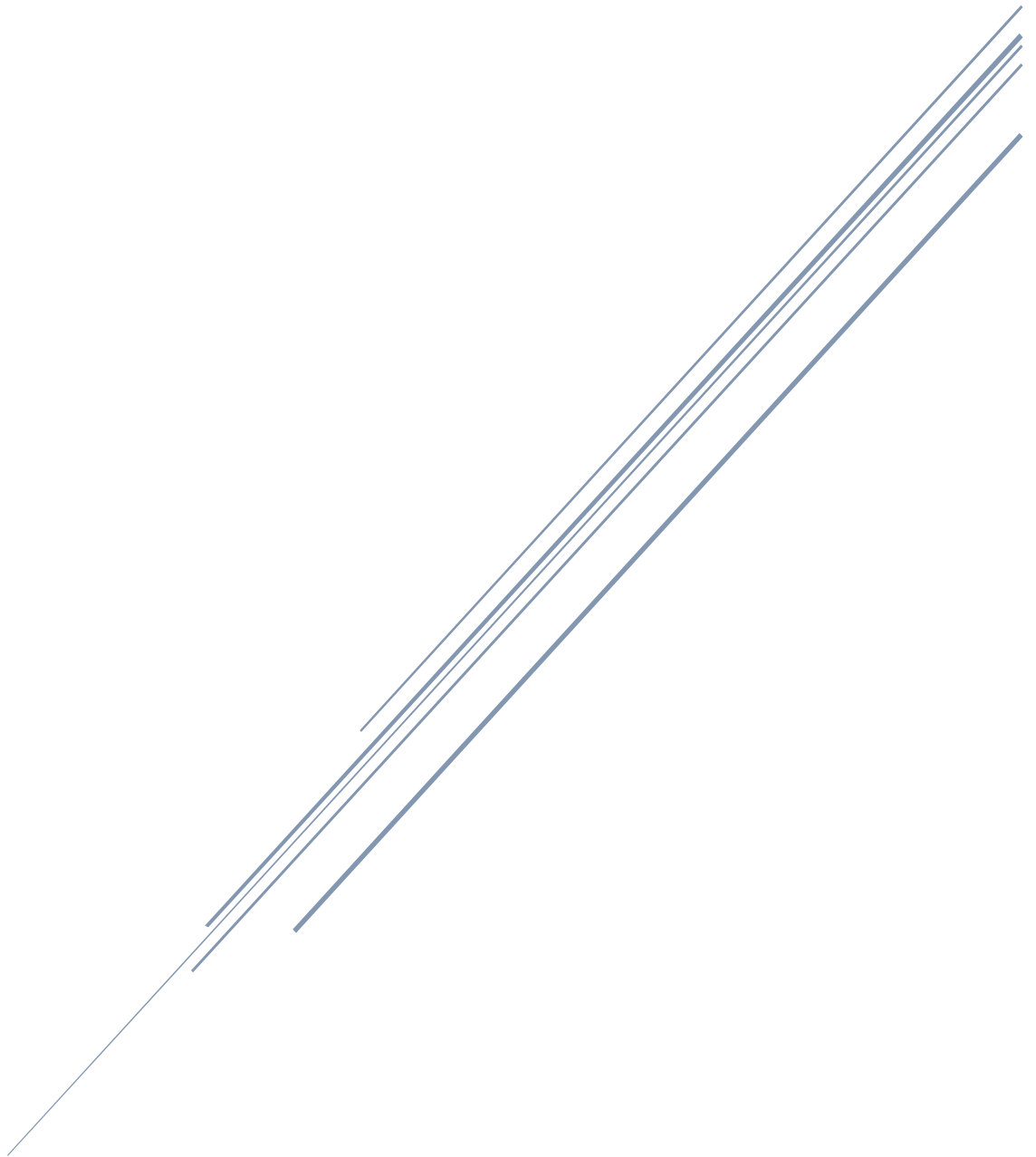


# PROJECT OPERATION MANUAL

Sustainable Microenterprise and Resilient Transformation  
(SMART)



Palli Karma-Sahayak Foundation (PKSF)

# Table of Contents

<b>ABBREVIATIONS .....</b>	<b>iii</b>
<b>PREAMBLE .....</b>	<b>v</b>
<b>CHAPTER ONE: BACKGROUND AND PROJECT DESCRIPTION .....</b>	<b>1</b>
1. Background.....	1
2. PKSF Context.....	1
3. Purpose of the Project Operation Manual.....	2
4. Project Description .....	2
4.1 Project Development Objective (PDO).....	3
4.2 PDO-Level Results Indicators .....	3
4.3 Project Working Area .....	4
4.4 Targeted Project Participants.....	4
4.5 Project Components .....	4
4.6 Project Finance.....	9
<b>CHAPTER 2: PROJECT IMPLEMENTATION .....</b>	<b>12</b>
1. Project Participants.....	12
A) Microenterprises.....	12
B) PKSF and Partner Organizations .....	12
2. Institutional Arrangement.....	13
3. Work Plan .....	15
4. Sub-project Proposal Evaluation and Approval Process .....	16
5. Working Area Selection Process.....	18
1. Selection of Clusters/sub-sectors of ME .....	18
2. Operational Strategy .....	18
3. PO Selection Criteria.....	18
4. Features of Sub-project Proposals .....	19
5. Aspects of Revenue-generating Common Services Loan .....	19
6. Sub-project Awarding Procedure.....	20
7. Agreement Signing with the POs .....	21
8. Implementation of Sub-project.....	21
<b>CHAPTER 3: FINANCIAL MANAGEMENT .....</b>	<b>22</b>
1. Financial Management, Disbursement and Audit: .....	22
2. Financial Management Arrangements: .....	22
<b>CHAPTER 4: PROCUREMENT .....</b>	<b>27</b>
1. Procurement Approach Options and Recommendations.....	28
2. Summary of Project Procurement Strategy for Development (PPSD) .....	29
a) Project Procurement Strategy for Development (PPSD) and Procurement Plan .....	29
b) Bid/Proposal Evaluation Committee.....	29
c) Introducing STEP System .....	29
d) Procurement Specialist/ consultant .....	29
e) Identify Procurement Focal Persons (PFP) in the Agency.....	29
f) Simplified Procurement Guidelines for the POs.....	30
g) Due-diligence Measures (others) .....	30
h) The following shall apply for RFB (National, Open) .....	30
<b>CHAPTER 5:.....</b>	<b>32</b>
<b>ENVIRONMENT AND SOCIAL RISK MANAGEMENT .....</b>	<b>32</b>
Environmental and Social Risks .....	32
PKSF: Environmental and Climate Change Unit (ECCU) .....	32

4. Capacity Building on Environment and Social Risk Management .....	36
6. Labor Management Plan (LMP) .....	37
7. Stakeholder Engagement Plan (SEP) .....	37
8. Gender Balance .....	38
9. Addressing GBV/SEA/SH Issues.....	38
10. Environmental and Social Monitoring and Reporting .....	39
<b>CHAPTER 6 MONITORING AND EVALUATION.....</b>	<b>40</b>
1. Internal Monitoring.....	40
a) PO Level Monitoring .....	40
b) PMU-level Monitoring .....	41
c) Monitoring by the program department of PKSf .....	41
d) Monitoring by the audit department of PKSf .....	41
2. External Monitoring.....	41
a) Monitoring by a third party appointed by the PO .....	41
b) Monitoring by a third party appointed by PKSf.....	42
3. Results-Based Monitoring by PMU .....	42
4. Assessment and Reviews .....	43
a) Situational Study.....	43
b) Baseline Study .....	43
c) Midterm Review .....	43
d) Final Impact Assessment .....	43
5. Results Chain .....	43
5. Reporting .....	43
6. Data Protection and Confidentiality .....	44
<b>CHAPTER 7: GRIEVANCE REDRESS MECHANISM (GRM) .....</b>	<b>45</b>
1. Addressing GRM in the field by PO .....	45

## ABBREVIATIONS

ADB	Asian Development Bank
ADP	Annual Development Programme
APC	Assistant Project Coordinator
ATOM	Activity to Output Monitoring
BBS	Bangladesh Bureau of Statistics
BDT	Bangladeshi Taka
BFRS	Bangladesh Financial Reporting Standards
BIDA	Bangladesh Investment Development Authority
BSTI	Bangladesh Standards and Testing Institution
CHM	Complaint Management Mechanism
CONTASA	Convertible Taka Special Account
CQS	Consultant's Qualification Based Selection
CSME	Cottage, Small and Medium enterprises
DA	Designated Account
DoE	Department of Environment
DMD	Deputy Managing Director
DPP	Development of Project Performa
DMD	Deputy Managing Director
ECCU	Environment and Climate Change Unit
EPD	Environmental Product Declaration
ESCP	Environment and Social Commitment Plan
ESF	Environment and Social Framework
ESMP	Environment and Social Management Plan
ESMS	Environment and Social Management System
ESHS	Environmental, Social, Health and Safety
ESS	Environment and Social Standards
FBS	Fixed Budget Based Selection
FID	Financial Institutions Division under the Ministry of Finance, Bangladesh
FM	Financial Management
GBV	Gender Based Violence
GDP	Gross Domestic Product
GHG	Green House Gas
GIS	Geographic Information System
GoB	Government of Bangladesh
GRM	Grievance Redress Mechanism
GRS	Grievance Redress System
IC	Individual Consultant
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
IPF	Investment Project Financing
IRI	Intermediate Results Indicator
ISA	International Standards of Accounting
IUFR	Interim Unaudited Financial Reports
LCS	Least Cost Based Selection
ME	Microenterprise
M&E	Monitoring and Evaluation
MD	Managing Director of PKSf
MFI	Microfinance Institution
MIS	Management Information System
MoF	Ministry of Finance
MRA	Micro-credit Regulatory Authority
MDT	Model Tender Document

MTR	Mid-Term Review
NBR	National Board of Revenue
NPF	New Procurement Framework
NRG	Non-revenue Generating
PAD	Project Appraisal Document
PDO	Project Development Objective
PFP	Procurement Focal Person
PIU	Project Implementation Unit
PKSF	Palli Karma-Sahayak Foundation
PMU	Project Management Unit
PO	Partner Organization
POM	Project Operational Manual
PPE	Personal Protective Equipment
PPR	Public Procurement Rule
PPSD	Project Procurement Strategy of Development
QBC	Quality Based Selection
QCBS	Quality Cost Based Selection
RECP	Resource Efficient and Cleaner Production
REOI	Request for Expression of Interest
RFB	Request for Bids
RFP	Request for Proposal
RFQ	Request for Quotation
SDR	Special Drawing Rate
SEA	Sexual Exploitation and Abuse
SEP	Sustainable Enterprise Project
SEP	Stakeholder Engagement Plan
SPEC	Subproject Evaluation Committee
STEP	Systematic Tracking of Exchanges in Procurement
SH	Sexual Harassment
SLGA	Subsidiary Loan and Grant Agreement
SMART	Sustainable Microenterprise and Resilient Transformation
SOE	Statement of Expenditure
SPP	Sub-project Proposal
TA	Technical Assistance
ToR	Term of Reference
TTL	Task Team Leader
UNDB	United Nations Development Business
USD	US Dollar
VAT	Value Added Tax
WB	World Bank

## PREAMBLE

The Project Operation Manual (POM) is designed to be a guide for PKSF to implement the Sustainable Microenterprise and Resilient Transformation (SMART) project. The primary purpose of this manual is to define the guidelines, policies, and procedures for the effective implementation of the Project. The Manual includes a project description, institutional arrangements, implementation arrangements, project proposal development and evaluation, financing parameters including sub-project approval, financial management, environment and social safeguards, procurement guidelines, monitoring, and reporting. The manual will be subject to the Financing Agreement signed between the government of Bangladesh and the International Development Association (IDA), and the Project Agreement.

The Manual is intended to be used by the officials of PKSF involved in the decision-making and implementation of the Project. Relevant parts of the Manual can be disseminated among the PKSF's Partner Organizations (POs) which will participate in the Project.

Compliance with this Manual is a legal covenant. Yet, this POM will be a living document that could be changed, if required for the seamless implementation of the Project. However, any changes to the Manual cannot be made without prior agreement between PKSF and the World Bank.

## CHAPTER ONE: BACKGROUND AND PROJECT DESCRIPTION

### 1. Background

Bangladesh has made significant social and economic progress in the last three decades and already reached lower-middle income status in 2015. It has been one of the fastest-growing economies over the last decades. Annual Gross Domestic Product has been around six percent since 2000. Poverty has also been significantly reduced. According to the Household Income and Expenditure Survey (HIES) 2016, poverty rate declined to 24.3 percent in 2016, which was 40.0 percent in 2005. According to the latest estimate, the poverty rate stood at 20.5 percent in 2019<sup>1</sup>. Besides, human development outcome has improved in many dimensions. The country has also made a strong economic recovery from the impact of COVID-19 pandemic.

Because of its topography and geographic location, Bangladesh has been cataloged as one of the most vulnerable countries to the effects of climate change, with high susceptibility to extreme weather events like cyclones, floods, and storm surges.<sup>2</sup> Extreme heat, sea level rise, strong winds, and droughts are also part of the climate and geophysical hazards that the country faces. Despite making small contributions to global greenhouse gas (GHG) emissions - less than 0.21 percent of the total in 2020 - Bangladesh ranks seventh among 180 countries on the list of the economies affected most by climate change from 2000 to 2019, according to the Global Climate Risk Index.<sup>3</sup>

The cottage, small, and medium enterprises are critical for the growth and development of Bangladesh. According to the Bangladesh's Economic Census, about 89 percent of the 7.8 million economic establishments in Bangladesh are microenterprises (MEs)<sup>4</sup>.<sup>5</sup> MEs underpin and provide the base for key economic sectors: livestock, agriculture, fisheries, food processing, garments, trade, services, and light manufacturing. They also contribute more than 25 percent of Bangladesh's gross domestic product (GDP) and 56% of the total employment in the country.<sup>6</sup> However, a lack of targeted policies and institutional constrain for MEs' capacity to grow in a sustainable manner hinder their growth. On the other hand, MEs are unaware of resource inefficiencies, cleaner production practices (RECP), and access to finance to adopt climate-resilient RECP and green practices. MEs also often follow unsafe practices that expose workers to occupational health risks and produce contaminated products.

### 2. PKSf Context

The Palli Karma-Sahayak Foundation (PKSF), an apex development organization established by the Government, is mandated for poverty alleviation through sustainable employment generation by providing appropriate financing, skill training, and other necessary services. As a second-tier organization, PKSf implements all programs and projects through its Partner Organizations (POs) across the country. PKSf has more than 200 active POs all over the country.

With a view to building up and fostering microenterprises, PKSf launched its Microenterprise program titled 'Agrosor' to extend financial services to the progressive clients of its POs for undertaking enterprises that require bigger amounts of funds.

