding land and building of less than BDT



Sectoral and Institutional Context

4. **Half of the country's population is dependent on microenterprises for their livelihoods, but because of the number of microenterprises, their cumulative environmental ramifications are of growing concern, especially when microenterprises of a particular type operate in clusters and are exposed to climate vulnerability.** Broadly, there are three groups of **issues**. (i) Small industries in Bangladesh are responsible for a substantial share of air and water pollution (due to their large numbers, even though individual contributions are small), notably in urban areas and clusters, and generally use environmentally and economically inefficient technologies.¹⁰ (ii) Some microenterprises in agriculture and manufacturing are already producing environmentally sustainable goods (e.g. use of vermi-compost in the place of chemical fertilizer, leather board from the leather dust etc), but face obstacles to grow due to disconnection from high value market, lack of exposure to knowledge to adopt cleaner production and methodology and lack of access to quality financing (banking system, business registration). (iii) Climate change is a major and growing threat for microenterprises in many sectors¹¹, which they are often ill-equipped to face and adapt to. (iv) Unsafe practices and products (e.g. contaminated food) not only affect the workers but the whole society who consumes unsafe products.

5. Despite some overlap among these four issues, each is caused by different combinations of market failures and requires targeted interventions. The issues are detailed below.

- Microenterprises typically operate within very narrow profit margins and are often forced to prioritize short-term profitability objectives, ignoring environmental externalities and long-term financial sustainability. PKSF introduced environmental health and safety guidelines for microenterprises in 2004, but a 2013 environmental audit showed that only 6 percent of microenterprises disposed of their solid wastes properly.¹²
- The experience in Bangladesh and other countries shows that investments by MSMEs in resource efficient and cleaner production (RECP) can generate both economic gains for firms and environmental benefits for society. However, microenterprises often fail to make such

0.5 million, or with up to nine workers, including household members, while microenterprises have a fixed asset value between BDT 0.5 and BDT 5 million, or with between 10 and 24 workers. Both cottage and microenterprises referred by the Government will be included in the microenterprise for the project.

³ Khandker, Shahidur R., Hussain A. Samad, and Rubaba Ali. 2013. "Does Access to Finance Matter in Microenterprise Growth? Evidence from Bangladesh." Policy Research Paper 6333, World Bank, Washington, DC.

⁴ As of end-April 2017, BDT 426.2 billion (US\$5.3 billion) had been disbursed under this program, the number of micro-enterprise borrowers stood at 1.2 million, 77 percent of which were female, and the average loan size is slightly above 100,000 BDT (US\$ 1,250).

⁵ <http://epi.yale.edu/country-rankings>.

⁶ <http://blogs.worldbank.org/developmenttalk/left-unattended-53-million-bangladesh-s-poor-will-be-vulnerable-effects-climate-change-2050>

⁷ World Bank. 2017. Bangladesh Country Environmental Analysis, presentation at the consultation workshop in Dhaka, December 2017.

⁸ World Bank. 2015. Bangladesh Systematic Country Diagnostic.

⁹ Economic Dialogue on Green Growth. 2016. Green Growth Diagnostic: Bangladesh.

¹⁰ World Bank. 2015. Bangladesh Systematic Country Diagnostic.

¹¹ A baseline study by PKSF of microenterprises showed that 80 percent from agribusiness and 46.1 percent from the manufacturing sector reported to be affected by climate change (e.g. reduced productivity, increased production cost, increased disease outbreak and pest attack, reduced sale).

¹² Environmental audit of microenterprises under the International Fund for Agricultural Development-assisted Finance for Enterprise Development and Employment Creation (September 2013). A single enterprise may use multiple disposal methods.



investments due to capacity, technical and financial constraints. The Baseline Study shows only 14% MEs are aware of about environmental impacts of ME business operations.¹³

- Strengthening microenterprises' resilience to climate change and related environmental stress is a key to reducing the risk that may push numerous people fall back into poverty. Micro and small enterprises in developing countries such as Bangladesh are particularly vulnerable to climate change impacts, but face more obstacles to climate adaptation than larger enterprises.¹⁴ Such obstacles include lack of information about climate risks for medium and long term business viability, low capacity to identify cost-effective adaptation measures, limited technical capacity to implement such measures and lack of access to financial products adapted to their risk-reward profile. The Baseline Study¹⁵ shows on average only 3% from manufacturing sector and 6% from agribusiness sector are taking actions to mitigate climate risks.
- Microenterprises often follow unsafe practices which expose the workers to occupational health risk and also produce contaminated product. A study shows puffed rice from a kitchen market has lead concentration of 3.39 mg/kg.¹⁶ The chronic effect of such events such as cancer, kidney disorders and birth defects is unlikely to be observed in short term, because the manifestation of the disease only occurs after long-term, low-level exposure.

