



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 02/22/2023 | Report No: ESRSA02591



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Bangladesh	SOUTH ASIA	P178996	
Project Name	Sustainable Microenterprise and Resilient Transformation (SMART)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Environment, Natural Resources & the Blue Economy	Investment Project Financing	1/29/2023	5/15/2023
Borrower(s)	Implementing Agency(ies)		
People's Republic of Bangladesh	Palli Karma-Sahayak Foundation (PKSF)		

Proposed Development Objective

To increase resource-efficient and resilient green growth of microenterprises (MEs).

Financing (in USD Million)

Amount

Total Project Cost	375.00
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B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

Building on the Sustainable Enterprise Project (SEP), Sustainable Micro-enterprise and Resilient Transformation (SMART) project will support microenterprises in agribusiness, manufacturing, and service sectors. The delivery model will scale up the effective mobilization of natural clusters of micro-enterprises based on the positive lessons learned from SEP. Most importantly this project will further formalize resource use efficiency, cleaner production (RECP), ecological symbiosis, enhance natural capital and decrease pollution, particularly plastics and other industrial waste, through the integration of digital and green technologies into institutional capacity and operational design. The



proposed project would cover all 64 districts, doubling the potential number of ME clusters, with a strategic focus on: more environmentally stressed geographic locations; addressing growing, or growth potential MEs; and sectors with greater opportunity to abate current and future pollution impacts. As SEP covered a small segment within a large cluster, the new project would continue working with clusters from SEP, to assure financial and environmental sustainability for MEs who received support under SEP to grow further.

The project would focus on the introduction of energy efficiency measures and reduction of the environmental risks caused through hazardous waste, water, and air pollution. It will promote through a mix of grant and financing, common energy and environmental infrastructure such as small-scale effluent treatment plants, cooling technologies, combined heat and power units, and material recovery facilities (including plastics and other recycling); also, it will support introduction of energy-efficient innovative technologies as high-efficiency motors, variable-frequency drives, and smart boilers; waste heat recovery systems; and improved combustion processes.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will cover all the 64 districts doubling the potential number of Micro Enterprise (ME) clusters that will result in a more significant opportunity to abate current and future pollution impact. According to Bangladesh's Economic Census, about 89 percent of the 7.8 million economic establishments in Bangladesh are MEs. MEs underpin and provide the base for key economic sectors: livestock, agriculture, fisheries, food processing, garments, trade, services, and light manufacturing. The growth of MEs is a solution to poverty and social crises because they provide an empowering alternative for many individuals whose only other options are unemployment or low-wage jobs. However, without investments in resource efficient and cleaner production processes, the rapid growth of MEs drives unsustainable use of resources and degradation of the ecosystem due to multiple sources of pollution. Sustainable Environmental Project (SEP), PKSF's project supported by WB in implementation now, has already reached more than 40,000 MEs-beneficiaries in manufacturing (30 percent) and agricultural sectors (70 percent). Most of targeted MEs work in animal farming, crops and horticulture, and manufacturing. The success of SEP provides a rationale for expanding the scope and including further economic sectors in future projects. As SEP covered a small segment within a large cluster, the SMART project would continue working with these clusters and common services to increase the coverage. PKSF is implementing the SEP, which supported MEs in agribusiness and manufacturing clusters. SEP is assisting 53,721 MEs to adopt environmentally sustainable practices and scale up their production and brand development capacity. No sensitive ecosystem would be part of the project areas. The proposed SMART project leverages essential lessons learned to enhance systematic and institutional capacity and strengthen the operational and enabling environment for MEs to mainstream environmental practices. The common services are modern technology transfer, production process up-gradation, product promotion, service center, display center, storage facility, ecological farming, physical and online marketplace development, recycling, WASH facilities, occupational health safety-related activities etc. There might be some refurbishment work at the ME level which is unknown at this stage.

D. 2. Borrower's Institutional Capacity



Implementation of the proposed project will be the responsibility of PKSf through its existing structures. Regular monitoring of project progress will be built into the design, in the form of appropriate indicators, targets, information systems, and review mechanisms.