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<sup>1</sup> Bangladesh Economic Review-2022

<sup>2</sup> Ministry of Foreign Affairs of the Netherlands. 2018. "Climate Change Profile, Bangladesh." Ministry of Foreign Affairs of the Netherlands.

<sup>3</sup> Eckstein, D., Kunzel, V., and Shafer, L. 2021. Global Climate Risk Index 2021. Who Suffers Most from Extreme Weather Events? Weather-Loss Events in 2019 and 2000-2019.

[https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021\\_2.pdf](https://www.germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf)

<sup>4</sup> Cottage businesses are defined as economic establishments with fixed assets, excluding land and buildings, of less than BDT 0.5 million, or with up to nine workers, including household members. MEs are defined as economic establishments with fixed asset value between BDT 0.5 million and BDT 5 million, or with between 10 and 24 workers. We refer to both cottage businesses and microenterprises as MEs.

<sup>5</sup> Government of the People's Republic of Bangladesh. 2013. Economic Census 2013. Dhaka: Bangladesh Bureau of Statistics..

<sup>6</sup> LightCastle Partners. 2020. CMSME Stimulus and Refinancing.

An economic entity involving investment amount from BDT 0.1 million to BDT 20.0 million excluding the value of land and building or partial or full-time employment of less than 100 persons is considered a microenterprise as per the existing ME policy of PKSf. The total number of microenterprise borrowers in the 'Agrosor' program is around 2.60 million. This ME loan has been distributed throughout the country by PKSf in four major sub-sectors - agriculture, services, processing, and trade.

As of June 2023, the disbursed loan from PKSf to its POs is BDT 558232.4 million. The POs disbursed BDT 6448086.5 million to the members in the fields. The amount of loan outstanding from PKSf to its POs is BDT 104056.2 million and from PO to members, it is BDT 641295.6 million. PKSf has been maintaining excellent performance in recovering disbursed loans from the borrowers through its POs. The loan recovery rate from PKSf to PO level is 99.59 percent and from PO to borrower level it is 99.38 percent. PKSf has been facilitating women's empowerment in the microenterprise sector by providing more opportunities for loan financing for female entrepreneurs. As per PKSf MIS, currently more than 84 percent of the total ME loan borrowers of PKSf are women. The loan ceiling under the program is up to BDT 1.0 million (USD 12,500) according to the existing ME Policy of PKSf. This ME policy will soon be revised and updated considering the present demand and context in the field. The current average loan size at the borrower level is around BDT 176,000. Recognizing the importance of enterprise development, PKSf has scaled up its financial and non-financial services toward its members/borrowers in comparison with other components.

To strengthen environmentally sound microenterprise development, PKSf is now implementing several projects that are supported by development agencies (i.e., IFAD, World Bank, and Asian Development Bank (ADB)). The Sustainable Enterprise Project (SEP), a World Bank-funded project, focuses on the adoption of environmentally sustainable practices by targeted microenterprises. Building on the success and lessons learned from the Sustainable Enterprise Project, PKSf is going to implement a project titled 'Sustainable Microenterprise and Resilient Transformation (SMART)'

### 3. Purpose of the Project Operation Manual

This Project Operation Manual (POM) guides PKSf and PIU in implementing the Sustainable Microenterprise and Resilient Transformation (SMART) project. It includes arrangement and procedure for identifying and selecting project participants, procuring, managing, and monitoring all project activities

The purposes of the manual are to:

- guide the operations of the functions to be performed under the project to ensure consistency, transparency, timeliness, and accuracy for achieving the project development objectives and goal;
- enable Partner Organizations/stakeholders to implement approved sub-projects through getting into legal agreement with PKSf for achieving the project development objectives

### 4. Project Description

The "Sustainable Microenterprise and Resilient Transformation (SMART)", a five-year Government approved project, co-funded by the PKSf and the World Bank will support 80,000 microenterprises (MEs) in agribusiness, manufacturing, and service sectors. The project will focus on increasing resource-efficient and resilient green growth of microenterprises

The SMART project will foster a green growth<sup>7</sup> approach that abates environmental damage, secures sustainable growth engines through the adoption of green RECP practices and technologies, creates new

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<sup>7</sup> A green growth approach involves (a) resource efficiency; and (b) employing adaptation and mitigation that are environmentally sustainable and resilient to risks related to climate change. Green growth approach comprises: (a) abating



job opportunities, foster climate resiliency, and achieves harmony between the economy and the environment. The Project will maximize the impact on the MEs in environmentally stressed areas and/or vulnerable to climate change and natural disasters. The SMART Project will cover MEs from all over Bangladesh with a strategic focus on those areas more environmentally critical and vulnerable to climate risks, and economic sectors and sub-sectors with higher environmental improvement potential.

#### 4.1 Project Development Objective (PDO)

The Project Development Objective is ‘to increase resource-efficient and resilient green growth of microenterprises.’

#### 4.2 PDO-Level Results Indicators

The long-term objective of the project is to promote a transformation of the microenterprise sector into a more dynamic, lower-polluting, resource-efficient, and climate-resilient microenterprise sector. The long-term objective comprises three key concepts in promoting the transformation of the MEs towards more sustainable business models:

- a) **Resource-efficient and cleaner production (RECP):** MEs will only adopt climate resilient resource-efficient and cleaner production measures if their business is still making a profit and improving livelihoods. Climate-resilient RECP comprises six indicators, for resource use (energy use, materials use, and water use) and for pollution (air emissions, wastewater, and waste) and reference indicators such as product output. These sample indicators are used to calculate resource-productivity indicators such as product output per unit of resource consumption and pollution-intensity indicators calculated by emissions or waste generation per unit of product output.
- b) **Green growth:** Green growth allows businesses to contribute to clean air, clean water, and healthy ecosystems. MEs are a significant part of the national economy. The project will do this by collecting data by measuring waste and environmental key performance indicators such as waste, wastewater, energy use, and GHG emissions.
- c) **Climate resilience:** Bangladesh is among the ten most affected countries by climate change. The SMART project will contribute to climate resilience in three areas: (i) strengthen the economic basis and social cohesion of MEs to become more resilient to external shocks; (ii) promote common facilities that can serve as shelters in situations of emergencies (e.g., natural disasters and climate change-related events); and (iii) undertake a climate-resilient assessment as part of the RECP assessment to inform the design interventions targeted at the most vulnerable MEs.

The Project will promote this transformation by encouraging MEs to initiate a technological transformation towards climate-resilient RECP; a digital transformation towards using IT in managing businesses practices; and an environmental transformation with less impact of the business practices on the environment – cleaner air and water, less waste, lower GHG emissions.

These aspects of adopting resource-efficient and resilient green business practices are captured by the following PDO indicators:

- Number of supported MEs adopting at least two climate-resilient RECP practices (disaggregated by female- and male-ownership of MEs)
- Number of supported MEs with improved knowledge of climate vulnerability
- Number of supported MEs with increased revenues by 10 percent or more compared to non-supported MEs (disaggregated by female and male ownership of MEs)

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environmental damage; (b) securing new growth engines through research and development of green technology; (c) creating new job opportunities; and (d) achieving harmony between the economy and environment (OECD definition of Green Growth)

### 4.3 Project Working Area

The SMART Project is open to all 64 districts of Bangladesh through a competitive process. PKSf's partner organizations will implement the project in the different cluster of ME. The project will support microenterprises in agribusiness, manufacturing, and service sectors. The project will be implemented in cluster approach with focus on the environmentally stressed areas and/or vulnerable to climate change and natural disasters.

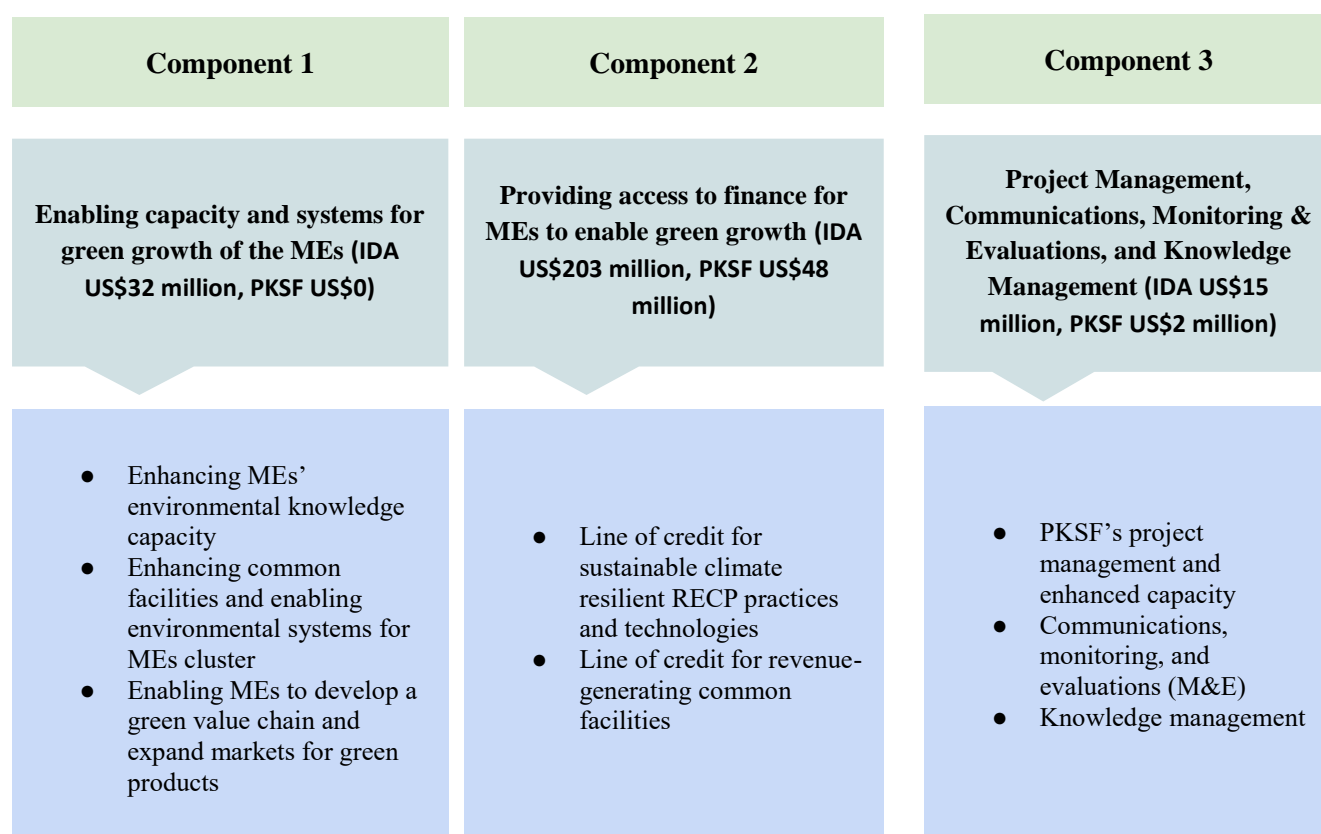
### 4.4 Targeted Project Participants

The SMART project will support 80,000 microenterprises<sup>8</sup> from the agribusiness, manufacturing, and service sectors.

### 4.5 Project Components

The project consists of three components: (1) Component-01: **Enabling capacity and systems for green growth of MEs**, (2) Component-02: **Providing Access to Finance for MEs to enable Green Growth**, and (3) Component-03: **Improving PKSf Project Management, Communications, Monitoring, and Evaluations, and Knowledge Management**. The components are summarized in Figure 1 and described in the following paragraphs.

Figure 1: Components under SMART project



*Component 1: Enabling capacity and systems for green growth of the MEs (Total USD 32 million: IDA USD 32 million, PKSf USD 0)*

<sup>8</sup> Microenterprise: Reff. PAD

(According to the Financing Agreement, USD 30 million allocated from category-1 and USD 2 million allocated from category-4)

Based on the lessons learned from SEP, this component will provide technical assistance to 80,000 MEs to acquire knowledge and capacity on climate-resilient RECP practices. This component will use a more institutionalized approach through conducting technical resource efficiency and cleaner production assessment, digital assessment and use of environmental technology. This will select and prioritize climate-resilient RECP practices and develop environmental, financial, and digital tools to support business plan development considering economic benefits in a climate-hazard situation. The component will support two types of MEs- those starting new green businesses and those willing to convert existing businesses to more RECP and introduce digital tools. This component will enable MEs to adopt changes in their existing business practices and build awareness of critical environmental issues.

**Subcomponent 1.1: Enhancing MEs' environmental-knowledge capacity.** This sub-component will support, through grants awarded to the POs, the adoption of climate resilient RECP practices and technologies, capacity building to increase MEs' technical knowledge, identify improvement areas, and promote skills among MEs. The expected effect is to increase their climate resilience, enable POs to undertake awareness-raising campaigns to guarantee the project's sustainability and behavioral change of PO and MEs. This subcomponent will also support the POs to undertake a preliminary climate-resilient RECP assessments using the RECP Rapid assessment tool kit during the sub-project preparation. This assessment will identify the environmental issues, assess climate-change vulnerability, and develop climate resilient RECP recommendations for MEs in the clusters. The assessment recommendations, where possible, will be appropriate and low cost to enhance MEs' capacity and develop simplified customized environmental assessment tools for MEs. If needed, the assessments will include climate-change vulnerability and resilience, resource efficiency, pollution reduction, geographic distribution, and other additional parameters. In addition, PKSf will hire a firm in the first year of the project which will support PKSf and POs in conducting detailed climate-resilient RECP assessments during implementation and capacity building to increase MEs' technical knowledge, identify improvement areas, and promote skills among MEs necessary to adapt to climate change impacts. The assessments will identify opportunities for MEs and ME clusters to re-engineer their business model for climate-resilient RECP through practices and technologies that increases resource-efficient and resilient green growth of microenterprises.

This subcomponent aims to ensure that the MEs receive the necessary support (demonstration of climate-resilient RECP concepts, technologies, technical capacity, and skill development) to adopt climate-resilient RECP practices in their operations. This subcomponent includes awareness-raising campaigns among the MEs community to guarantee the project's RECP practice sustainability and behavioral change. To ensure that women-owned entrepreneurs benefit equally, a gender assessment will be conducted. Experts with experience in working with women entrepreneurs will be identified. The experts will provide the following activities: conduct the assessment; undertake training sessions tailored for women entrepreneurs; provide dedicated sessions for women-owned MEs; inform about procedures such as registering with government and loan applications, and conduct awareness-raising campaigns that promote women's entrepreneurship and share success stories to motivate other women.

This subcomponent will support the digitalization of the environmental and financial management system of PKSf, POs and MEs to digitally monitor project progress using the analysis of the data generated. Greater use of big-data analytics will also help PKSf, POs, and MEs in terms of environmental performance and other information to drive the improvement and growth of Bangladesh's ME sector. Additional efforts will be made to reach MEs owned by women. One is targeted outreach and tailored training packages that will respond to areas where women face additional challenges and provide helpdesk services for applying. In addition, financial literacy and training/education will be provided to increase understanding/acceptance by MEs. Further, the project will conduct a separate feasibility study and execute a pilot with selective cluster that meets criterion on digital cashless village/cluster.