6. **In the microenterprise sector, attention to environmental sustainability and climate resilience is limited due to a mix of capacity, market accessibility, knowledge and financial barriers.** While the statistics shows a high contribution to GDP from microenterprises, there is little evidence to show that microenterprises are growing in a sustainable way. According to a Small and Medium Enterprise (SME) Foundation survey conducted in 2006–07, the performance of micro, small and medium enterprises (MSMEs) is limited in terms of revenue earnings, machinery use, capital-labor ratio, and growth of value added, except labor productivity in some instances. Negative externalities, such as pollution, health impacts, or loss of productivity, are typically not reflected in costs, thereby reducing the incentive for microenterprises to shift to more sustainable goods and services, or collectively invest in better environmental technologies and infrastructure. The following barriers which hinder the growth of microenterprises have been identified.

- **Information asymmetry.** Microentrepreneurs are often not aware of current production inefficiencies and the potential resource and energy savings they could achieve with available RECP technologies and processes. Consumers may not demand cleaner and healthier products for lack of information on their benefits or information asymmetries may prevent them from identifying cleaner products that could attract price premiums, which in both cases reduces the incentives for microenterprises to improve. Additionally, the Baseline Study shows only 1% of the MEs having access to technical and advisory services for climate response. This suggests a need for better information and communication.

¹³ Baseline Survey for Sustainable Enterprise Project, October 30, 2017. The Survey also shows 25% from manufacturing sector and 18% from agribusiness sector showed interest in investing on environmentally friendly practice and technology.

¹⁴ Dougherty-Choux, Lisa, Pieter Terpstra, Srilata Kammila, and Pradeep Kurukulasuriya. 2015. *Adapting from the Ground Up - Enabling Small Businesses in Developing Countries to Adapt to Climate Change* (<http://www.wri.org/publication/adapting-from-the-ground-up>).

¹⁵ Baseline Survey for Sustainable Enterprise Project, October 30, 2017

¹⁶ Source: *Consumption of unsafe foods: heavy metal, mineral and trace element contamination 2015 Department of Soil Science: Bangladesh Agricultural University, Mymensingh*



- **Lack of access to technology:** Microentrepreneurs have little technical capacity and knowledge to adopt new technologies and processes and may be reluctant to change their equipment or inputs if they operate with low margins and have no certainty about success. This could be addressed by demonstrating technologies and providing technical support to firms.
- **High Cost of Enforcement:** The 1997 Environmental Conservation Rules require microenterprises to obtain an environmental clearance certificate, but this requirement is hardly followed by microenterprises. Forcing microenterprises to comply with environmental standards through enforcement or taxation is challenging, given their large numbers, informal nature, the low capacity of environmental agencies and thus high cost of compliance on both regulator and polluter.
- **Poor access to market:** Poor access to markets is the major constraint for the growth of commercially viable microenterprises already offering environmentally-friendly products. Globally, markets for 'green' goods and services grow dynamically and an increasing proportion of consumers take sustainability into account in their purchase decisions.¹⁷ The market for clean technology accessible to SMEs in developing countries until 2023 was recently estimated at US\$1.6 trillion and the leading opportunity of clean technology for Asian SMEs was found to be in wastewater (US\$85 billion).¹⁸ In Bangladesh, environmentally sustainable microenterprises already exist in sectors (slatted house of goat rearing, usage of leather board from leather dust, collection of crab seed from hatchery instead of the nature) but their growth is constrained by several factors. One such constraint is lack of information, both for microenterprises to identify potential markets and for consumers, domestic or international, to ensure that products were produced using green/environment friendly technologies. The organization of microenterprises to reach economies of scale and bring products to markets can also be hampered by coordination failures or the risk of freeriding. This can be addressed by providing support to finance common equipment and services. Finally, the niche nature of microenterprise products can be an additional obstacle for market accessibility, if the capacity of microfinance institutions to assess the potential viability of investments in these sectors is not strengthened. Further, when markets are not creating sufficient incentives for adaptation, public interventions can play a key role to encourage and support microenterprises to invest in climate resilience, as well as to help them realize and seize business opportunities that contribute to the resilience of others. This can include facilitating the transfer of information and providing both technical and financial support.
- **Low access to quality financing:** Access to finance remains a major constraint for microenterprises¹⁹ and limits their ability to invest in new (and typically cleaner) technologies. The majority of microenterprise investment is financed out of informal sources such as individual savings and informal loans from friends and relatives.²⁰ Informal moneylenders, however, charge exorbitant interest rates, in the range of 180 to 240 percent a year, which makes it difficult for microenterprises to sustain borrowing from these types of informal sources. Semiformal institutions such as microfinance institutions (MFIs) have the potential to alleviate microenterprises' credit constraints. Those MFIs or partner organizations (POs) who borrow from