PKSF is a semi-autonomous government institution under the Financial Institutions Division (FID) with a mandate of sustainable poverty reduction through employment generation, with a focus on ultra and moderate poor and micro-entrepreneurs. PKSf has dealt with safeguards issues adequately in the past in World Bank financed projects and is currently implementing various projects including Sustainable Enterprise Project (P163250), Recovery and Advancement of Informal Sector Employment (RAISE) (P174085), the Rural Water, Sanitation and Hygiene for Human Capital Development (BD-WASH) (P169342), and Low Income Community Housing Support Project (P130710). All these are moderate E&S risk rated projects. PKSf's ES performance has been found to be satisfactory. They have good grasp of the Bank's ESF and the national ES laws, regulations, policy and procedures and have experienced manpower and leadership to implement the same in the field with due diligence, oversight and rigorous monitoring and evaluation.

PKSF has 278 Partner Organizations (POs) all over the country. Through its network of POs, many of which have operations in multiple locations, PKSf has significant outreach and implementation capacity at the community level. POs are selected under the project based on their governance and management structure; personnel capacity, including trainer; linkages to microenterprises, and financial viability. Each PO will establish a Project Implementation Unit (PIU) and would be responsible for delivering the training, conduct awareness program for the MEs. Microcredit for MEs would be channeled through the existing PKSf-PO financial management system, whereby funds would be transferred from PKSf to the PO and onward to the MEs, and the PO would report back to PKSf with transaction details. All the POs of PKSf are registered both as NGOs.

A project coordinator will lead the PMU and oversee overall implementation. The PMU will consist of one Environmental Specialist, one Social and Gender Specialist and two E&S Program Officer and one program officer along with other specialists. The project will be implemented in the field by POs that are selected according to criteria agreed upon with WB. The POs are responsible for putting together a proposal that includes loans for the MEs and shared services. The POs will establish permanent Environmental and Climate Change Units (ECCUs) which will be involved in every stage of project implementation. Each PO will recruit an E&S focal in the PO-ECCU to implement and monitor the project activities. The POs will be responsible for managing the entire cluster-level Integrated Common Facility. The POs can manage the units/parts by leasing new MEs assets or entering service contracts with them. POs will be responsible for screening, preparation of site specific ESMPs with the support of MEs.

PKSF with the support of WB E&S team will train all the POs on E&S screening, consultation, grievance recording etc. POs will also provide trainings to the MEs to implement the sub-project.

PKSF already has an Environmental and Social Management System (ESMS) in place which will be updated before Board approval and the updated ESMS will be applicable to SMART to identify, assess, manage, and monitor the environmental and social risks and impacts of the Project. An assessment of PKSf's ESMS has been carried out by the Bank team during the project preparation of RAISE and BD WASH and further evaluations are conducted under the SMART project. The result of the evaluation of the ESMS has been shared with PKSf and major gap filling measures/recommendations have been appended in ESS9 (Financial Intermediaries) section. With the recommendation of the WB, PKSf has included a chapter on Gender and SEA/SH in the ESMS. PKSf will have a legal agreement with the



selected POs, so that PKSf’s modified ESMS will be legally binding for POs to adopt and follow. All national regulations concerning the E&S governance will be applicable while carrying out E&S due diligence of a particular transaction.

Environment and Climate Change Unit (ECCU) of PKSf will support implementing the project. The unit will support sub-project formulation and screening, contributes to preparing E&S documents, screening checklist, guidelines, capacity building, sub-projects monitoring, assessment of sub-projects performance. The proposed activities of SMART project will be approved by the Sub-project Evaluation Committee (SPEC), which comprises of the head of Environment and Climate Change Unit of PKSf and his/her deputy along with the other experts (environmental, social, sectoral specialist both external and internal).

