



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 19-Mar-2023 | Report No: PIDA35677



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Bangladesh	P179079	First Green and Climate Resilient Development Credit (P179079)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
SOUTH ASIA	27-Apr-2023	Environment, Natural Resources & the Blue Economy	Development Policy Financing
Borrower(s)	Implementing Agency		
People's Republic of Bangladesh	Finance Division, Ministry of Finance		

Proposed Development Objective(s)

To support the Government of Bangladesh to transition to green and climate resilient development by (i) enhancing public planning, financing, and delivery of green and climate resilient interventions; and (ii) promoting key sector reforms for greener and more efficient production and services.

Financing (in US\$, Millions)

SUMMARY

Total Financing	500.00
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DETAILS

Total World Bank Group Financing	500.00
World Bank Lending	500.00

Decision

Other

Explanation

The review authorized the team to appraise but not to negotiate



B. Introduction and Context

Country Context

Bangladesh made rapid social and economic progress in recent decades and reached lower middle-income status in 2015. Annual GDP growth averaged close to six percent since 2000. Strong labor market gains contributed to a sharp decline in poverty, with the national poverty rate falling from 48.9 to 24.5 percent between 2000 and 2016. However, the pace of poverty reduction slowed in recent years even as growth accelerated, particularly in urban areas and in the west of the country. Annual consumption growth of the bottom 40 percent (1.2 percent) trailed that of the overall population (1.6 percent) from 2010 to 2016.

As the country recorded a robust recovery from the pandemic shock, it faces new macroeconomic challenges from rising global commodity prices, slowing global growth, elevated domestic inflation, and strong pressures on its balance of payment. Bangladesh also needs a paradigm shift in its growth model to ensure a lasting economic recovery. The country's development pathways, from relatively high manufacturing growth to rapid urbanization, has been associated with increased carbon intensity and limited resource efficiency that have resulted in alarming levels of pollution, reduced climate resilience, and depletion of natural resources. Environmental degradation has impacted the health, productivity, and welfare of the Bangladeshi people, and impairing human capital formation and retention. Additionally, Bangladesh faces a high level of vulnerability to the effects of climate change. The Global Climate Risk Index ranks Bangladesh as the world's seventh most-affected country in 2000-2019. Internal climate and rural-urban migration will put additional pressure on cities and essential services – such as water supply, sanitation, and energy – that are already constrained, especially for the most disadvantaged groups.

Relationship to CPF

The First Green and Climate Resilient Development (GCRD) Credit is consistent with the FY16-20 Country Partnership Framework (CPF) and is aligned with proposed objectives of the new CPF (FY23-27) currently under preparation.

C. Proposed Development Objective(s)

To support the Government of Bangladesh to transition to green and climate resilient development by (i) enhancing public planning, financing, and delivery of green and climate resilient interventions; and (ii) promoting key sector reforms for greener and more efficient production and services.



Key Results

To enhance public planning, financing, and delivery of green and climate resilient intervention, key results will be measured by (i) improved alignment of budget with climate change strategies; (ii) improved expenditures and corresponding reporting by City Corporations and Category A Pourashavas in GCR priority activities; (iii) more women-led businesses participating in public procurement; (iv) selected Public Sector Organization (SPSOs) using sustainable public procurement; (v) approval of Development Project Proforma for Bangladesh Delta Plan (BDP) 2100 projects; and, (vi) increased inspections of industries and projects for compliance with environmental regulations.

To promote key sector reforms for climate-smart production and services, the DPC aims the following results: (i) increased share of non-fired bricks used in public works compared to total brick production; (ii) reduced number of households using solid fuels for cooking; (iii) energy savings; (iv) reduction of fiscal expenditures on fuel subsidies; (v) reduction in power generated by liquid fuel-based generation; (vi) new municipalities adopting WSS tariff models.

D. Project Description

The reform program supported under the DPC series operationalizes key policy recommendations from the recently completed Country Climate and Development Report (CCDR). This DPC series complements the parallel Recovery and Resilience DPC series. While the latter focuses on structural reforms to enable economic recovery from the Covid-19 pandemic and promote overall growth, the GCRD series supports policies to transition to a greener and more climate-resilient development to ensure sustained economic growth.