¹⁷ <http://www.nielsen.com/us/en/insights/reports/2015/the-sustainability-imperative.html>.

¹⁸ infoDev. 2014. *Building Competitive Green Industries: The Climate and Clean Technology Opportunity for Developing Countries*. Washington, DC: World Bank.

¹⁹ In a baseline survey carried out by PKSF, 32 percent of microenterprises identify access to finance as the second most significant constraint to business growth, after market access.

²⁰ Shahidur R. Khandker, Hussain A. Samad, Rubaba Ali. Does Access to Finance Matter in Microenterprise growth? Evidence from Bangladesh.



PKSF mobilize savings from members and obtain donations from foreign organizations, while effectively charging 25 percent interest rates, ensuring a sustainable source of borrowing for microenterprises. Further, in the absence of well-designed technical and financial support, microenterprises, which typically operate within a very narrow profit margin, are often forced to maximize short-term sales, ignoring the environmental consequences and long-term financial sustainability. While the current lending ecosystem does not take into account the environmental and climate impacts or benefits of microenterprise projects, the government is interested in promoting innovation in microfinance that will help consolidate economic and environmental gains. This constraint could be eased by providing dedicated funds and improving the capacity of microfinance institutions to identify financially viable investments by microenterprises. The environmental externalities and the high cost of addressing those by MEs due to lack of the economies of scale may provide rationale for targeted public subsidization in the form of a grant for MEs to adopt higher cost technology and practices for reducing pollution/waste, including through subsidizing shared environmental facilities for MEs (like common effluent treatment or waste disposal facilities).

7. **Public sector interventions are needed because of (i) externalities/public goods related to environmental and climate resilience; (ii) information asymmetry when microenterprises lack the right knowledge about the markets, technologies and practices, while consumers lack the knowledge of product quality and associated impacts; (iii) capacity gaps of microenterprises, communities and MFIs; (iv) poor regulatory environment, such as lack of certification and safety standards; and (v) high cost of regulating microenterprises through enforcement.** Public sector plays a catalytic role in mainstreaming environmental lens and resilience into the microenterprises financing as this does not come from the private financing available to MEs. Their primary motivation is the cost-efficient technology/process that increases profit and allows recovery of loans. This project supports catalytic public sector interventions aimed to infuse environmental dimensions in financial intermediation while utilizing access to finance for microenterprises as means to reach and influence them. The need for public sector support is further justified by the innovative concept of this project to promote commercially-viable microenterprises that are geared towards greener and environmentally friendly practices. Public sector support is critical to build the right regulatory environment (such as for worker safety) and institutional capacity to provide packages of technical assistance and financing schemes that incentivize addressing the externalities or public good aspects stemming from the microenterprise sector. The government interventions through market infrastructure investments, raising awareness, capacity building and financial support, is necessary for uncovering opportunities for microenterprises and drive the potential to invest in green business or reduce environmental footprint.