**Subcomponent 1.2: Enhancing common facilities and enabling environmental systems for ME clusters.** This subcomponent will provide support for non-revenue-generating (NRG) common facilities to promote RECP practices, inclusive green-growth outcomes to enhance MEs' growth, competitiveness, and productivity. NRG common facilities will include structures that are public goods in nature, reduce pollution, and increase climate resilient resource efficiency and cleaner production. Such activities require a non-commercial approach and, as such, will be provided as grants and will result in improved adoption of climate resilient RECP practices and technologies and resource savings at the cluster level. While the Project will fund the establishment of the common facilities, the project-participating MEs will continue to repair and maintenance of this common facilities. This subcomponent aims to support common facilities that have a critical influence on the productivity of MEs but are not commercially viable and are will be owned and maintained by the local community.

**Subcomponent 1.3: Enabling MEs to develop a green value chain and expand markets for green products.** This subcomponent will support MEs to access wider environmental and green domestic, regional, and international markets through eco-labeling of their products or services such as 'safe, organic, green, agroecological, and, so forth.' Eco-labeling would be prepared after assessing certain criteria for various products/services manufactured with the use of climate-resilience RECP practices and technologies. This assessment would serve as an important validation tool, both for manufacturers/producers to provide transparent data about the environmental sustainability of their products and for specifiers to make informed purchasing decisions. There is a growing demand for green products in the premium domestic market. Developing and strengthening safe, organic, green, and environmental labeling would further promote consumers' demand for such products and services, motivating the MEs to adopt new climate-resilient RECP technologies and business practices. Due to the financial limitations and lack of awareness and knowledge on eco-labeling among the MEs coupled with limited guidelines, rules, and defined roles and responsibilities. The project would aim to adopt a simple approach that would be easier to follow for micro-entrepreneurs. The Project will build on global best practices but be customized based on the various limitations at the ME level. Criteria for eco-labeling of various products would be prepared by experts with the necessary expertise who would closely work with related government entities, BSTI and/or other private certification companies and widely consult with all relevant stakeholders. A linkage of the MEs with the relevant national and local level associations working on 'safe, organic, green, agroecological' products would be made to allow MEs to use their platform to promote eco-labels, PKSf will build and institutionalize the capacity of selected POs. This initiative would be implemented in selected subsectors based on a market demand study.

This subcomponent would also help MEs to obtain certification from BSTI and other agencies for their products and will help MEs to obtain environmental clearance from the department of environment. In addition, project will help MEs to develop linkage with different government and international certification agencies Ex, DAE, DoL, DoE, HBRI, BUET, BCSIR, SRDI, SGS, Bureau Veritas to test and certify the product quality. The collaboration with relevant government and private agencies would add additional value to MEs' product branding and certification. POs and MEs will also be supported in product diversification, packaging, transportation, organizing events to showcase the MEs' products to buyers and markets, and organizing linkages to markets. Special outreach and support will be provided to women-owned MEs. Additionally, this subcomponent will support the enhanced use of e-commerce platforms (which already exist in a well-developed form in Bangladesh) to enhance ME sales and outreach. The E-commerce platform would also disseminate information regarding eco-labeling and EPD to facilitate informed consumer decision-making. This would also provide the possibility of expanding outreach to regional and even international markets as quality and capacities increase.

*Component 2: Providing Access to Finance for MEs to enable Green Growth (Total USD 251 million: IDA USD 203 million, PKSf USD 48 million)*

This component aims to expand income-generating opportunities for MEs by supporting investments in climate-resilient RECP practices, and thus enhance MEs' productivity and competitiveness. Under

this line of credit component, PKSf will provide loans to MEs through its POs to implement commercially viable investments in climate-resilient RECP practices. Importantly, PKSf will continue using its standard and well-tested approach for appraising commercial viability and repayment capacity, building on its impressive performance of over 99 percent loan repayment. The financing is largely expected to benefit MEs inclusive of the value chain operating in the selected 21 subsectors (Annex-3) across agriculture, manufacturing, and services. However, based on exceptional climate-resilient RECP practices, pollution abatement cases and growth potential additional subsectors may be included. The 21 subsectors and clusters have been identified based on learning from SEP on potential demand and impact. This component uses the success of microfinance in Bangladesh to better target environmentally friendly and climate-beneficial activities informed by the activities described in component 1. The Project will disburse the loan in two ways:

- **Line of credit (Total USD 241 million: IDA USD 193 million, PKSf USD 48 million) for sustainable climate-resilient RECP practices and technologies** to provide sub-loans to MEs that adopt sector-appropriate climate-resilient RECP business improvement measures. The climate-resilient RECP business practices assessed and identified through subcomponent 1.1 will guide the selection of business-improvement measures to be financed. The improvements in recipient MEs will be monitored using technological devices and digital tools that are expected to feed into the introductory use of big-data analytics at the PKSf end. Additionally, this subcomponent will support borrowers who are interested in updating their existing business or launching a new business or activities featuring climate-resilient RECP practices. To close gender gaps in access to credit, PKSf will continue their practice with a dedicated window for women-owned MEs that prioritize the selection of women-owned businesses for collateral-free loans (applies to all MEs). Additionally, sensitization activities will be carried out for POs to raise awareness of relevant policies on extending credit to women-owned MEs under Component 1.
- **Line of credit (Total USD 10 million: IDA USD 10 million, PKSf USD 0 million) for revenue-generating common facilities<sup>9</sup>** to establish and upgrade the common facilities that promote Climate resilient resource efficiency and cleaner production practices and technologies, and overall productivity to enhance ME cluster growth (note some of the proposed activities are as referred in the Project Appraisal Document). The selection of solutions and projects to be financed from this subcomponent will be identified and those will benefit from the technical assistance provided through subcomponent 1.1. The common services may be owned and managed by an ME or community of MEs (but not the PO) and can include fee-based commercially viable businesses like vermicompost chambers, recycling centers, common service centers providing training and job works, milk-chilling facilities, storage facilities, and so forth. The difference between the revenue-generating common facilities and non-revenue-generating facilities is in the commercial viability.

**Project activities will be implemented under the current regulatory framework and will not add to any market distortions.** The financing for line of credit will not interfere with the commercial aspects of microfinance schemes. Lending terms are defined based on microcredit regulations of the Microcredit Regulatory Authority (MRA) and PKSf guidelines. Based on current regulations, the ME loans will range from BDT 30,000 to BDT 1,000,000 for both working capital and investments, with a loan maturity of up to two years. The interest rate<sup>10</sup> charged on the loan will be based on current market

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<sup>9</sup> Common service facility those facility will support enterprises to grow their business development, environmental improvement as well as financial profitability in the cluster. for example, common service, service center, tissue culture lab, cold storage facility, waste collection system, mini-ETP,

<sup>10</sup> Interest rate from PKSf to PO: 5 percent for small PO (loan outstanding up to 500 ml); 6 percent for medium PO (loan outstanding 510 ml to 1 bl); 7.5 percent for large PO (loan outstanding above 1 bl); PKSf's latest operating cost over operating income ratio is 0.53. Interest rate for PO to ME: Maximum 24 percent (per MRA rule). The task team did not find interest rate decomposition data, but background research and interviews indicate the profit margin at PO level is around 4-5 percent. This

and regulatory practices. The line of credit aims to engage 50–60 POs depending on their eligibility as POs across all districts in Bangladesh to reach around 80,000 MEs in targeted subsectors, covering both formal (MEs with trade license) and informal businesses.

**The Project envisions piloting a digital tool for loan processing, disbursement, and monitoring** in at least 10 POs based on their interest. It is expected that digital finance will provide a cost-effective transaction process for microfinance while reducing the extremely high costs of human interaction and loan administration due to large, geographically distributed microenterprises.

**PKSF selects MFIs to become their POs and the participating POs will be chosen by PKSF based on the selection criteria agreed upon between the WB and PKSF.** Similarly, there will be a set of criteria for selecting the MEs. All these selection criteria are explained in detail in the Project Operation Manual. During the implementation period, POs' compliance with the eligibility criteria will be closely monitored by PKSF and tracked on an ongoing basis. Any failure to maintain the eligibility criteria will result in the closure of future financing with that PO under the project. POs will be required to report to PKSF on their sub-loan portfolio and key financial and performance indicators on a quarterly and annual basis, as relevant and in line with the results framework.

### *Component 3: Project Management, Communications, Monitoring & Evaluations, and Knowledge Management (Total USD 17 million: IDA USD15 million, PKSF USD 2 million)*

This component will ensure timely and effective project implementation by building PKSF's institutional and organizational capacity to expand the use of digital tools, data analysis, effective business practices, communications, knowledge, and M&E management. Activities under this subcomponent will help institutionalize green-growth financing within PKSF and its network beyond the Project's lifetime by strengthening existing environmental and climate-change units (ECCUs). ECCUs will provide support from subproject formulation and screening and contribute to preparing ESF documents, climate-change adaption mitigation, and environment screening checklists, guidelines, capacity building, subproject monitoring, and assessment of subproject performance. These activities will provide the essential green, resilient (where applicable) resource-efficient practices for the success of other components, since institutional and individual capabilities will ultimately ensure the broader transformation and future sustainability of the ME sector.

**Subcomponent 3.1: PKSF's project management and enhanced capacity:** The project will support PKSF in establishing a Project Management Unit (PMU) to implement the project effectively. The PMU will be staffed with a project coordinator, deputy project coordinators, assistant project coordinators, and other PMU staff members with responsibility for day-to-day supportive supervision, monitoring, and reporting. It will have full-time experts in key technical aspects of the project. The PMU will be responsible for executing the overall monitoring of the project. PMU staff salary and other benefits will be set following the Financing Agreement. These activities will also include awareness raising, capacity building, and exposure visits (local and international) to learn about new technologies and best practices as required for effective project implementation.

**Subcomponent 3.2: Communications, Monitoring, and Evaluations:** This will require implementing a digital system-based project management tool, enhancing PKSF's capacity to adopt a more systematic data management approach, and enhancing the technical environmental and climate-change capacity of PKSF's ECCU, especially in knowledge management, climate resilience, and climate-resilient RECP practices. This approach will require exposure of PMU and ECCU to knowledge exchange events in Bangladesh and abroad. Data and evidence are essential for a systematic

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is based on the cost of funds at 5-7.5 percent from PKSF less operating and other costs. The operating costs are high in the MFI model since the whole operation is in-person door to door.



transformation toward sustainable financing. PKSf has a great scope to capitalize on the existing database to find various behavior patterns in the ME sector. Technology can assist PMU in organizing data and becoming the first governmental knowledge-driven organization in Bangladesh focusing on sustainable financing for MEs. Under this subcomponent, the technology and capacity-building support will be provided for the application and use of nudging and psychometric analysis, introducing new digital solutions as part of the digital transformation. The M&E component will include (a) audit of PO operations by PKSf; (b) continuous onsite and offsite monitoring by PKSf; (c) baseline study, midterm review, and final evaluation; (d) management information system (MIS) development and adoption of digital modalities; and (e) citizen-engagement mechanisms including survey of satisfaction with project interventions and feedback loop and capacity support to PKSf and their networks.

**Sub-component 3.3: Knowledge management.** All project participants—PKSf staff, PMU staff, PO staff, and MEs will be engaged in generating and sharing knowledge throughout the project period. Knowledge management will aim to maximize the learning of all actors and capture achievements and lessons learned in different forms, from communiqués to analytical studies, radio interviews, and instruction videos for almost any product. This component will also be able to innovate and design new learning events as demand will be generated through implementation. Exposure visits to innovative practice areas and capturing lessons from best practices under the project will be another key area. This component will also be supported to innovate and design new learning events as demand will be generated during implementation. PKSf will conduct cluster and/or product-specific studies, as needed, that will help POs undertake the activities in components 1 and 2.

During the technical resource efficiency and environmental assessment, the assessing firm will provide a list of potential experts for community practice who will be identified at the regional level. POs will seek the necessary support from the PKSf during subproject design and implementation. Through the climate-resilient RECP firm, PKSf will help to enhance institutionalization, technical knowledge, and expertise-sharing regionally. This will help enhance the uptake of climate-resilient RECP assessments and recommendations with the PO and MEs. The capacity-building participants will include representatives of the private sector, young entrepreneurs, researchers, academicians, social, environmental, and sectoral experts, and practitioners from GOs and NGOs. The capacity building and knowledge engagement will allow POs to access local and up-to-date knowledge on climate-resilient RECP and develop knowledge products that raise MEs' awareness of climate-resilient RECP and climate change. PKSf will steer the process of updating the expert list as and when required. Communities of practice will be formed on a voluntary basis.

## 4.6 Project Finance

The total budget of the project is USD 300.00 million of which IDA contribution is USD 250.00 million and the rest amount of USD 50.00 million will be contributed by the PKSf. IDA funds will be disbursed against eligible expenditure through the categories subject to the allocated amount and the disbursement percentage as indicated in the Financing Agreement (FA).

Currency Equivalents: Currency unit BDT. Exchange rate effective February 28, 2023. BDT 104.50 = USD 1, and USD 1.33 = SDR 1 (As per PAD)<sup>11</sup>.

The Category and Component-wise detail budget of the Project is as follows:

### (a) Budget as per Category (IDA Part):

Category	Total IDA Financing		
	(SDR in million)	(USD in million)	(BDT in million)
(1) Grants under Part 1.1, 1.2 and 1.3 of the Project	22.60	30.00	3,135.00
(2) Sub-loans under Part 2.1 of the Project	145.25	193.00	20,168.50

<sup>11</sup> Budget in terms of BDT is subject to changes in currency value.