Under Pillar A, the DPC supports reforms to (i) strengthen prioritization and efficiency of public investment planning as well as its implementation, at national and local levels, based GCRD criteria; and (ii) enhance environmental governance for clean, resource efficient and socially sustainable production and consumption. Pillar B supports reforms to: (i) improve air quality management and reduce emissions across productive sectors; (ii) increase energy efficiency; (iii) reduce fiscal costs from the energy sector; (iv) increase efficiency and resilience of WSS services.

E. Implementation

Institutional and Implementation Arrangements

The Ministry of Finance (MoF) is responsible for overall oversight and implementation of the operation. Sector ministries are responsible for implementing the policy reforms – as well as designing and approving the indicative triggers of the DPC series. MoF has assigned focal points for each line ministry to follow up on the policy reforms and led regular inter-ministerial meetings to discuss the DPC preparation. This practice is expected to continue during DPC1 implementation and subsequent operations in the series. The World Bank team will continue to provide support to the government in monitoring the reform progress and results. This will be facilitated by regular engagement of the teams implementing technical assistance programs and investment operations in support of the reforms in this DPC. Regarding disbursements, the DPC will follow the World Bank's disbursement procedures for development policy support. The GoB will open a dedicated United States Dollar foreign currency account with the Bangladesh Bank into which the proceeds of the credit will be disbursed on a single tranche basis.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

Overall, the reforms supported by this operation are not likely to generate significantly negative poverty, social and



distributional impacts on the Bangladeshi population on average. Reforms geared towards devolving finance to local levels, strengthening environmental governance, and promoting sustainable procurement, which promote inclusion of disadvantaged groups are all likely to have broad positive impacts on the population. However, further analysis will be undertaken to unpack possible distributional effects of some reform measures in the subsequent operations in the DPC series. Impacts on specific sub-groups and sub-national regions will be also analyzed.

Environmental, Forests, and Other Natural Resource Aspects

The GCRD Credit series supports reforms that are fundamentally designed to improve environmental (including climate), forests, and other natural resources. All prior actions supported by the DPC are likely to either have positive or no negative effect on the environment, forests, or other natural resources of Bangladesh. Policies reforms with likely positive effects will (i) incentivize the ministries and local government institutions to allocate more funds to green and climate resilient activities; (ii) improve environmental risk management and air quality management, with high potential of generating significant positive impacts in air quality and other environmental health conditions, as well as on GHG emissions; (iii) promote energy efficiency; and (iv) improve the efficiency and quality of WSS services, thereby improving access to adequate water supply and sanitation.

G. Risks and Mitigation

The overall residual risk rating for this operation is substantial. The Macroeconomic risks are substantial. The inherent risks of macroeconomic stability could be high with continued global uncertainties, heightened pressures on balance of payments with the continued declining trend of forex reserves, coupled with the presence of *de facto* multiple exchange rates. These risks are partially mitigated by the GoB's reform program, supported by the IMF arrangements and ongoing World Bank and ADB policy lending programs. Stakeholder risks are substantial as some reforms may face resistance from interest groups, particularly on power plant rentals, water tariffs, and new environmental quality standards and regulations. Technical design risks and institutional capacity for implementation and sustainability risks are also substantial, given that reforms supported by the operation are complex in nature and in innovative, and institutional capacity gaps exist. Limited technical capacity, a complex organizational structure, and weak interagency coordination pose additional risks to the achievement of the program development objective. Risk mitigation includes strong government ownership of the proposed reforms, and its efforts to strengthen stakeholder consultations, redirect subsidies to the most vulnerable groups, enhance regulatory capacity of relevant authorities, and adopt additional interventions to support stakeholders' compliance with regulations. In addition, the World Bank's existing and planned technical assistance will support reform implementation.

CONTACT POINT

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APPROVAL

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Approved By

Country Director:	Abdoulaye Seck	27-Feb-2023
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