8. **Supporting microenterprises to become environment friendly and resilient can have broad economic, social and environmental benefits, and contribute to poverty eradication and shared prosperity.** Along with other elements, such as investment in monitoring and enforcement capacity and environmental taxation, the provision of support and incentives for the adoption of cleaner production in industries was recommended as a way to reduce pollution in the 2015 Systematic Country Diagnostic (SCD) for Bangladesh. While technical and financial barriers constrain microenterprises' investment and innovation capacity, they can be adaptive if provided with adequate support. There are growing examples that demonstrate the benefits for both individual enterprises and the broader economy of more efficient use of resources, as well as opportunities of accessing to new dynamic markets for "green" goods and services.



C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To increase adoption of environmentally sustainable practices by targeted microenterprises.

Key Results

1. The PDO indicators are:

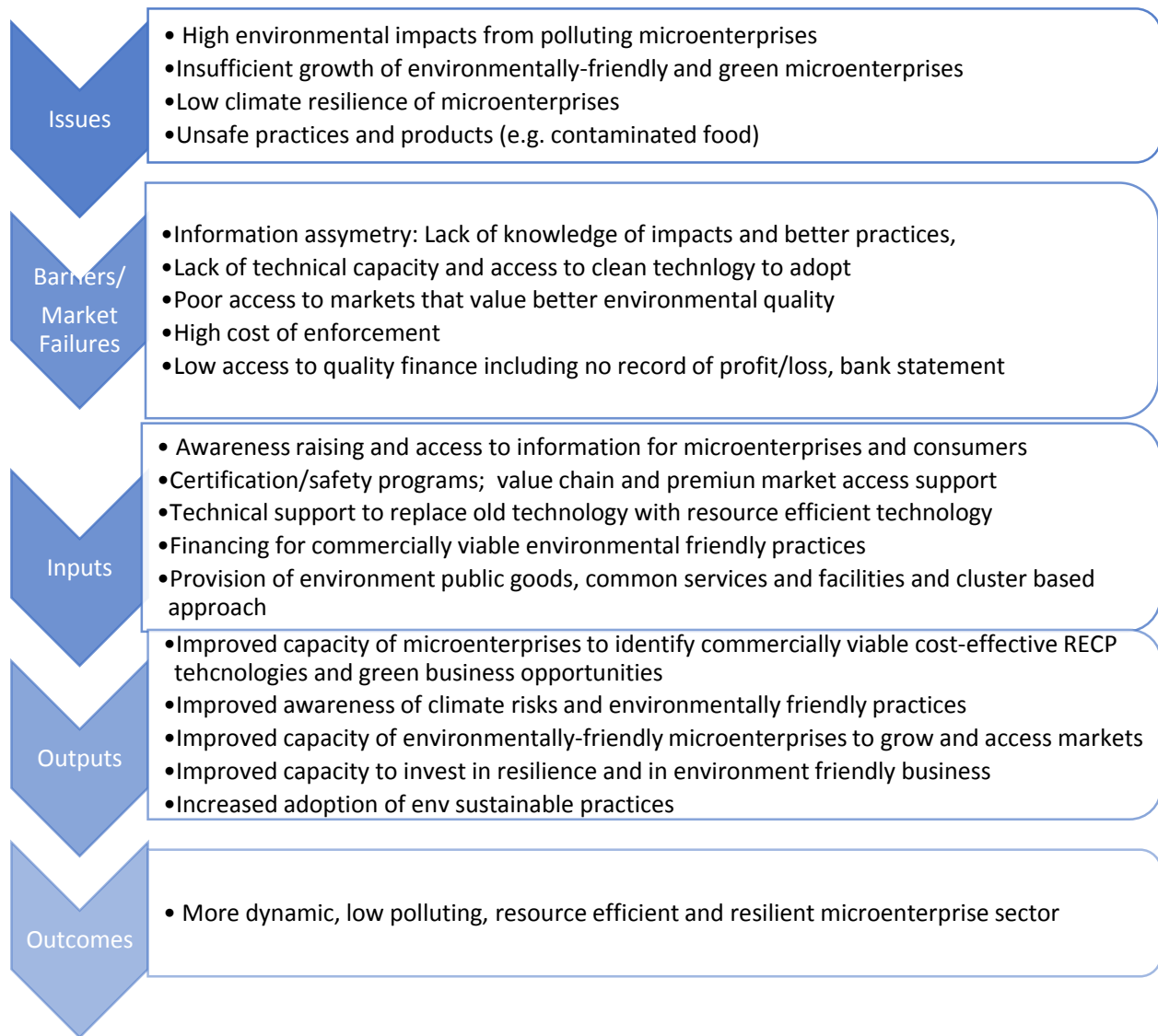
- (a) Microenterprises supported by the project that have adopted at least one environmentally sustainable practice (disaggregated by sex of the owner) (number)
- (b) Share of targeted beneficiaries with rating 'satisfactory' or above on project interventions (dimensions: livelihoods, safe and healthy work environment) (disaggregated by sex) (citizen engagement) (percentage)
- (c) Share of micro-enterprises continue the adopted environmentally sustainable practice in the consecutive years (disaggregate by gender of ME owner) (percentage)