A coordination meeting was conducted among the PMUs of the WB-PKSf financed projects, so that the updated ESMS can serve the purpose of the SMART project as well as other upcoming and ongoing projects.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

Environmental Risk Rating

Moderate

The activities with significant environmental or social impacts will not be supported by the Project, through screening of sub-projects against the an exclusion list which will be part of PKSf’s ESCP. These include activities generating hazardous waste and high carbon emissions, affect critical habitat, affecting bio-diversity, located within any forest area, land acquisition including impacts and risks on private land, residential or commercial establishments, religious and cultural heritage and displacement, including that of IPs/tribal/ethnic minority groups, restriction on access to common property resources and livelihood activities group and communities, lead to flooding or water logging of water courses, permanent pollution of surface or ground water resources, human- wildlife conflict, and activity entails construction/ reconstruction of dam . From the nature of proposed MEs and likely activities, it is expected that there will be minor construction-related impacts from small improvements to existing facilities causing noise and dust, generate waste and involve risks regarding workplace and community health and safety and labor and workplace related risks. The project may also support the construction and operations of small-scale effluent treatment plants, drainage facilities and material recovery facilities. The treatment efficiency and disposal of the wastes and effluents will need to meet the WBG and national standards. COVID -19 related OHS measures and waste management issues will also need to be addressed at enterprise level. The Project does not envisage any significant or irreversible environmental/social risks. The expected impacts and risks can be mitigated through implementation of appropriate code of practice and management plan. Overall, the project is expected to have positive environmental benefits as energy efficiency measures will be introduced and through adequate waste disposal recycling, reuse, environmental management practices of MEs will also be enhanced reducing the environmental risks caused through hazardous waste, water, and air pollution. During SEP , PKSf has acquired considerable expertise and institutional capacity to manage FI projects and developed reasonable capacity to oversee environmental and social management in MEs. The environmental risk of the project is rated “Moderate” considering the impacts from (i) minor constructions/upgradation and community health and safety associated with the construction/upgradation activities; (ii) construction and operations of small-scale effluent treatment plants, cooling technologies, combined heat and power units , and material recovery facilities (including plastics and other recycling) and (iii) capacity of the

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implementing agencies including PO to manage E&S risks. However, this risk classification will be reviewed on a regular basis and be changed (if necessary). If significant legacy issues are identified during screening, such MEs will not be supported. Any change to the classification will be disclosed on the Bank’s website.

Social Risk Rating

Moderate

Based on the (i) scale and nature of the project, (ii) capacity of the PKSf, (iii) anticipated risks and impacts associated with minor constructions/upgradation activities by MEs, (iv) labor and OHS related challenges in MEs and informal firms, (v) risk related to ongoing COVID situation, (vi) the risk of exclusion of Vulnerable and marginalized groups/women owned MEs, (vii) SEA/SH risks, (viii) community health and safety risks, and (ix) the context under which this project will be implemented, the social risk rating has been assessed as Moderate. The potential social risks, such as labor and community safety practices for sub-projects with elevated risk will be managed through existing ESMS (which is being updated to fit the specificities of this intervention), including through the development of environmental and social management plans and monitoring systems. The roles and responsibilities of POs will be detailed in the updated ESMS. POs will screen all the sub-projects according to ESMS. The PKSf with the support of POs will conduct a stakeholder mapping and analysis exercise to ensure that all vulnerable groups, including differently abled and LGBTQ+ individuals are well consulted and well informed about the project benefits. The POs will also take required measures to ensure that the IPs/tribal/ethnic minority groups are well aware of the project and can benefit from it. PKSf’s existing ESMS has procedures and mechanism in place to address risks and impacts associated with labor and working conditions, community health and safety, support to women and vulnerable MEs, stakeholder consultation etc. The ESMS also has a grievance mechanism that allows beneficiaries to lodge complaints with POs. The updated ESMS has detailed the grievance receipt and redress procedures at local and project level, and ensures its accessibility to all stakeholders, including MEs associated with vulnerable and marginalized groups and IPs. POs will record all grievances and submit to PKSf with the quarterly monitoring reports. The GRM in the PKSf-ESMS will also adopt guidelines/procedures to manage SEA/SH related grievances. PKSf has integrated Labor Management procedures and OHS into the ESMS in line with WB ESS 2. Stakeholders engagement is part of the PKSf-ESMS and it has been updated to cover ME’s owned/run by vulnerable groups and other relevant stakeholders.