(3) Sub-loans under Part 2.2 of the Project	7.55	10.00	1,045.00
(4) Goods, works, non-consulting services, and consulting services, Incremental Operating Costs and Training for Part 1.1 and Part 3 of the Project (USD 15 million for component 3 and USD 2 million for component 1)	12.80	17.00	1,776.50
<b>Total</b>	<b>188.20</b>	<b>250.00</b>	<b>26,125.00</b>

**(b) Budget as per Component (IDA Part):**

Component	Total IDA Financing	
	(USD in million)	(BDT in million)
<b>Component 1:</b> Enabling Capacity and Systems for Green Growth of MEs (IDA USD 32.0 million, PKSf USD 0.0) (USD 30 million from category 1 and USD 2 million from category 4)	32.00	3,344.00
<b>Component 2:</b> Providing Access to Finance for MEs to Enable Green Growth (IDA USD 203.0 million, PKSf USD 48.0 million)	203.00	21,213.50
<b>Component 3:</b> PKSf Project Management, Communications, Monitoring, and Evaluations, and Knowledge Management (IDA USD 15.0 million, PKSf USD 2.0 million)	15.00	1,567.50
<b>Total</b>	<b>250.00</b>	<b>26,125.00</b>

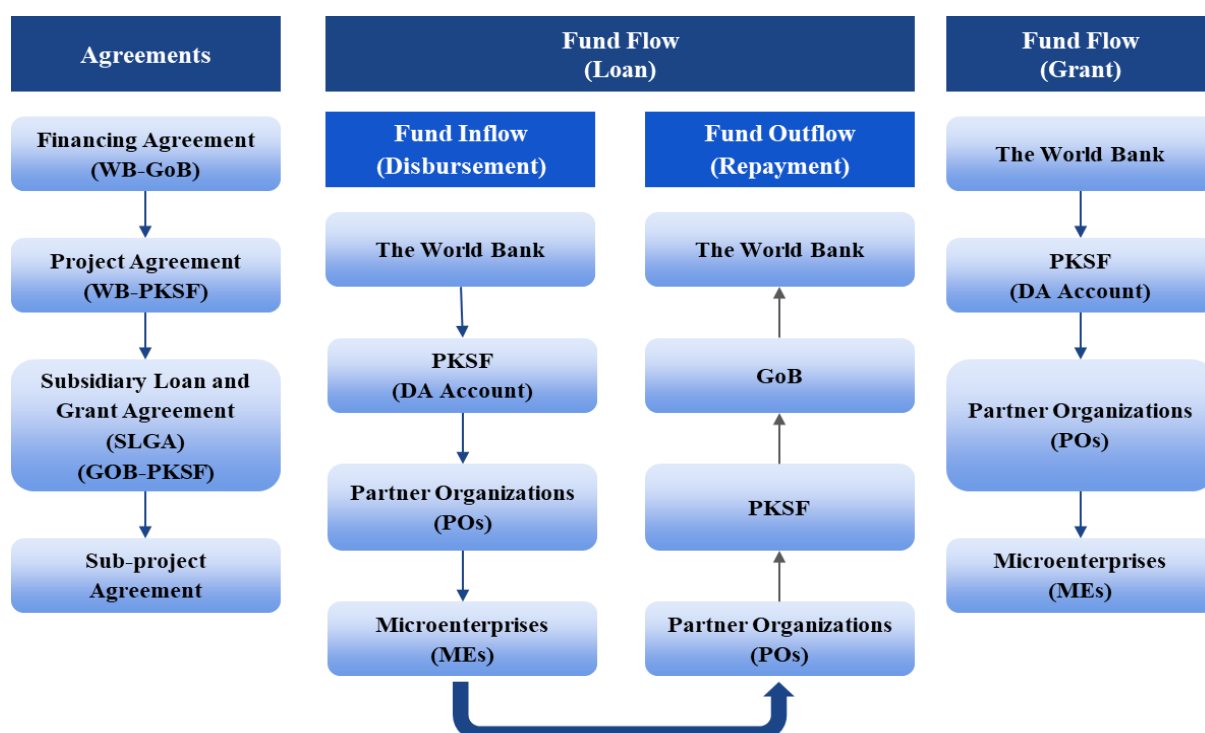
**(c) Detail Budget (IDA and PKSf Part):**

SL	Components	Total Budget					
		Amount in Crore BDT			Amount in Million US\$		
		IDA	PKSF	Total	IDA	PKSF	Total
A	B	C	D	E=C+D	F	G	H=F+G
<b>1.0</b>	<b>Component 1: Enabling Capacity and Systems for Green Growth of MEs (IDA USD 32.0 Million, PKSf USD 0.0)</b>						
<b>1.1</b>	<b>Subcomponent 1.1: Enhancing MEs' Environmental-Knowledge Capacity:</b> (Assessment and implementation; Model ME Demonstration; Capacity Building of POs; Capacity Building of MEs; Mobile Financing, Digitalization and IOT etc., Selection of Firm for Resource Efficient and Cleaner Production (RECP) Assessment and Capacity Building; Training, Workshop and Seminar; and other activities).	219.45	-	<b>219.45</b>	21.00	-	<b>21.00</b>
<b>1.2</b>	<b>Subcomponent 1.2: Enhancing Common Facilities and Enabling Environmental Systems for ME Clusters:</b> (Physical activities and technology transfer)	94.05	-	<b>94.05</b>	9.00	-	<b>9.00</b>
<b>1.3</b>	<b>Subcomponent 1.3: Enabling MEs to Develop a Green Value Chain and Expand Markets for Green Products:</b> (Marketing, Branding, Certification etc.)	20.90	-	<b>20.90</b>	2.00	-	<b>2.00</b>
	<b>COMPONENT 1 SUB-TOTAL</b>	<b>334.40</b>	<b>-</b>	<b>334.40</b>	<b>32.00</b>	<b>-</b>	<b>32.00</b>
<b>2.0</b>	<b>Component 2: Providing Access to Finance for MEs to Enable Green Growth (IDA USD 203.0 Million, PKSf USD 48.0 Million)</b>						
<b>2.1</b>	<b>Subcomponent 2.1: Line of Credit for Sustainable Climate-Resilient RECP practices and Technologies to Provide Sub-loans (IDA USD 193.0 Million, PKSf USD 48.0 Million: (ME Loan)</b>	2,016.85	501.60	<b>2,518.45</b>	193.00	48.00	<b>241.00</b>
<b>2.2</b>	<b>Subcomponent 2.2: Line of Credit for Revenue-Generating Common Facilities (IDA USD 10.0 Million): (Common Service Loan)</b>	104.50	-	<b>104.50</b>	10.00	-	<b>10.00</b>
	<b>COMPONENT 2 SUB-TOTAL</b>	<b>2,121.35</b>	<b>501.60</b>	<b>2,622.95</b>	<b>203.00</b>	<b>48.00</b>	<b>251.00</b>



<b>3.0</b>	<b>Component 3: PKSf Project Management, Communications, Monitoring, and Evaluations, and Knowledge Management (IDA USD 15.0 Million, PKSf USD 2.0 Million)</b>						
<b>3.1</b>	<b>Sub-component 3.1: Project Management Cost:</b>						
3.1.1	<i>Staff Salary Including Other Benefits and Severance Allowance</i>	78.48	14.40	<b>92.88</b>	7.51	1.38	<b>8.89</b>
3.1.2	<i>Capacity Building</i>	15.00	-	<b>15.00</b>	1.44	-	<b>1.44</b>
3.1.2	<i>Office Equipment &amp; Furniture</i>	15.88	-	<b>15.88</b>	1.52	-	<b>1.52</b>
2.1.3	<i>Administrative Costs</i>	13.87	6.50	<b>20.37</b>	1.33	0.62	<b>1.95</b>
<b>Sub-total (Sub-component-3.1)</b>		<b>123.23</b>	<b>20.90</b>	<b>144.13</b>	<b>11.79</b>	<b>2.00</b>	<b>13.79</b>
<b>3.2</b>	<i>Sub-component 3.2: Communications, Monitoring, and Evaluations</i>	8.87	-	<b>8.87</b>	0.85	-	<b>0.85</b>
<b>3.3</b>	<i>Sub-component 3.3: Knowledge Management</i>	18.65	-	<b>18.65</b>	1.78	-	<b>1.78</b>
<b>3.4</b>	<i>Contingency and Unallocated Fund</i>	6.00	-	<b>6.00</b>	0.57	-	<b>0.57</b>
<b>COMPONENT 3 SUB-TOTAL</b>		<b>156.75</b>	<b>20.90</b>	<b>177.65</b>	<b>15.00</b>	<b>2.00</b>	<b>17.00</b>
<b>TOTAL</b>		<b>2,612.50</b>	<b>522.50</b>	<b>3,135.00</b>	<b>250.00</b>	<b>50.00</b>	<b>300.00</b>

**Fund flow chart of PKSf:**



**Figure 2: Agreement and financing procedures**

## CHAPTER 2: PROJECT IMPLEMENTATION

### 1. Project Participants

#### A) Microenterprises

The Project targets the MEs in agribusiness, manufacturing, and service sectors with high environmental-improvement potential. The Project will include SEP-supported MEs that fit the new criteria. Project participants may include informal (enterprises that do not have licenses) MEs. Using registration as an eligibility criterion could limit the demand for support from the project, notably from female micro-entrepreneurs who are more likely to be informal. Therefore, as part of the project, the following will apply:

- (i) To be eligible for the line of credit under component 2, MEs should be legal, visible and work in the specific subsectors listed in annex 3.
- (ii) MEs having registration/license/ recognized by the government (at all levels, mainly the Union Parishad level) or an agency of the government (such as market committees set up by the Union Parishad) will get priority for environmental credit under component 2.
- (iii) MEs having no registration from the competent authority will be given special attention for encouraging them to obtain license/registration soon after bringing them under the umbrella of the project.
- (iv) Women entrepreneurs will be given extra attention for encouraging them to obtain license/registration from competent authority.
- (v) MEs having growth and employment creation potential and involved in the value chain of selected sub-sector in a business cluster setting will be given priority.
- (vi) MEs who were the committed member of SEP project will be given priority.
- (vii) The project will support progressive MEs who are willing to adopt the climate resilient RECP practices in their operations.
- (viii) The operation should be environmentally-sustainable and climate-resilient or will become environmentally-sustainable and climate-resilient through the adoption of RECP practices/technologies for which the ME is seeking financing under the project.
- (ix) Entrepreneurs' equity (excluding land and building) in the proposed enterprise should be between 80:20 (debt: equity) for the loan purpose;
- (x) The project will promote ambitious MEs that have already integrated resource-efficient and pollution reduction business practices in their operations and intend to aim for operational, financial and environmental sustainability.
- (xi) The project will promote MEs who are the potential to adopt eco-labeling in order to access premium markets inside/outside of the country.

#### B) PKSf and Partner Organizations

PKSF is currently supporting approximately 3.32 million MEs that have a presence in the identified agribusiness, manufacturing, and service sectors. PKSf supports the MEs through PO<sup>12</sup>s dispersed

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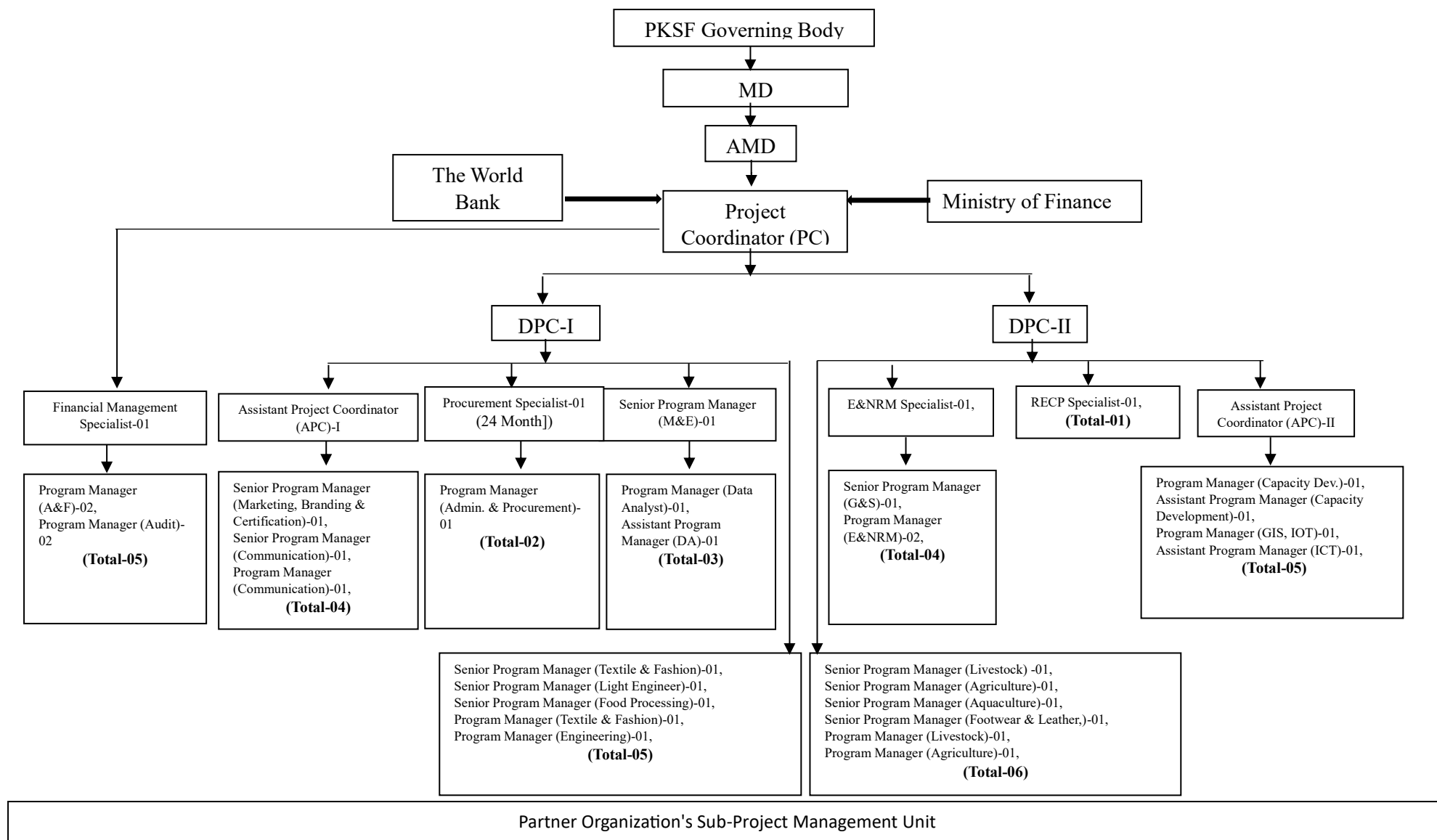
<sup>12</sup> PO means licensed MFI that has been recognized by the Governing Body of PKSf as PKSf's Partner Organization as per the criteria set-forth by PKSf. For implementing sub-projects under SMART project, POs will be selected from among the listed partner organizations of PKSf that meet the additional criteria mentioned in this POM.

throughout the country. These POs are implementing PKSf's programs and projects in the field. The project will provide support for capacity building to PKSf to improve its ability to support operational, financial and environmental sustainability for MEs. PKSf will receive technical capacity building in environmental management in the ME sector. The project will support the digitalization of the collection and management of environmental and financial data within PKSf that allow to ensure a broader amount of MEs access to financial lending opportunities.

## 2. Institutional Arrangement

### **a) Project Management Unit at the PKSf level:**

The administrative structure of the project has been outlined in the figure 3.



**Figure 3: Administrative structure of the SMART project**

This section contains details of various processes involved with the implementation like the selection of POs, communication with POs for preparing proposals for different components and citizen engagement by POs for preparation of proposals. It will also contain proposal submission and evaluation process, the role of PMU at POs in project implementation.

The GoB will be involved in project implementation and monitoring through the following processes:

1. PKSf will send the annual work plan to the line ministry before each financial year;
2. PKSf will send the biannual progress report to the Ministry;

At present, all agencies including PKSf meet with the Financial Institutions Division (FID) on a bi-annual basis to review the status of their projects. So, this project's progress will be discussed in the same meeting.