D. Project Description

9. The proposed project will support microenterprises in agribusiness and manufacturing clusters with a focus on (a) areas that are environmentally stressed, where polluting microenterprises are active and microenterprises are operating under poor environmental conditions, (b) areas that are environmentally stressed but where environmentally friendly microenterprises have the scope to expand, and (c) areas that are vulnerable to climate change and natural disasters. The project aims to support microenterprises in environment friendly investment (energy, water and resource efficiency) in the agribusiness and manufacturing sectors to promote environmentally sustainable technologies and practices among microenterprises in environmentally vulnerable areas, induce changes in the micro-lending ecosystem, and support the adoption of basic operational safety norms in project-supported enterprises. To maximize its positive environmental impacts, the project will prioritize a selected number of polluting microenterprise business clusters and will support the expansion of innovative economic activities conducive to a cleaner environment (figure 1).



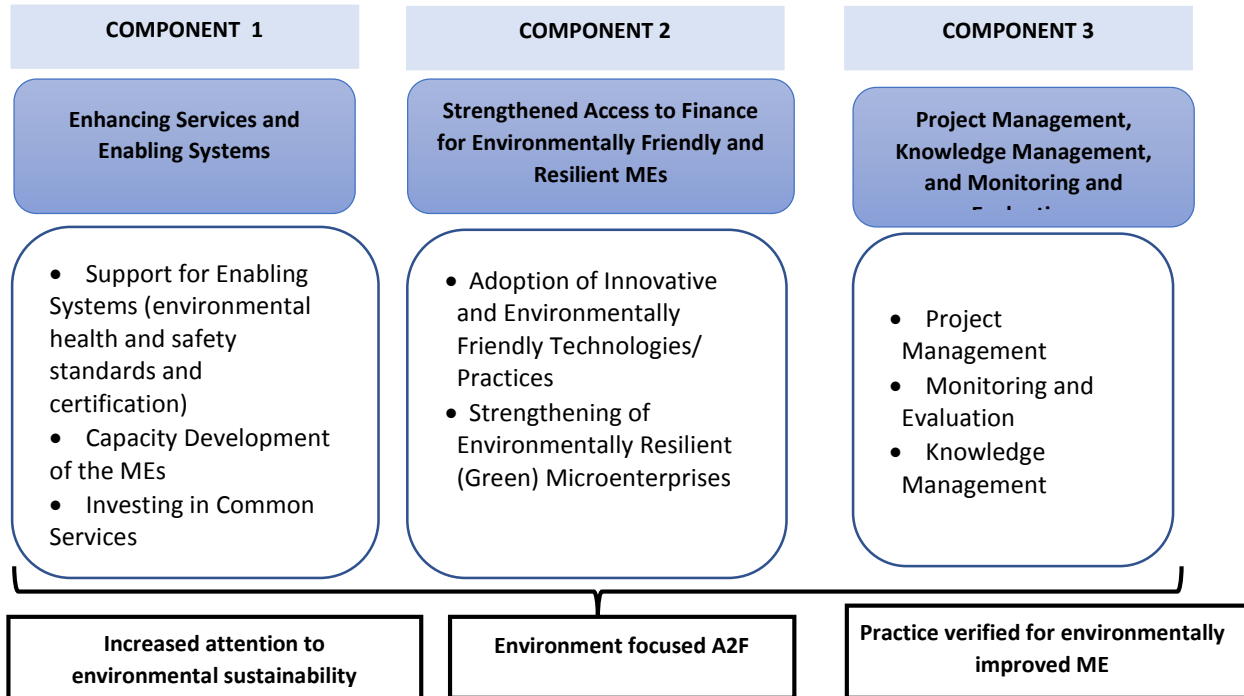
Figure 1. Theory of Change: From Issues to Outcomes