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B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

ESS1 is considered relevant due to the potential environmental and social risks associated with supporting ME activities. The potential E&S risks and impacts of the ME activities supported are being assessed by the PKSf’s updated ESMS and WB’s ESF, which has already been adopted by two WB financed projects under ESF. The updated ESMS is incorporated with the policy, procedures, GRM, monitoring, training manual, OHS manual etc.

The Project will be implemented through PKSf’s Partner Organizations (PO). Each PO will be competitively selected by PKSf based on a set of criteria, including past performance, capacity to deliver all services of the economic inclusion program, and performance of the ME management. Each PO would establish a Project Implementation Unit (PIU) and would be responsible to identify the MEs and support them to run the businesses in a more sustainable manner. PMU will be established at the PKSf level and will be responsible for the overall monitoring of the project.



One Environmental Specialist, one Social and Gender Specialist and two E&S Program Officer will be recruited at PMU level. At each PO level, one E&S focal person will be nominated who has experience in dealing with E&S related activities. PKSf will train POs on E&S management with the support of World Bank E&S team.

The project will be implemented according to PKSf’s updated ESMS. All subprojects will be screened against the PKSf’s exclusion list, which is part of ESCP, to ensure that any beneficiaries supported under this Project do not adopt any practice or develop a business that can cause substantial or high E&S impacts. In addition, under this project, any sub-projects with substantial to high ES risks will be ineligible through screening based on the exclusion list and the potential ES risks and impacts of all such subprojects will be assessed by PKSf and its POs to determine their risk potential and mitigation measures. The ESMS has been reviewed, gaps have been identified and recommendations made which have been illustrated in ESS9 below.

The Project vulnerable and disadvantage groups including women owned micro enterprises, minority owned businesses, microenterprises in remote areas, MEs owned by differently abled people, LGBTQ+ owned MEs etc. Project will ensure that GRM is accessible by all stakeholders people with disability, ethnic minorities and people living at the bottom of poverty scale. PKSf has conducted several meetings with the vulnerable MEs and their opinions are considered in the project design. Women and other vulnerable groups have been included in project beneficiary groups and differentiated measures (include specific GRM interventions, code of conduct to reduce GBV/SEA/SH, development of screening criteria for selecting vulnerable groups) have been planned. During the implementation stage, PMU with the support of POs will conduct public awareness and communication campaign to ensure the project benefit messages reach to the vulnerable MEs .

An Operation Manual will be prepared for the Project which will include actions and measures to be adopted to identify and address ES risks and impacts. The manual will also include an exclusion list, that will be developed during project preparation, will set out interventions that will not be funded by the Project.

WB team conducted coordination meeting with BD WASH and RAISE project PMU, so that the ESMS is being updated to properly manage the current and future projects including SMART in accordance with the requirements of the ESF. All national regulations concerning the E&S governance will be applicable while carrying out E&S due diligence of a particular transaction. Depending on the type and scale of impacts, site-specific Environmental and Social Management Plans (ESMPs) will be prepared by POs with the support of E&S specialists of project Management Unit (PMU)-PKSf based on the provisions of the ESMS. All the sub-projects will be screened as per ESMS procedures to achieve objectives materially consistent with the ESF ESSs.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant. In consultation with the WB, the PKSf has updated the SEP section of the ESMS proportional to the nature and scale of the project and associated risk and impacts, adhering to the COVID-19 protocols in place in Bangladesh. Specifically, the World Bank’s SEP requirements call for the following (i) identification and mapping of expected types of key stakeholders; (ii) requirements for the PO to engage with the stakeholders, especially with potentially affected vulnerable groups, including female entrepreneurs and gender and



ethnic/religious minorities as well as IPs; (iii) the requirement for the PO/PFI to implement the SEP related actions of the ESMS to the sub-project risks and impacts, and tailored to the characteristics and interests of the Affected Communities; (vi) requirements for frequency of engagement with the stakeholders throughout the project cycle; (v) procedures for grievance redress, feedback solicitation, recording and monitoring; (vi) the need to define the responsible party for stakeholder engagement; (vii) timeline for the engagement; (viii) budget and human resources needed to implement the SEP actions by the POs.