### 3. Work Plan

The SMART project will be fully functional, which implies establishment of PMU at PKSf as well as development and approval of sub-project proposals with starting of project activities at ground level within the first year. Subsequently, the implementation based on planned disbursement and result framework will reach its full capacity by the mid of the project period. From 3<sup>rd</sup> year onwards, along with implementation, the focus will be on evaluation, broadening lessons learned (workshop, exposure visit, seminar, training, report publication etc.) to other POs as well as designing operational strategies to ensure that project achievements are sustained, especially the shared services created under the project.

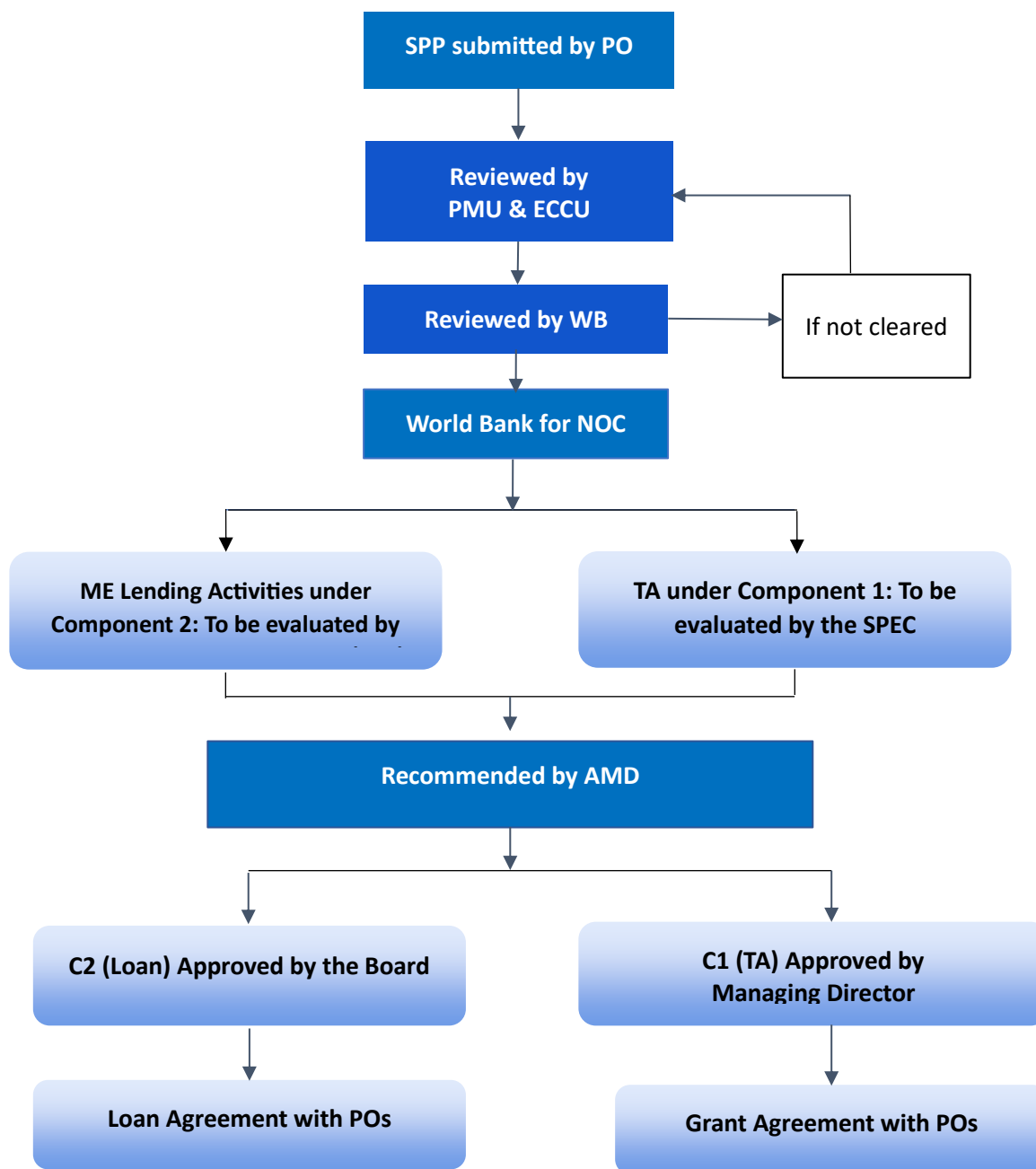
Steps	Activities	Q1 Jul-Sep, 23	Q2 Oct-Dec 23	Q3 Jan-Mar, 24	Q4 Apr-Jun, 24	Q5 Jul-Sep, 24	Q6 Oct-Dec, 24	Q7 Jan-Mar, 25	Q8 Apr-Jun, 25	Q9 Jul-Sep, 25	Q10 Oct-Dec, 25	Q11 Jan-Mar, 26	Q12 Apr-Jun, 26	Q13 Jul-Sep, 26	Q14 Oct-Dec, 26	Q15 Jan-Mar, 27	Q16 Apr-Jun, 27	Q17 Jul-Sep, 27	Q18 Oct-Dec, 27	Q19 Jan-Mar, 28	Q20 Apr-Jun, 28	Q21 Jul-Sep, 28	Q22 Oct-Dec, 28
1.	Establishment of PMU																						
2.	Project launching workshop																						
3.	Call for SPP from selected POs through a workshop																						
4.	SPP submission by PO																						
5.	SPP review by committee																						
6.	SPP shared with WB for NOC																						
7.	Short listed SPP will be presented by PO to PKSf management																						
8.	Sub-project approved by PKSf (C-1 & C-2)																						
9.	Finally selected Sub-projects will be awarded and called upon for signing contract (C-1 and C-2)																						
10.	Monitoring starts for C-1 (both from PMU and PKSf)																						
11.	Evaluation of project																						

#### 4. Sub-project Proposal Evaluation and Approval Process

PKSF will have two committee as Loan Advisory Committee and Sub-project Evaluation Committee (SPEC) to evaluate the proposal that is submitted by the POs.

- At first, the submitted SPP will be reviewed by the PMU as well as by the ECCU of PKSf.
- Then the SPP will split into two parts for the evaluation by the committee.
  - Loan part of the proposal will be evaluated by the Loan Advisory Committee. This Loan Advisory Committee will be headed by the Deputy Managing Director of PKSf and the Panel leaders of the PKSf will be the member. The committee will evaluate the loan performance of the POs and Suggest for the Loan Approval.
  - On the other hand, PKSf will have a SPEC (Sub-project Evaluation Committee) to evaluate the concepts of the sub-projects and recommend for approval of technical assistance. The SPEC will be headed by the head of ECCU of PKSf and will be involved in reviewing submitted SPPs and recommending for approval with clarifications if required.
- Besides, the SPPs will be shared with the World Bank for parallel review and clearance. After clearance from the WB.
  - The reviewed and cleared SPP will be sent to PKSf management for approval.
  - If WB does not provide any comments within 15 (negative concurrence) working days the SPP will be considered cleared. The following diagram depicts the sub-project implementation steps:

#### **Sub-project Proposal Evaluation and Approval Process**



**Figure 4: Sub-project approval procedure**

## 5. Working Area Selection Process

Among the sectors of microenterprise, the Project will be implemented in agribusiness, manufacturing, and service sectors. There are a number of microenterprise clusters scattered throughout the country. The clusters having growth potential, scope of energy and resource efficiency, and environmentally stressed and climate change vulnerable areas (flood, flash flood, drought, and salinity-prone) are important factors for selecting the working area of the project.

### 1. Selection of Clusters/sub-sectors of ME

With its extensive experience of working with grassroots microenterprises, PKSf recognizes a business cluster as a concentration of interconnected enterprises situated within an adjoining geographical location having common strengths, weaknesses, opportunities, and threats in a particular field producing similar and/or supporting or complementary products or services for all value chain actors.

The SMART project will cover 3 sectors/business areas - agribusiness, manufacturing, and services - for the implementation of the interventions. These three sectors/business areas cover more than a hundred sub-sectors. The project will work on the existing business clusters of microenterprises identified by PKSf.

Apart from membership coverage, growth potential, energy resource efficiency, and environmental stress, vulnerability to climate change, particularly in areas prone to floods, flash floods, droughts, and salinity, is given special consideration when selecting sub-sectors/business clusters for this project.

### 2. Operational Strategy

SMART commenced in August 2023 and will conclude in December 2028. However, all the activities except financial transactions of sub-projects implemented by the Partner Organizations must end six months prior to the Project's end. SMART project will select lead sub-sectors in the selected districts to demonstrate positive outcomes of climate resilient RECP practices to maximize outcomes or impacts through critical minimum interventions. The lead enterprises in the lead districts will evoke demonstration effects in the development of climate resilient RECP practices within the microenterprises of Bangladesh. However, microenterprises will not adopt RECP practices if they incur loss in their business. So, SMART adapted a strategy to follow an evolutionary process to improve climate resilient RECP practices step by step throughout the project period. It is expected that the financial and technical support provided to the lead microenterprises among the lead clusters of 21 sub-sectors in all districts under this project will eventually lead to a massive ripple effect in the economy through their demonstration impacts.

### 3. PO Selection Criteria

PKSf started its microenterprise (ME) loan program – as distinct from its microfinance program – in 2001. As of June 2023, 178 POs are implementing a microenterprise loan program. PKSf has developed a comprehensive rating system to annually assess the performance of POs along nine dimensions: (a) financial efficiency, (b) economic efficiency, (c) operational efficiency, (d) financial strength and risk management, (e) growth, (f) accounting and internal control system, (g) social performance, (h) human capacity, and (i) governance. A six-point rating system has been developed using letter designations (AAA, AA, A, B, C, and D) corresponding to scores of up to 1,000. Among the organizations, according



to the PKSf's existing annual rating system, 'B' and above-rated POs working in the project areas will be selected for the project. In addition, if POs don't perform well and performance downward may drop from the project. Apart from the rating, the following criteria will be considered to select the PO:

- a) At least two years of successful experience as a PO of PKSf in handling micro-enterprise programs
- b) Minimum one-year presence in the proposed business cluster through financial and/or non-financial service coverage within the cluster, for new and innovative sub-sector, experience may be reluctant
- c) At least BDT 200,000 (US\$ 2,500) as equity;
- d) Separate unit for management and supervision of ME lending program;
- e) Experienced officials to manage such activities including financial management and minimum one environment management expert in the sub-project management team;
- f) POs commit to established an ECCU.
- g) Satisfactory repayment Track record with PKSf;
- h) POs Management should be committed to the microenterprise program. Moreover, management should be committed to ME awareness raising and demonstrate climate resilient RECP practice.
- i) Not been debarred by the World Bank;

PKSf program department, Audit department and PMU unit visit the MEs activities in a regular interval. Moreover, as part of off-site monitoring PMU will receive the quarterly progress report from the POs and submit the compiled report to the World Bank bi-annually.

#### 4. Features of Sub-project Proposals

1. A Partner organization can submit as many SPPs (Sub-project Proposal) they desire. However, PKSf reserves the right to amalgamate or consolidate all of the SPPs.
2. One Partner Organization can implement a maximum of three sub-projects during the Project tenure.
3. If a subproject is awarded to only one PO for implementation, in this case the maximum amount should not cross USD 20.0 million for loans and USD 4.0 million for grants.
4. POs can jointly implement a sub-project. In this case, a separate budget will be given to each organization, but each organization budget should not cross USD 15.0 million for loans and USD 3.0 million for grants.

#### 5. Aspects of Revenue-generating Common Services Loan

- i. The revenue-generating common service activities should have a positive impact on climate resiliency and/or environmental sustainability and business of the selected clusters/sub-sectors. Only the activities that will generate revenue and create a positive impact on the ME cluster/sub-sectors will be awarded loans.
- ii. The activities under this revenue-generating common service will be selected in consultation with the local business community, public representatives, producers, and suppliers. The studies conducted by PKSf to date will help the POs select potential sub-sectors for revenue generating common service activities. Besides that, PKSf will conduct a number of studies on different sub-sectors for common revenue-generating services, when and where necessary.
- iii. The responsibility of managing the entire common service loan will be on the POs. The POs will disburse this loan to microenterprise/group of microenterprises to establish revenue generating common service facilities. If PO will not find any capable MEs to establish and operate revenue generating common service facilities, then PO can establish revenue generating

common service facilities. Afterwards, PO will encourage MEs to take over the entire revenue generating common service facility, including all liabilities and businesses. However, if no microenterprises are found available to operate the common services, the POs will continue the operation and management of those facilities for the betterment of the project participants.

- iv. The common services will create new business models in the business clusters through the demonstration effect so that the entrepreneurs are able to implement those new environment-friendly business models even after the completion of the project.

## 6. Sub-project Awarding Procedure

PKSF will follow the guiding principles of the Project (ESMS, ESCP, Procurement Guidelines, Financial Management Guidelines, ME Policy) for awarding sub-projects to its Partner Organizations. The sub-project awarding procedure will be run in compliance with these policies and safeguard documents.

### *Steps of SPP awarding procedure*

The sub-project awarding procedure will be implemented in eight different steps. The steps are as follows:

#### **Implementation Arrangement of SMART Project: Call for Project**

##### **Step 01: Request for Expressions of Interest (REOI) with RECP principal guidelines**

1. REOI announcement will be launched by SMART Call for Proposal workshop to the shortlisted Partner Organizations (calls will start on the rolling basis).
2. PKSF will ensure continuous capacity development of POs on RECP and REOI process.

##### **Step 02: POs will prepare Sub-project Proposal (SPP)**

Partner Organizations (POs) will consult and engage with MEs and other stakeholders to identify the needs and potential opportunities for Climate-resilient RECP and their business growth needs. The proposal includes climate-resilient RECP technical assistance and loan demand of the microenterprises (MEs).

##### **Step 03: POs submit SPP (reflecting ME loan demand and technical support needs) (C1 & C2) to PKSF.** SPP consists of two parts. These are:

- Part-A: Sub-project activities (with detailed budget and activities) under component 1 (C1);  
Part-B: ME loan demand under Component 2 (C2).

##### **Step 04: Proposal evaluated by PKSF & WB (need to ....)**

1. The submitted SPP will be reviewed by the Project Management Unit (PMU) and Environment and Climate Change Unit (ECCU) of PKSF;
2. After review by the PMU & ECCU, the SPP will be evaluated by the two separate committees. a. The 'loan advisory committee' will evaluate the loan part; b. The technical part will be evaluated by the 'Sub-project Evaluation Committee (SPEC)';
3. PMU will share SPP with the World Bank for clearance; If there is no comments within 15 days from WB, the SPP will be considered as cleared.

##### **Step 05: Approval of the SPP**

1. After clearance from the WB, the SPP will be approved by the management of PKSF
2. POs will be notified when the SPPs are awarded for implementation of the sub-projects.