10. The proposed project will consist of three components: (a) enhancing services and enabling systems, (b) strengthened access to finance for commercially viable environmentally friendly and resilient microenterprises, and (c) project management, knowledge management, and monitoring and evaluation. The components are summarized in figure 2 and described in the following paragraphs.



Figure 2. Component Description



E. Implementation

Institutional and Implementation Arrangements

11. All IDA funds, including sub loans, will be made available to PKSf under a Subsidiary Loan and Grant Agreement with the Financial Institutions Division with the Ministry of Finance. PKSf will establish a PMU. A project coordinator will lead the PMU and will be in charge of overall implementation. S/he will directly report to a senior official of PKSf and will be the day-to-day point of contact for the World Bank. The PMU will consist of required technical and fiduciary specialists. The project will be implemented in the field by the POs selected according to the criteria agreed with the World Bank. The POs are responsible for putting together a proposal which includes loans for the MEs and shared services. The Cluster-level Integrated Shared Facility (Subcomponent 2.1) will, in its totality, be financially viable (and be able to set aside resources for operation, the sinking fund, and the refurbishment/augmentation fund from its revenue), while its parts/units will be a combination of revenue-generating and free services. The aim, at minimum, is to become fully financially sustainable in year 4 of implementation. The responsibility of managing the entire Cluster-level Integrated Shared Facility will be with the POs. The POs can manage the units/parts by promoting new MEs through leasing of assets or by entering service contracts. The POs will encourage one ME, slowly to take over the entire Integrated Shared Facility, including all liabilities, revenues, and businesses, such that this does not remain a responsibility of the PO after the project is over. As a part of the implicit ambition, the POs will be encouraged to promote/design/operate the Integrated Shared Facility as a financially viable microenterprise in itself. However, wherever no ME is available to operate any shared service, the POs will continue the operation and management of the Integrated Shared facility for at least 10 years after the project closes. As part of the Concept Plan for the cluster, the PO will, in detail, outline how the above objectives will be met. Once the Concept Plan for the cluster is approved, the PO will prepare a clear business plan (including detailed estimates of overall



revenue, operation and maintenance cost, sinking fund, and periodic augmentation cost). PKSF will disburse money to the PO only after the business plan is prepared and the PO provides a reasonable guarantee for its sustained operation after closure of the project. To ensure smooth launch of disbursement, the pipeline will be ready by project effectiveness.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project has identified 45 districts. The focus will be in the manufacturing and agribusiness sector. Further studies will be carried out during project implementation to identify the specific locations within the districts where the project activities are to be implemented. The Project does not envisage any significant or irreversible environmental/social impacts. Overall the project will contribute towards generating significant positive environmental and social impacts as it will improve the occupational health and safety for existing micro-enterprises that people will borrow for, and introduce/promote environmental and social standards for newly funded sub-projects/micro-enterprise schemes. The exact project locations and the interventions are not known at this stage, hence a framework approach has been adopted for preparing the safeguards related documents.

G. Environmental and Social Safeguards Specialists on the Team

Sabah Moyeen, Social Safeguards Specialist
Iqbal Ahmed, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The Project does not envisage any significant or irreversible environmental/social impacts. Overall the project will contribute towards generating significant positive environmental and social impacts as it will support environmentally sustainable activities to improve waste management (liquid and solid) and the occupational health and safety at all the micro-enterprises and promote environmental standards. However, the project will deal with the polluting sectors to lower the pollution level at the targeted microenterprises. The project intervention targeted environmental health and safety at all the



targeted micro-enterprises. The project will also support small scale construction for sanitary latrines, desalination plant and common infrastructure. OP/BP4.01 is triggered to avoid any potential adverse environmental impacts and enhance environmental outcomes of the individual sub-projects. The project is Category B. Since sub-projects and exact locations are not known at this stage, an Environmental Management Framework (EMF) and Social Management Framework (SMF) have been prepared and disclosed. Also the Environmental, Health, and Safety (EHS) Guidelines of the World Bank Group is also applicable to the Project.