PKSF and its POs have vast experience in conducting consultation with MEs under previous projects. In the proposed project, PKSF will update the ESMS taking the experience from the ongoing WB financed projects which will be proportional to the nature and scale of the project and associated risk and impacts, adhering to the COVID-19 protocols in place in Bangladesh.

The SEP section of the PKSF-ESMS has detailed the grievance management procedures including grievance receipt, response, record etc. Responsibility of the grievance committee at PO levels will be detailed as well. The responsible PO/PFIs will have in place, as part of the ESMS, procedures for external communications on environmental and social matters proportionate to the risks and impacts of project activities consistent with the requirements of ESS9. The SEP section will be updated as necessary during implementation. The responsible POs will have in place, as part of the ESMS, procedures for external communications on environmental and social matters proportionate to the risks and impacts of project activities consistent with the requirements of ESS9. The stakeholder section of the ESMS has defined a strategy for continuous engagement with MEs throughout project life cycle and a preliminary mapping of stakeholders.

A two tier Grievance Redressal Committee (GRC) will be activated before implementation to address complaints in a timely manner and following due process based on the ESMS. The 1st tier will be at PO level and the 2nd tier will be at PKSF level. The GRM will be accessible to all stakeholders, especially MEs of vulnerable and disadvantage groups. Measures to ensure that the GRM is responsive and sensitive to SEA/SH complaints will be undertaken. Meaningful consultations tailored to tribal/ethnic Peoples will be conducted by POs. As stakeholder engagement is critical to the Project's success, PKSF with the support of POs will undertake a strong communication and mobilization strategy which will facilitate the access of vulnerable MEs to project benefits.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant. PKSF and the responsible POs will have in place and maintain appropriate labor management procedures consistent with ESS2, including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, grievance mechanisms and occupational health and safety. PKSF and POs will ensure that beneficiary MEs do not employ child/forced/trafficked labor, sensitize in SEA/SH, train and have in place Codes of Conduct to prevent SEA/SH at the workplace and follow OHS guidelines, which include the development and adaptation of sub-project specific health and safety SOPs in line with PKSF-ESMS. PKSF has



developed OHS measure as per Good International Industry Practices as part of the ESMS which may be updated before the board approval. These measures will clearly define the policies and good international/national practices to engage workers, labors, children between 14 to 18 (if required); and to address formation of labor/workers/employee organizations. The existing OHS guidelines in the ESMS are being updated according to the bank's assessment.

The PKSf has integrated Labor Management Procedures (LMP) into the existing ESMS. The ESS2 requirements to ensure no child or forced labor and no serious safety concerns for workers in the primary supply chain has also been integrated into the LMP section of the ESMS. This integrated LMP also included the assessment and required mitigation measures to ensure health and safety of the workers that may be exposed to health risks. The MEs and primary suppliers with guidance of POs will adopt LMP. Labor-specific Grievance Redress Mechanisms (GRM) will also be developed by POs for the MEs to report any issues relating to workplace safety and other concerns including SEA/SH .

ESS3 Resource Efficiency and Pollution Prevention and Management

ESS3 is relevant. MEs production processes may generate different kind of wastes which may include hazardous, nonhazardous and chemical waste. There may be noise and air emissions, liquid and solid wastes. The updated ESMS includes the environmental and social screening criteria for subsectors and activities eligible for funding and will include necessary mitigation measures to deal with resource efficiency, pollution management, GHG emission limitations and management of waste for different kind of possible interventions. The ESMS will provide adequate guidance for the mitigation measures to treat various types of wastes, produced in any production/process including plastic and e-wastes.