**\*\*Tentative timeline from start of proposal preparation and awarding (4 months)**

PKSF will call for proposal for sub-projects by a workshop for eligible POs (who fulfilled the PO selection criteria of PKSf). POs will be guided and provided with instructions in the workshop regarding the preparation of Sub-Project Proposals. Interested POs will collect information from the business clusters and identify the needs and potential opportunities for climate-resilient RECP practices, environmental improvement and business growth. They will also consult MEs, other stakeholders, local governments, and business groups, and collect information about the different aspects of the project and proposed activities. The Subproject Proposal should be submitted by the POs according to the prescribed format (Annex-7) of PKSf. PMU will provide guidance to POs in preparing the SPPs. PKSf will allow 30 days to the eligible POs to submit the proposals.

The POs will have to submit the complete proposal with budget (for each fiscal year) and detailed activities for the cluster development (RECP implementation, environment, and business) under Component 1 and an ME Loan proposal under Component 2 for the microenterprises within the identified clusters for the project period. The grant amount of these proposals will be subject to reimbursement. However, based on achievements and field requirements, POs can revise their capacity-building activities and budget requirements during the annual exercise. PKSf will disburse ME loan (Component 2) as per PKSf loan policy.

## 7. Agreement Signing with the POs

Under this project, two types of agreements (loan and grant) will be signed between PKSf and POs. The first one will be an ME loan (Loan Agreement) under Component 2; the second one will be for sub-project activities (Grant Agreement) under Component 1. Agreement formats will be prepared in accordance with the PKSf existing format and appended in Annex-4.

## 8. Implementation of Sub-project

After the approval of the sub-project by PKSf, PO will implement (supervision and monitoring) the sub-project at the field level as per agreed actions. PKSf will monitor the activities online and off-side. PO will submit project progress report quarterly to PKSf. PKSf will conduct field visit along with analysing the submitted progress report. Details description of monitoring described in the Chapter 6.

## CHAPTER 3: FINANCIAL MANAGEMENT

### 1. Financial Management, Disbursement and Audit:

PKSF has long experience working with multi-lateral agencies and organizations. This extensive experience has helped PKSF establish a reliable financial management system. The Project's overall financial management risk is assessed to be "moderate", considering the huge experience gathered by PKSF in implementing various activities through its POs. The Project is also designed by following the same implementation path of using POs to achieve project objectives. The audit reports of PKSF have always received "unqualified opinion" reflecting the true and fair view in the preparation of the financial statements. Like all other projects implemented by PKSF, this project will also be outside of the Annual Development Programme (ADP) and does not require any DPP/TPP in the PAD.

PKSF is the implementing agency of the Project and is responsible for all Financial Management (FM) arrangements for the Project. The guiding principle is that the Project's FM arrangements would be dependent on and in alignment with the systems established within PKSF. This includes PKSF's oversight mechanisms to ensure the appropriate use of funds by the POs. PKSF's main responsibilities/accountabilities will include FM functions, and managing the finances that include a Credit Line and Technical Assistance (TA). These responsibilities will include accounting, providing financial reports in the formats agreed upon, and providing overall fiduciary assurance over the proper and efficient use of the proceeds.

PKSF would account for all sources and uses of Project funds in accordance with its extant accounting system, policies, and procedures which are documented in an Accounts Manual. PKSF follows accounting on commercial principles which are based on IAS/IFRS/BAS/BFRS. The IDA credit and the assets created/expenditure incurred would be allocated in separate general ledger codes to facilitate capturing the sources and uses of project funds which will also help in distinguishing transactions from other credit lines.

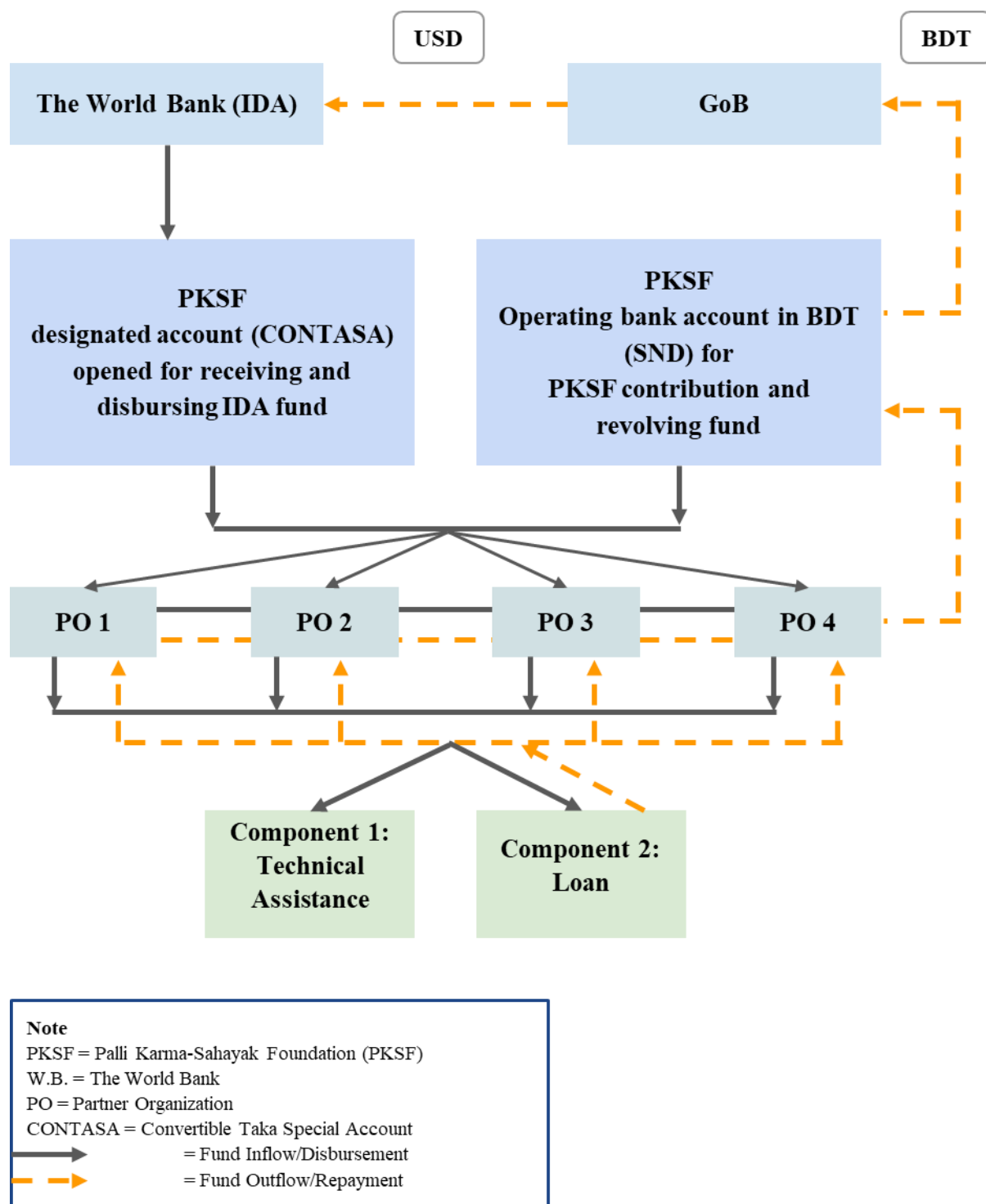
PKSF has an existing set of policies for lending operations. These policies lay down the procedures of appraisal, sanctions, and monitoring. This oversight will be carried out by officers designated for respective POs from the program implementation division of PKSF and PMU staff regularly. Besides, the officials from POs will regularly visit borrowers to ensure the end use of funds. PKSF shall maintain a financial management system and prepare financial statements in accordance with consistently applied international accounting standards, both in a manner adequate to reflect the operations and financial condition of the PKSF, including the operations, resources, and expenditures related to the Project.

### 2. Financial Management Arrangements:

- (a) **Planning and budgeting:** A budget will be prepared and maintained for the entire term of the Project. Detailed budgets for each fiscal year will also be produced to provide a framework for financial management for each year. The annual budget will be prepared based on the disbursement plan, procurement plan, and annual work program. The budget will be monitored periodically to ensure that actual expenditures are in line with the budgets and to provide input for necessary revisions. The PMU will ensure that actual expenditures are in line with the budgets and will provide input for necessary revisions.
- (b) **Staffing:** A PMU, set up at PKSF, will be responsible for the overall FM performance of the Project. Five Financial Management staff will be assigned to carry out the day-to-day FM functions. Two out of the five FM staff will be dedicated to regularly visiting the POs to oversee the transactions between the POs and the project participants to ensure that complete financial discipline is restored and the digitization and automation introduced under the project, are

working efficiently.

- (c) **Co-financing Arrangement:** PKSF will finance USD 48.0 million equivalent in Component-2 (Providing access to finance for MEs to enhance green growth and USD 2.0 million equivalent in Component-3 (PKSF Project Management, Communications, Monitoring & Evaluation and Knowledge Management). These expenditures will be reported through the quarterly Interim Unaudited Financial Reports (IUFRs).
- (d) **Eligibility of Financing:** The World Bank financing will not apply to specified categories of recurrent expenditures such as sitting allowances, cash per diems, and honoraria. The list of excluded categories (Annex-6) may be updated from time to time, based on implementation experience. The World Bank financing will also not cover expenditures related to land, vehicles, and taxes will be allowable up to 15 percent of the total IDA credit.
- (e) **Financial Reporting:** PKSF will prepare quarterly Interim Unaudited Financial Reports (IUFRs) and will submit the report within 60 days after the end of each quarter. The IUFR will be used to report quarterly expenditures and request advances for the subsequent two quarters based on the expenditure forecast. The IUFRs shall be prepared in an agreed format and supported by appropriate sets of documents and evidence.
- (f) **Internal Control:** PKSF has a formal system of internal controls characterized by board-approved policies supported by manuals; approved comprehensive delegation of powers, segregation of responsibilities through functionally dedicated departments; decisions taken through various committees; centralized payments and accounting. These have been assessed to be satisfactory and would be applied to the Project also.  
The accounting system assessment shows that PKSF's financial system is automated and adequate for capturing the project's financial information electronically and facilitating the production of reliable annual financial reports. However, since the preparation of IUFRs is based on Excel, the project needs to maintain satisfactory financial management activities at the PMU, including keeping all the mandatory books of accounts and practicing proper segregation of duties to ensure effective internal control. The Project will be required to maintain a satisfactory financial management system, including keeping all the mandatory books of accounts and preparing yearly financial statements.
- (g) **Designated Account (DA):** The PMU will open a Designated Account with a national commercial bank in the form of a Convertible Taka Special Account (CONTASA) to receive funds from IDA for project implementation. The IDA funds will be disbursed through a Designated Account (DA) in the form Convertible Taka Special Account (CONTASA) denominated in Taka/BDT, which will be maintained in a commercial bank in accordance with the approved government procedures governing the establishments of the DA. According to the existing practices of PKSF, the Government will authorize the representative(s) from PKSF who will operate the DA.
- (h) **Fund Flow:** IDA funds will flow to the DA based on withdrawal applications submitted to the World Bank, through Client Connection, by the authorized signatories. An alternative signatory arrangement will be made for the submission of withdrawal applications to ensure unhindered flow of funds. The PMU will be responsible for submitting disbursement applications to the World Bank based on the IUFR. Expenditure reporting will be done by POs to PKSF before withdrawal applications are submitted to withdrawal application from IDA.



**Figure 5: Fund flow diagram**

- (i) **Sub-project Bank Account:** POs shall maintain separate bank accounts dedicated to the sub-project fund only. Transactions between the POs and MEs will take place, through the banking channel & Mobile Financial Service channel. Amounts paid from PKSf to the POs will be treated as advances, and POs will report expenditures back to PKSf based on the utilization of funds reported by the MEs. POs will be responsible for accounting and financial reporting to PKSf on the funds transferred to MEs. In the case of grants, transfers will be made to POs through banking channels.
- (j) **External Audit:** PKSf appoints a reputed independent auditing firm with international affiliation as selected by PKSf's General Body in the Annual General Meeting for each financial year, in accordance with the Articles of Association of PKSf. The audit is performed as per approved terms of reference. Financial statements are audited annually in accordance with appropriate auditing standards consistently applied by independent auditors. The entity financial statements of PKSf will adequately reflect the project transactions. PKSf is annually audited by an independent chartered accountant firm to ensure it meets the statutory requirement. The project's financial statements will also be annually audited by the same chartered accountant firm, and reports will be submitted to the World Bank within 6 (six) months of the end of each financial year. The audited financial statements will be publicly disclosed. The PMU will take the necessary steps to resolve the audit observations by 30 June of the following year.
- (k) **Internal Audit:** PKSf has a robust internal audit department that conducts continuous internal auditing across the organization including the POs. In order to monitor the activities of its POs, PKSf has an internal audit cell in place. PKSf will prepare an annual audit plan to carry out an annual internal audit on the project/sub-project activities and the POs to review the compliance, accountability, and transparency of the expenditures and the procurement process, and assess the relevance of the expenditures incurred for the purpose intended. Expenditure incurred by PKSf itself and the reimbursement bill of POs are pre-audited continuously by PKSf internal audit department. Internal audit department of PKSf carry out audit activities in accordance with the Terms of References (ToR) approved by the Governing body of PKSf. PKSf will share the internal audit report with the world bank covering the activities of the POs relating to the SMART project along with the Action Plan, prepared based on the IA recommendations, at least once annually within 120 days after the audit period.
- (l) **Retroactive financing:** Retroactive financing of up to one million IDA credit will be allowed for eligible expenditures including studies, capacity building, and staffing under category four incurred by PKSf during the period between 1 January 2023 and the date of the signature of the Financing Agreement. All expenditures, for which retroactive financing is sought, will be submitted to the World Bank to verify their eligibility as per the following criteria related to the project description and disbursement table, safeguards policies, and procurement requirements: (a) the activities financed by retroactive financing are related to the PDO and are included in the project description; (b) the payments are for items procured in accordance with the applicable Bank procurement rules; (c) the total amount of retroactive financing is up to 20 percent of IDA credit; and (d) the payments are made by the government during the period between 1 January 2023 and the date of the signature of the Financing Agreement.
- (m) **Incremental Operating Costs:** 'Incremental Operating Costs' means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises; office rent; office supplies; utilities; consumables; communication expenses; translation; printing, photocopying and postal expenses; bank charges; advertising expenses; insurance; costs of clearing, forwarding, inspection, survey and transportation of goods; Project-related meeting expenses; Project-related travel, subsistence and lodging expenses; provided that such Operating Costs are paid to the eligible recipient through the banking system (except for petty cash expenses following the Recipient's existing policy) and salaries, allowances and Severance Pay of contractual staff (other than consultants) but excluding salaries and salary top-

ups of the Recipient's civil servants and of the Project Implementing Entity's regular staff, per diem, allowances and honorarium of officials of the Recipient's civil service and/or other sitting allowances, cash per diems and honorarium of any other nature.