Natural Habitats OP/BP 4.04	No	The project or subprojects activities will not impose any impacts on any natural habitat formed largely by native plant and animal species.
Forests OP/BP 4.36	No	The Project doesn't expect that there would be any impact on the management, protection, or utilization of natural forests or plantations. As such, the policy has not been triggered.
Pest Management OP 4.09	No	The Project is not expected to finance any synthetic chemical pesticides activities and the policy has not been triggered.
Physical Cultural Resources OP/BP 4.11	No	No Physical Cultural Resources will be affected. Chance finds will be encountered and special precautions will be taken to avoid damaging cultural heritage sites and property.
Indigenous Peoples OP/BP 4.10	Yes	The project will cover areas where small, ethnic, tribal communities reside and hence a Tribal People's Framework has been developed by the client and disclosed after approved by the Bank. Appropriate plans will be prepared, disclosed and implemented by the client during project implementation after requisite screening. The project will ensure that tribal people receive project benefits in an inclusive and in culturally appropriate manner.
Involuntary Resettlement OP/BP 4.12	No	Component 1 of the project may involve small up gradation of existing market facilities, toilet construction and small scale desalination plant establishment. No large scale or new infrastructure development is envisioned. The project will retain the option of voluntary contribution of land, and/or direct purchase collectively by the beneficiary



community. The POs may also opt to purchase the lands directly, if the communities are unable to. No land acquisition, displacement of people (with or without title), adverse impacts on livelihoods will be permitted under the project. Therefore OP 4.12 is not triggered for the project. As the geographic locations have not been pre-identified a Social Management Framework (SMF) has been prepared, including guidance on screening, documentation and consultation processes required for accepting voluntary donations of land; establishing Grievance Redress Systems; consultation and communication strategies and gender assessments, assessment of labor standards. The frameworks and subsequent site specific mitigation plans will be prepared, approved and disclosed following Bank procedures. PKSF will monitor the social screening and implementation of mitigation measures in all subprojects from concept to implementation stages.

Safety of Dams OP/BP 4.37	No	The Project will not finance any dams, nor do project activities depend on any existing dams.
Projects on International Waterways OP/BP 7.50	No	The Project activities will not take place along international waterways which are shared with Riparian countries. The impact for using water is very much localized and it is not influencing or connecting with any surface water body or ground water sources that that flows through neighboring country, and any activities of the project is not involved the use of or potential pollution of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	There are no disputed areas in the Project area of influence.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Project does not envisage any significant or irreversible environmental/social impacts. No large scale or new infrastructure development is envisioned. The expected environmental and social impacts in the enterprises are mainly waste (liquid and solid) and emission generation, and occupational health safety . The project will also facilitate the microenterprises for managing solid waste, reducing emission, discharging treated effluent etc. Overall the project will contribute towards generating significant positive environmental and social impacts as it will improve the



occupational health and safety at all the micro-enterprises and promote environmental standards.

However, the project may involve small up-gradation of existing market facilities, toilet construction and small scale desalination plant establishment. Water supply and sanitation activities will be facilitated within the cluster area of specific enterprises to improve the hygienic environment. The impact for using water is very much localized and it is not influencing or connecting with any surface water body or ground water sources that flows through neighboring country, and any activities of the project is not involved in the potential use or pollution of international waterways.

The project will retain the option of voluntary contribution of land, and/or direct purchase collectively by the beneficiary community. The POs may also opt to purchase the lands directly, if the communities are unable to. No land acquisition, displacement of people (with or without title), or any adverse impacts on livelihood activities will be permissible under the project. The client will ensure that public lands used are encumbrance free (no squatters are living there, no one is deriving livelihood/income from leasing/share-cropping activities there) through proper screening and documentation. OP 4.12 is not triggered for the project. There is also a possibility that the project will work in areas where indigenous people (IPs) reside.