The project would focus on the introduction of energy efficiency measures and reduction of the environmental risks caused through hazardous waste, water, and air pollution. It will promote through a mix of grant and financing, common energy and environmental infrastructure such as small-scale effluent treatment plants, cooling technologies, combined heat and power units, and material recovery facilities (including plastics and other recycling); also, it will support introduction of energy-efficient innovative technologies as high-efficiency motors, variable-frequency drives, and smart boilers; waste heat recovery systems; and improved combustion processes. However, project will also follow the guidance on pesticide management that is spelled out in PKSf's ESMS for agriculture sector activities.

ESS4 Community Health and Safety

ESS4 is relevant to the project . ME activities may expose communities to health and safety risks especially those communities that are immediately close to the subprojects. The process of installation of new equipment and enhancing production capacity may lead to an increase and influx of temporary and permanent workers. Increased workers may affect the local community and increase the risk of GBV/SEA/SH. The E&S focal ppints from PKSf together with PO/PFIs will carry out training to prevent SEA/SH incident in ME activities. Additionally, ME production



processes may generate different kinds of wastes, including liquid and solid waste that maybe harmful to community health and there may be noise and air emissions as well which can impact health of surrounding communities, especially vulnerable groups. The ESMS is including provisions for the MEs to safeguard the community health and safety aspects. The updated ESMS is being incorporated with provisions to consider ESS4 requirement in the screening of all participating ME sub-loans to exclude activities that could involve significant risk to community health and safety.

The project is providing support during an ongoing COVID-19 pandemic, where the MEs and surrounding communities are already facing health and safety risks associated with COVID-19. The ESMS includes SOPs in line with WHO standards, national circulars and follow evolving international best practice in relation to protection from COVID-19.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This ESS5 is not relevant to this project. There will be no land acquisition or involuntary resettlement under the project, nor will it lead to restrictions on land use or impacts on livelihoods from such restrictions/acquisition. All the new interventions linked to the enhancement of productive capabilities and respective refurbishments will take place in the existing footprint of ME facilities. In addition, any activity that require land acquisition will be excluded per the exclusion criteria agreed in the ESCP.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This ESS6 is currently not relevant. The project is expected to take place within the footprint of existing facilities and there is no indication that the proposed project will have any adverse impacts on biodiversity, natural habitats or living natural resources. Any adverse impacts arising due to waste management and effluent treatment facilities shall be addressed through ESS1.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

ESS7 is relevant as this project will be implemented nationwide and some of the MEs are likely to be owned by IPs or they may be Project beneficiaries. SECs/IPs will be fully consulted so they can participate and benefit from the project. The updated ESMS includes assessment methodology and recommended mitigation measures, which may include preparation of an Indigenous Peoples Plan (IPP) and/or relevant SOPs, where necessary. Communication and disclosure of documents will be done in a form and manner that is culturally appropriate and accessible to IPs. All the activities financed by the project will respect the human rights, dignity, aspirations, identity, culture and livelihoods of the IPs.

In addition, as an additional measure, any project activity screened against the negative list/E&S check list for the project, that indicates that it may result in an adverse impact on IP owned lands (or that used by IPs), cultural heritage or may result in their resettlement (any activity that may require Free, Prior, Informed Consent, FPIC) will not be eligible for financing.



ESS8 Cultural Heritage

ESS8 is relevant in this project. The physical location of MEs may be near cultural heritage sites and may have impacts on such sites. These will be addressed through measures included in the ESMS.

ESS9 Financial Intermediaries

This standard is relevant to the project. Under this project, PKSf (acting as a Financial Intermediary) will be responsible for providing capital to their selected Partner Organizations (PO) functioning as participating Financial Intermediaries (PFIs), which in turn will provide microcredit to the MEs and also conduct social and environmental screening and awareness raising activities. POs/PFIs are selected under the project based on their governance and management structure, personnel capacity (including trainer), linkages to microenterprises, and financial viability. The POs of PKSf are both registered as NGOs and MFIs. The project will fund specific credit line (clearly defined subprojects) for PKSf and not for a general purpose, therefore ESF applies to WB financed SMART specific interventions only not to all PKSf's portfolio.