- (n) **Reimbursements of Grant to POs:** PKSf will enter into a Sub-project Grant Agreement with each PO under component-01. The first disbursement of the sub-project will be made to the PO as an advance against a percent of the grant amount of the sub-project's budget. PKSf and the POs may also have the option for reimbursement of expenditures after achieving agreed-upon sub-project milestones on a biannual basis. The subsequent funds will be released to each of the POs subject to PKSf's receipt of a Statement of Expenditures (SOEs) along with evidence of successful completion of agreed-upon milestones. PKSf will undertake the due diligence in checking and verifying the claims of the POs. POs will report to PKSf on financial and physical progress on a monthly/quarterly/half-yearly basis along with the bank statements for the relevant period. The initial advance paid by PKSf to each PO will be accounted for as an advance in the PO's books of accounts and financial reports until actual expenditures are reported by the PO and verified and accepted by PKSf. Only actual expenditures are reimbursable by PKSf to POs.



## CHAPTER 4: PROCUREMENT

Procurement in the SMART project would be carried out in accordance with the World Bank Procurement Regulations for IPF Borrowers, dated 1 July 2016 (Revised on 2023). Procurement at the PO level, if any, will be conducted following simplified procurement guidelines for the POs which will be similar to that of the SEP project. The availability of suppliers of goods, works, and services is adequate to meet the major procurement needs of the Project, and there is adequate stability and resilience in the economy to support those procurement needs. In light of that, PKSf has developed a separate Project Procurement Strategy for Development (PPSD) for the SMART project. Some of the significant aspects of the PPCSD prepared for the implementation of the SMART project are given below.

**Experience:** PKSf has experience in implementing similar Bank-funded projects. Having said that, the Bank's procurement regulations contain much information that should be familiar to those who are conversant with its procurement guidelines, and the learning curve is not apprehended to be steep. Project personnel are also likely to benefit from, and grow to appreciate, the added flexibility that the New Procurement Framework (NPF) offers in processing procurement.

**Need for hands-on support to undertake a fit-for-purpose procurement:** PKSf can use its existing simplified 'Procurement guideline for POs' prepared under the World Bank-financed project SEP and if needed, in consultation with the World Bank, PKSf will update or revise the guideline within the first year of the project. As there is a few high-value or high-risk contract, PKSf may require hands-on support from the Bank. PKSf will continue providing hands-on support to the Partner Organizations (POs).

**Complaints management and dispute resolution:** The Public Procurement Rules (2008) has established the process to address grievances related to procurement. The bidder has the right to complain and appeal. The project will follow the mechanism established by the country's existing procurement laws in handling the complaints related to procurement. In addition, anyone can also lodge a complaint to the World Bank as allowed in the World Bank's Procurement Regulations. Dispute resolution mechanisms will be stated in bidding documents. PKSf shall also maintain a Complaints Register for record keeping. The key elements of the complaints handling procedure are prepared to ensure accountability and good governance. The Complaint Handling Mechanism (CHM) has been prepared following corresponding provisions of the PPA-2006 and the PPR-2008. The Complaint Handling Mechanism (CHM) of PKSf will be available on the PKSf or Project website.

**Conclusions on Client Capability and PMU Assessment:** PKSf has a long experience in implementing similar Bank-funded projects. There has been no major issue in procurement management in conducting procurements following the Bank's procurement principles. For example, in the Sustainable Enterprise Project, PKSf successfully developed and disseminated simplified procurement documents following PPR-2008 to the Partner Organizations (PO). In addition, PKSf also provided continuous hands-on support and training to the POs in executing day-to-day procurement activities. However, in view of the decentralized nature of procurements envisaged under this project, and the capacity of the POs to handle procurements following the Bank's procurement principles, the risk of the project is assumed as "substantial" from the standpoint of procurement operation and contract management. Several risk mitigations measures including the following would be put in place by PKSf - (i) hire a full-time procurement specialist/consultant for 24 months of the project; (ii) train the new POs on procurement and contract management, and provide necessary hands-on support; (iii) ensure the quality of the procurements through regular reviews by PKSf/PMU staffs/consultants and audits (sample-based) by the audit firm.

## 1. Procurement Approach Options and Recommendations

The options and the recommended procurement arrangement for the contracts are described below:

Contract Attribute	Selected arrangement	Justification
Specifications	Conformance/Performance	As required
Contract Type	Traditional	Applicable in case of Goods and Works
Supplier Relationship	<ul style="list-style-type: none"> <li>Adversarial</li> <li>Arms-length</li> </ul>	Routine items permit arms-length relationship
Pricing and costing mechanism	Schedule of Rates/ Admeasurements	Schedule of Rates / Admeasurements is the default method.
Selection Method for Goods, Works and Non-Consulting Services	A. Request for Bids (RFB), (Open, National) B. Requests for Quotations (RFQ) C. Direct Selection	As appropriate. Specific selection method is mentioned in the agreed procurement plan.
Market Approach	A. Type of Competition Open, National, international  B. Number of Envelopes: One C. BAFO: No D. Negotiations: No	A. There is national capacity to ensure competitive response for most of the procurements. B. One envelope procedure will reduce procurement lead time. C. there is no such procurement D. Negotiation will not be allowed for goods and works procurements through open bidding procedures as all such procurements under this project will be using national procurement system acceptable to the Bank.  E. However, if necessary, international procurement will be conducted following the World Bank's procurement guideline. In that case, in time of engaging international consultants, the rules and regulations of Bangladesh Investment Development Authority (BIDA) and National Board of Revenue (NBR) will be followed for work permit and VAT/ Tax issues.
Pre / Post Qualification	Post Qualifications	There is no such procurement in the project that demands prequalification
Selection Method for Consulting Services	A. Quality Cost Based Selection (QCBS) B. Fixed Budget Based Selection (FBS) C. Least Cost Based Selection (LCS) D. Quality Based Selection (QBS) E. Consultant's Qualification Based Selection (CQS) F. Individual Consultant (IC)	As appropriate. Specific selection method is indicated in the agreed procurement plan

Contract Attribute	Selected arrangement	Justification
	G. Direct Selection	
Domestic Preference	No	There is no such procurement in the project
Rated Criteria	If applicable	A rated criterion is generally used in complex procurement. Since there is no high value and high-risk contracts, rated criteria will not be used.

## 2. Summary of Project Procurement Strategy for Development (PPSD)

**General:** Procurement would be carried out in accordance with the World Bank's Procurement Regulations for IPF Borrowers, dated July 1, 2016 (revised November 2020).

**Procurement Significance:** Out of the total project cost of USD 300 million, it is expected that about USD 4.503 million will be expended through procurement.

**Procurement Responsibility:** The PKSf will process all procurements for the agency. Partner organizations will conduct their own procurements under the supervision of PKSf.

**Managing Procurement Risks:** In order to minimize the procurement-associated risks, the following measures have been agreed upon with the World Bank:

### a) Project Procurement Strategy for Development (PPSD) and Procurement Plan

A PSD has been prepared by PKSf in agreement with the Bank, taking into account the volume of items to be procured, prevailing market conditions, activity level risks, etc. PSD is a live document and it is to be updated annually or as required. For each contract to be financed under the project, the different selection methods for procurement, market approach, contracting arrangement, evaluation options, estimated costs, prior review requirements, and timeframe have also been agreed between PKSf and the Bank in the procurement plan.

### b) Bid/Proposal Evaluation Committee

The implementing agencies shall ensure that the bid/proposal evaluation committees are formed in a manner acceptable to the Bank in accordance with Public Procurement Rules 2008.

### c) Introducing STEP System

Systematic Tracking of Exchanges in Procurement (STEP) will be introduced to prepare and manage procurement plans and procurement transactions under the project. The procurement plan will be updated semi-annually (or as required) using the STEP system. The procurement transactions will be uploaded in the STEP system for prior-review and post-review contracts. For prior review contracts, required documents (e.g., draft bidding document, evaluation report, TOR and RFP, etc.) will be shared with the Bank through STEP for review and clearance.

### d) Procurement Specialist/ consultant

To partly mitigate procurement-associated risks, a full-time procurement specialist will be engaged for the first 24 (twenty-four) months of the project and will assist PKSf in conducting its procurement. The procurement specialist or substitute will be a mandatory member, of bid/ proposal evaluation committee.

### e) Identify Procurement Focal Persons (PFP) in the Agency

PKSf shall nominate a procurement focal person/s under the project who will help them in day-to-day procurement follow-up and preparation of periodical procurement reports. The appointed focal person/s will take necessary training if required.

**f) Simplified Procurement Guidelines for the POs**

PKSF has an existing simplified 'Procurement guideline for POs' prepared under the World Bank-financed project titled SEP. These simplified procurement guidelines for the POs (Annex-2) will be updated, if necessary, for this project. The POs will follow this simplified guideline for their procurements.

**g) Due-diligence Measures (others)**

Other measures include: (a) all bid evaluation reports (Goods) will include verification of recommended bidders' post-qualification information; (b) preserve records and all documents regarding procurement (including correspondences with the potential bidders as well as complaints/clarification requests etc.) to facilitate smooth post procurement reviews; and (c) publish contract award information at the PKSF or project website and the respective agencies website within two weeks of contract award (and in UNDB online for international contracts).

**h) The following shall apply for RFB (National, Open)**

- (i) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- (ii) Bids should be submitted and opened in public in one location immediately after the deadline for submission;
- (iii) Lottery in award of contracts shall not be allowed;
- (iv) Bidders' qualification/experience requirement shall be mandatory; and
- (v) Bids shall not be invited or rejected on the basis of percentage above or below the estimated cost and contract award shall be based on the lowest evaluated bid price of compliant bid from eligible and qualified bidder.

**Prior review Thresholds:**

The Bank carries out prior reviews of procurement activities that are of high value and/or high risk to determine whether the procurement is carried out in accordance with the requirements of the Legal Agreement. Prior review requires review of procurement processes at different stages by the World Bank. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's prior review. All other contracts shall be subject to Post Review by the Bank. The following prior review thresholds will be applicable for the procurement under the project.

**Procurement Prior Review Thresholds**

**Procurement Activity (US\$ in millions)**

Type of Procurement	High risk	Substantial risk	Moderate risk	Low risk
Works (including turnkey, supply & installation of plant and equipment, and PPP)	5	10	15	20
Goods, information technology and non-consulting services	1.5	2	4	6
Consulting Services: Firms	0.5	1	2	4
Consulting Services: Individual	0.2	0.3	0.4	0.5

*NB:* In case of contract package awarded in the form of lots, the combined estimated cost of all lots in a particular procurement package will determine whether it will be prior-or post-reviewed, in accordance with the thresholds given above. The above threshold values are subject to the World Bank's review time to time.

## POST REVIEW

The World Bank will carry out post review of sample of contracts selected from the contracts that are below the prior review thresholds. Procurement post-review will be done on annual basis depending on the number of post-review contracts. The Bank may use a third-party consultant to carry out post reviews. Any such third party shall carryout the reviews in accordance with the terms of reference (TOR) provided to it by the World Bank. Whether procurement is subject to prior or post review is determined on the basis of the project and contract-specific procurement risks. The World Bank assesses these risks during project preparation. The requirement for a prior or post review shall be specified in the Procurement Plan. The procurement post review will be conducted using the format of the World Bank and be recorded in the World Bank portal.

**Use of standard procurement documents:** For all procurements under the project, the Bank's standard procurement documents, or any other documents acceptable to the Bank shall be used. In case of unavailability of a standard procurement document, PKSf will use model tender documents (MTD) agreed with the Bank.

**Procurement Performance Review:** The Bank will monitor compliance with the requirements of its different procurement methods and performance standards on a continuous basis. Based on the review, the Bank may revise the prior review threshold, including the procurement and selection methods.

**Summary of Procurement Plan:** A tentative Procurement Plan of the SMART project, to be conducted by PKSf, is given in Annex-1.

## CHAPTER 5:

### ENVIRONMENT AND SOCIAL RISK MANAGEMENT

#### Environmental and Social Risks

The Project does not envisage any significant or irreversible environmental or social risks. Overall, the project is expected to have positive environmental benefits as the environmental management practices of Microenterprises (MEs) will be enhanced through project interventions. Considering the nature of the proposed MEs and the anticipated activities, it is expected that there may be minor construction-related impacts. These impacts could include noise and dust generation, as well as the production of waste. Additionally, there may be some associated community health and safety concerns, as well as potential risks related to labor and workplace conditions. There is also a risk of exclusion of Vulnerable and marginalized groups/women-owned MEs. The project may also support the construction and operations of small-scale effluent treatment plants, drainage facilities, and material recovery facilities. There may be legacy environmental and social issues due to inappropriate pollution control. The ES risk of the project is rated Moderate considering these risks. The risk assessment carried out using the Social Protection and Jobs (SPJ) and civil work SEA/SH risk assessment tool under Social Protection projects based on which the project is rated 'Moderate.' The potential environmental and social risks will be managed in line with the updated PKSf Environmental and Social Management System (ESMS) and Environmental and Social Commitment Plan (ESCP), including the development of an operational manual, E&S screening procedures, management plans, and monitoring systems. Activities with significant environmental or social impacts will not be supported through screening of sub-projects against an exclusion list which is part of PKSf ESCP. are :

#### PKSF: Environmental and Climate Change Unit (ECCU)

**Support from PKSf's Environmental and Climate Change Unit:** PKSf's Environment and Climate Change Unit (ECCU) contributes to all PKSf projects in project implementation. The unit supports sub-project formulation and screening, and contributes to preparing ESF documents, screening checklists, guidelines, capacity building, subproject monitoring, and assessment of sub-project performance as per updated ESMS. The SMART project's proposed activities will be approved by the Subproject Evaluation Committee (SPEC), which comprises the head of the Environment and Climate Change Unit of PKSf and his/her deputy along with the other experts (external and internal environmental, social, and sectoral specialists). Proposed activities by POs will be evaluated by the ECCU and to be approved by the SPEC. The PMU with the support of the ECCU will confirm that

- Applicants must include filled-up environment and social screening form [annex xx] and a simplified ESMP to describe how adverse environment and social impacts, if any, will be mitigated;
- The sub-project must comply with ESCP and PKSf-ESMS, and must not cause any social or environmental damage.
- All eligible proposals will be reviewed for WBG environmental and social safeguards compliance by the E&S Expert of the PMU. Final selection will include environmental and social review/recommendation.
- In case of action research proposal on mariculture, after getting preliminary selection of the concept proposal/EoI, and before submission of the final proposal, additional environmental and/or social assessments may be required based on the screening outcome and as per national regulations.

#### 14. Environmental and Social Risk Management Responsibilities:

PKSF ECCU, PMU and PO-ECCU are responsible to implement the ESCP. The roles and responsibilities of the PKSf-ECCU, PMU and PO ECCU are given below.