Concentrations of IPs are found in some areas of the country where the project is expected to be implemented. OP 4.10 Indigenous Peoples is triggered for the project. Appropriate plans will be prepared, disclosed and implemented by the client during project implementation. The project will ensure that tribal people receive project benefits in an inclusive and culturally appropriate manner.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The Project activities are not expected to cause any long term or irreversible environmental impact and will be largely limited to existing enterprises. The proposed project will mainly support improvement in environmental practices and health-safety standard in microenterprises. Any social and environmental safeguard related issue will be mitigated following the measures outlined in the Social Management Framework (SMF), Framework for Tribal Peoples Framework (TPF) and Environmental Management Plan (EMP), which have been prepared and disclosed by the PKSF.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

There are no relevant alternatives that could be considered. However, The project will prioritize environmentally sensitive and/or climate vulnerable areas to minimize impacts and strengthen resilience.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The project is classified as a Category B project and the Environment Assessment (OP/BP 4.01) safeguard policy has been triggered. In view of the limited information (subproject nature, location etc.), a framework approach for environmental and social management has been adopted for the project. No land acquisition will be supported by the project but there is a possibility that the project will work in areas where indigenous people reside. Therefore, OP 4.10 is triggered.

The EMF, SMF and TPF have been prepared in accordance with ECR 1997 of Bangladesh and the Safeguard Policies of the World Bank and the Environmental, Health and Safety Guidelines of the World Bank Group/International Finance Corporation (IFC). It includes a Social Impact Assessment (SIA) of probable sample areas and similar activities/interventions; guidelines for voluntary donation of lands (in terms of consultation and documentation), establishing grievance redress systems and consultation strategies. Gender issues will be covered as well as labor



standards which tend to be informal and family based in rural economies. A standalone Tribal Peoples Framework (TPF) has been developed along with appropriate screening formats.

PKSF is familiar with the World Bank safeguards policies through implementation of a number of World Bank financed projects. Recently, PKSF successfully completed the Community Climate Change Project (CCCP) and is currently implementing the Low Income Housing Project. Through CCCP, PKSF gained knowledge and experience in environmental and social safeguards management and monitoring for community level interventions. A grievance mechanism was also put in place under CCCP. It has taken the opportunity of CCCP to establish an Environment and Climate Change unit. However, the selected Partner Organizations (POs) may not have experience with environmental safeguards application in project implementation. Training will be conducted during project implementation to raise the safeguards capacity of POs.

Specific training on the EMF, SMF and TPF as well as on preparing site specific plans based on these will be arranged for field level staff who are responsible for carrying out the screening, documenting and reporting on it, as well as the relevant people responsible for the preparation and implementation of the Plans. Similar trainings were arranged in the past. Requisite staff/consultants dedicated to the preparation, review, implementation, monitoring and reporting on safeguards management have to be appointed and trained.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The consultation was carried out with the key stakeholders include propose enterprises, as well as respective community. The objective of the consultations was to disseminate information about the Project and understand their concerns and opinions. The draft safeguards documents have been prepared by the PKSF and approved by the World Bank. The safeguards documents with Bangla translation has been disclosed in PKSF's and Bank's operational website. The hardcopies have also been made available at their headquarters and the relevant offices of project areas.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
30-Oct-2017	05-Jan-2018	

"In country" Disclosure

Bangladesh
04-Jan-2018

Comments

The EMF, SMF and TPF have been disclosed on www.pksf-bd.org

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank	Date of submission for disclosure



30-Oct-2017

04-Jan-2018

"In country" Disclosure

Bangladesh

04-Jan-2018

Comments

The EMF, SMF and TPF have been disclosed on www.pksf-bd.org

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

No

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes



All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

World Bank

Nadia Sharmin
Senior Environmental Specialist

Suiko Yoshijima
Senior Environmental Specialist

Borrower/Client/Recipient

Government of Bangladesh

Implementing Agencies

Palli Karma-Sahayak Foundation (PKSF)
Md. Abdul Karim
Managing Director
akarim52@yahoo.com



FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Nadia Sharmin Suiko Yoshijima
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Approved By

Safeguards Advisor:		
Practice Manager/Manager:	Kseniya Lvovsky	10-Jan-2018
Country Director:	Rajashree S. Paralkar	12-Jan-2018