WB has carried out a review of the existing ESMS applied for the BD WASH and RAISE projects, and PKSf is updating the ESMS based on that WB assessment. PKSf has updated stakeholder management, Labor management and relevant sections of the existing ESMS. PKSf's updated ESMS consists of ten standards and with the recommendation of the WB, PKSf has included a standard on gender and SEA/SH to manage the related risks. Framework, Service Rule, a Gender Policy and a Sexual Harassment Policy was already been in place and being used by PKSf in various projects.

Based on the review, the following gap filling measures have been identified by the WB E&S team. WB E&S team has conducted a coordination meeting with the PMU of the RAISE and BD WASH project, so that the updated ESMS is fit for purpose for the proposed project as well as upcoming WB financed projects. Once updated, the ESMS will be maintained and operationalized at PKSf institutional level. The updated ESMS will be applicable to SMART to identify, assess, manage, and monitor the environmental and social risks and impacts of the Project.

The major recommendations those are being incorporated with the existing ESMS include (i) Develop a ES policy statement to assess and manage ES risks and impacts endorsed by the senior management; (ii) Enhance the capacity of the Environmental and Climate Change unit by recruiting additional Environmental and Social specialists (which may include gender/GBV specialist, climate change specialist, waste management specialist, biodiversity specialist, labor law expert, occupational health and safety specialist, stakeholder engagement specialist, field researchers); (iii) Develop training policy and training plan for staff on E&S issues and develop a complete training manual/ curriculum including audio visual presentations; (iv) Clear description of relevant national laws and their adoption in the ESMS; (v) Align the risk categorization system of existing ESMS for both environmental and social risks with national/ ESF risks rating (four instead of three); (vi) Detail description of reporting requirement, channel and frequency of reporting and person responsible; (vii) Develop a beneficiary screening mechanism and format including women, people with disability and the vulnerable; (viii) Develop OHS measure as per Good International Industry Practices and employment of child between 14 to 18; (ix) Develop measures to address formation of labor/workers/employee organizations (x) Develop a guidance for legal agreement structure between the PKSf and its POs/ participating FIs,



legally binding POs to adopt the ESMS. PKSF’s updated ESMS will thus consist of ES Policy, procedure to assess and manage ES risks and impacts, organizational capacity and competence reflected in HR policy, monitoring and reporting and stakeholder engagement policy.

PKSF will be responsible for oversight of POs and ensure that they identify, assess, manage and monitor any ES risks emanating from their activities as per updated ESMS. PKSF will have a legal agreement with the selected PFIs/POs so that PKSF’s ESMS is legally binding upon them to adopt and follow. PKSF also will ensure that each PFIs/POs have a staff dedicated to oversee its ES activities, monitor and report on the same. All FI subprojects will be screened against the exclusion/negative list to screen out any substantial to high risks sub-projects. The sub-projects will be prepared and implemented in accordance with relevant E&S national and local laws and regulations as well as PKSF’s ESMS.

Requisite training will be provided by PKSF to orient the PO/PFIs towards the assessment, management and oversight of ES risks and impacts. Given the risk category of the interventions, all subprojects will be prepared and implemented in accordance with national and local law. PKSF will put in place procedures for external communications on environmental and social matters proportionate to the risks and impacts of the subprojects, and the risk profile of the Project portfolio.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

No

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: People's Republic of Bangladesh

Implementing Agency(ies)

Implementing Agency: Palli Karma-Sahayak Foundation (PKSF)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Hosna Ferdous Sumi, Eun Joo Allison Yi

Practice Manager (ENR/Social) Kevin A Tomlinson Cleared on 13-Feb-2023 at 21:11:7 EST