## Role and responsibilities of ECCU at PMU and PO levels

<b>ECCU at PKSf</b>	<b>PMU</b>	<b>ECCU at PO</b>
PKSF-ECCU will provide support from subproject formulation and screening and contribute to preparing ESF documents, climate-change adaption mitigation, and environment screening checklists, guidelines, capacity building, subproject monitoring, and assessment of subproject performance. The sub-project evaluation committee (SPEC) will be headed by the head of ECCU of PKSf and will be involved in reviewing submitted SPPs and recommending for approval with clarifications if required.	<p>Following the review of the ECCU, the submitted SPP will be reviewed by PMU ensuring the following criteria's;</p> <ul style="list-style-type: none"> <li>• Applicants must include filled-up environment and social screening form and a simplified ESMP to describe how adverse environment and social impacts, if any, will be mitigated;</li> <li>• The sub-project must comply with ESCP and PKSf-ESMS, and must not cause any social or environmental damage.</li> <li>• All eligible proposals will be reviewed for WBG environmental and social safeguards compliance by the E&amp;S Expert of the PMU.</li> <li>• PMU will regularly monitor the POs and ensure implementation of the ESCP</li> <li>• PMU will support POs to prepare PO-ESCP and implement of those</li> <li>• PMU will ensure recruitment of the E&amp;S specialist at PMU and PO levels according to the requirement of the ESCP</li> <li>• Form the project level GRC within 3 months of project effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Establish ECCU at PO level</li> <li>• Recruit one E&amp;S Officer.</li> <li>• The PO-ECCU will ensure the sub-sector projects are delivered in a manner that minimizes the risks and impacts related to ME's activities in an environmental and socially responsible manner to be monitored by the ES officer.</li> <li>• The PO-ECCU will also provide required training to project participants on Environmental and Social screening and ESSs, in a manner that minimizes environmental and social risks.</li> <li>• Form the local level GRC and ensure its effectiveness.</li> </ul>

### Responsibility of ME:

- As per the agreement between PO and ME, ME will implement recommended activities including environmental friendly RECP practices;
- ME will support POs in monitoring and tracking RECP practices;
- ME will also document all the data related to RECP;
- ME will participate in capacity building training under the SMART;
- ME will take initiative to comply required certification

In addition, under this project MEs will be aware about land of laws and linked with relevant agencies (Union Parishad, Ward, City Corporation, DoE, BSTI etc.) who provides legal document. The MEs will be encouraged to apply for Environmental Clearance Certificate (ECC) (if required) at their own responsibilities.

## 2. Environmental and Social Management System (ESMS)

The ESMS of PKSf has been prepared to ensure compliance with the national legislation and international environmental, social, health, and safety (ESHS) standards following PKSf's Environment



and Social Policy. The Environmental and Social Policy Statement of PKSf emphasizes PKSf's dedication to the principles of sustainable development, environmental protection, social responsibility, and economic responsibility. Currently, PKSf is trying to implement all of their programs and activities in a thoughtful and responsible way, with a view of preventing pollution and safeguarding the natural and social environment. PKSf is also committed to the continuous improvement of operational performance in order to reduce any adverse environmental and social impacts that result from its activities.

PKSf is committed to supporting its POs in the development and implementation of projects that are environmentally and socially sustainable, and to enhancing the capacity of POs' environmental and social frameworks to assess and manage the environmental and social risks and impacts of projects. This ESMS applies to all activities taking place at PKSf and its POs level. The ESMS covers set of Environmental and Social Standards (ESS) for the identification and assessment of environmental and social risks and impacts associated with projects supported by the PKSf through Project Financing. PKSf believes that the application of these standards, by focusing on the identification and management of environmental and social risks, will support PKSf in its goal to reduce poverty and increase prosperity in a sustainable manner for the benefit of the environment and social standard.

PKSf will monitor the environmental and social performance of the project. PKSf will ensure that adequate institutional arrangements, systems, resources, and personnel are in place to carry out the monitoring. Where appropriate and as set out in the ESCP, PKSf may engage stakeholders and third parties during mid-term evaluation, such as independent experts, local communities, or NGOs, to complement or evaluate the monitoring activities.

To implement the ESCP, ESMS of the PKSf will be followed.

The following Environmental and Social Standards as described in the ESCP will be met through the project life cycle:

- Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts;
- Environmental and Social Standard 2: Labor and Working Conditions;
- Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management;
- Environmental and Social Standard 4: Community Health and Safety;
- Environmental and Social Standard 7: Indigenous community/Traditional Local Communities;
- Environmental and Social Standard 8: Cultural Heritage;
- Environmental and Social Standard 9: Financial intermediaries; and
- Environmental and Social Standard 10: Stakeholder engagement and information disclosure.

**E&S Screening:** All project components or sub-projects to be implemented under the proposed project will be subject to an environmental/social screening in order to prevent execution of projects with significant negative environmental impacts. The purpose of "environmental/social screening" is to get a preliminary idea about the degree and extent potential environmental impacts of a particular sub-project, which would subsequently be used to assess the need for further environmental/social assessment. The sub-projects will be identified by POs; after selection of a sub-project, the environmental/social screening will be integral part of the sub-project planning and submission of the application form to the PKSf for approval.

E&S specialist of the PMU will guide the E&S focal of the PO for further requirement like preparation of the ESMP. Screen all proposed activities/subproject against the exclusion list set out in the ESM. Activities that involve the following characteristics will be ineligible for support under SMART:

- Poses any direct or indirect discriminatory criteria for selection of MEs
- Causes severe impacts and risks on private land, residential or commercial establishments
- Affect mosques, temples, graveyards, cremation grounds, and other



- places/objects that are of religious and cultural significance
- May significantly restrict access to common property resources and livelihood
- activities of groups and communities
- Leads to permanent flooding or water logging of water courses
- Leads to permanent pollution of surface water or groundwater resources
- Leads to increased human-wildlife conflicts
- Activities located within any forest area
- Entail construction/re-construction of dams/embankments
- Any activity adversely affecting bio-diversity, natural habitat and critical habitat

PKSF is responsible to establish and maintain a PMU at PKSf level, with qualified staff and resources to support management of ESHS risks and impacts of the Project, including one Environmental Specialist, one Social and Gender Specialist and two E&S Program Officer. POs are responsible to establish an Environment and Climate Change Unit (ECCU) at PO level during the sub-project period, with one E&S Officer who has experience in dealing with E&S related activities. The responsibilities of the experts at both levels is given below:

SL No	Implementing Officer/Office/POs	Functions
1	Project Coordinator	<ul style="list-style-type: none"> <li>➤ Monitor &amp; supervise all types of Environmental &amp; Social issues of POs.</li> <li>➤ Coordinate with the ECCU unit of PKSf and E&amp;S focals of POs.</li> <li>➤ Coordinate with World Bank about Environmental &amp; Social issues.</li> <li>➤ Provide half-yearly report on all types of Environmental and Social issues to WB</li> <li>➤ Review and submit each report to the World Bank no later than 60 days after the end of each reporting period.</li> <li>➤ Notify the World Bank no later than 48 hours after learning of the incident or accident.</li> </ul>
3	Environment Specialist & Environment Officers of PMU	<ul style="list-style-type: none"> <li>➤ Act as an Environmental focal point of PMU.</li> <li>➤ Prepare the Half yearly progress report together with the Social and Gender expert</li> <li>➤ Ensure the functionality of the GRM at the PO and project levels.</li> <li>➤ Ensure that all the sub-projects are screened by the POs following the POM guidelines.</li> <li>➤ Review the screening reports and guide the POs</li> <li>➤ Ensure that all the applicable E&amp;S requirements are implemented in the field.</li> <li>➤ Conduct consultations with the relevant stakeholders.</li> <li>➤ Help PC to Monitor &amp; Supervise all types of Environmental &amp; Social issues during Project.</li> <li>➤ Ensure formation of the project level GRM, and support and guide POs to form local GRM</li> <li>➤ Resolve complaint/grievance regarding environment and social issue and maintain a grievance register at project level.</li> <li>➤ Collect and prepare report on Environmental &amp; Social issues according to the requirement of the ESCP</li> <li>➤ Provide Training to the POs and E&amp;S focal points of the POs on environment etc</li> <li>➤ In case of accident or incident, report to the Bank within 48 hours</li> </ul>
4	Social and Gender Specialist of PMU	<ul style="list-style-type: none"> <li>➤ Necessary pre and post survey regarding environment and social issues and impact assessment /measure during project</li> </ul>

SL No	Implementing Officer/Office/POs	Functions
		<ul style="list-style-type: none"> <li>➤ Provide Training to the POs E&amp;S focal on social risk impact mitigation, labor management, stakeholder engagement, gender base violence, grievance redress service, occupational health and safety etc.</li> <li>➤ In case of accident or incident related to OHS, work place incidents or SEA/SH report to the Bank within 48 hours</li> <li>➤ Review, Guide and support POs in preparation of the ESMP and other E&amp;S documents if screening outcomes warrant.</li> <li>➤ Provide all kinds of technical support to E&amp;S specialist</li> </ul>
7.	E&S focal of the POs	<ul style="list-style-type: none"> <li>➤ Conduct screening and prepare ESMP</li> <li>➤ Monitor &amp; Supervise all types of Environmental &amp; Social issues at field level</li> <li>➤ Provide trainings to the POs related to E&amp;S, SEA/SH and OHS</li> <li>➤ Form the local level grievance committee and train the MEs about the grievance mechanism</li> <li>➤ Record all the grievances</li> </ul>

**Setting up Environment and Climate Change Unit at the PO level:** The sub-sectors under the SMART project to be implemented by PKSf's POs will be delivered in a manner that minimizes the impacts and risks related to the microenterprise's activities.

In order to carry out such activities, an Environmental and Climate Change Unit (ECCU) at the PO level will be set up which will have an Environment and Social Officer responsible for monitoring and reporting. The PO-ECCU will also provide required training to project participants on Environmental and Social screening and ESSs, in a manner that minimizes environmental and social risks.

#### 4. Capacity Building on Environment and Social Risk Management

The SMART project will contribute to developing the capacity of PKSf, POs, and MEs by raising awareness of POs and MEs on environmental, social, and gender-related risk assessment, impact identification, and their mitigation and management. PKSf will provide capacity building training to the POs on the ESMS and ESCP. In addition, the project will contribute to raising awareness of climate change and advise on climate actions. Pre and post-assessment of capacity building and awareness training of targeted microenterprises will be conducted. Further, baseline, mid-term, and final surveys will be conducted where the level of knowledge of microenterprises will be assessed. The following capacity building and awareness raising programs have been designed:

Specific Training to be provided	Targeted Groups	Time Frame
PKSf will design and implement training for targeted groups involved in the Project to improve their awareness of risks and mitigate the impacts. This ESMS proposes a preliminary training plan covering the following topics. This plan will be adapted to meet needs during Project implementation.		
<b>ESF:</b> Training on ESF and the 10 ESSs—including preparation of ESMS	Officials directly related with project at the PMU	Within 30 days of Project effectiveness
<b>ES, ESMP, IEE:</b> <ul style="list-style-type: none"> <li>• Sub-project screening, scoping and categorization</li> <li>• Sub-project Environmental and Social Management Plan (ESMP)</li> <li>• Adaptation of sustainable environmental practices and monitoring activity</li> </ul>	Officials of PMU, Trainers, Project Participants,	Within 30 days of Project effectiveness and if needed quarterly thereafter
<b>Occupational Health and Safety Module:</b> <ul style="list-style-type: none"> <li>• Workplace risk management</li> <li>• Prevention of accidents at work sites</li> </ul>	Officials of PMU, Trainers, and Project Participants	Within 30 days of Project effectiveness

Specific Training to be provided	Targeted Groups	Time Frame
<ul style="list-style-type: none"> <li>• Health and safety rules</li> <li>• Preparedness and response to emergency situations</li> <li>• Use of PPE (for all)</li> <li>• Waste Management</li> </ul>		and continue half yearly throughout the project
<b>Labor and Working Conditions</b> <ul style="list-style-type: none"> <li>• Terms and conditions of employment according to national working laws and regulations</li> <li>• Codes of Conduct</li> <li>• Worker's organizations</li> <li>• Child labor and minimum age employment rules</li> </ul>	PMU officials, POs, Workshops/ Project Participants	Within 30 days of Project effectiveness
<b>Grievance Redress Mechanism Module</b> , design and production of a training module addressing the following aspects: <ul style="list-style-type: none"> <li>• Registration and processing procedure</li> <li>• Grievance redress procedure</li> <li>• Documenting and processing grievances</li> <li>• Use of the procedure by different stakeholders</li> </ul>	ES, PMU Officials, POs	Within 30 days of Project effectiveness and thereafter once every six months
<b>GBV Risk Module</b> Raising awareness and measures to prevent and mitigate GBV/SEAH risks. The topics and activities will be developed and included in the Project's GRM.	PMU officials, Trainers, Project Participants	Within 30 days of Project effectiveness and thereafter once every six months
Capacity building on Procurement, Sub-project Components (Component 1 & Component 2), Financial Management, Documentation, Reporting, Monitoring and Certification with Branding	PMU officials, Trainers, Project Participants	Within 30 days of Project effectiveness and thereafter once every six months

## 6. Labor Management Plan (LMP)

PKSF will implement the project in a manner acceptable to the World Bank, including inter alia, implementing adequate occupational health and safety measures (including emergency preparedness and response measures), ensuring appropriate working conditions amidst a public health emergency (including measures against the outbreak of COVID-19); provision of training on handling emergency situations, especially health-related issues; and setting out grievance arrangements for project workers, and incorporating labor requirements in the procurement documents and contracts with contractors and supervising firms. The recipient will prohibit child labor (any person under the age of 18), forced labor, and trafficked persons. PKSF will adopt the LMP outlined in the ESMS prior to engaging workers and thereafter implement the LMP throughout project implementation.

PKSF will also establish and operate a grievance mechanism (also responsive to SEA/SH) for the project as described in the ESMS. Two tier GRC will be formulated: (i) local level GRC for all sub-projects, and (ii) project level GRC at PMU.

## 7. Stakeholder Engagement Plan (SEP)

PKSF will prepare, update, adopt, and implement a Stakeholder Engagement Plan (SEP) as set out in the ESMS and implemented throughout the project implementation period. Additionally, PKSF will prepare, adopt, maintain, and operate a grievance mechanism, as described in the SEP and update from time to time as needed and to be maintained throughout project implementation. The SEP shall include measures to, inter alia, provide stakeholders with timely, relevant, understandable, and accessible information, and consult with them in a

culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination, and intimidation.

## 8. Gender Balance

Gender balance is one of the critical parts of the project life cycle that can contribute to narrowing down gender gaps through empowering women. In the lens of the PLC of the SMART project, support will be extended to women entrepreneurs primarily to facilitate access to credit, and expand knowledge on climate-resilient RECP practices adoption for environmental improvements. Accordingly, the project will address gaps through a package of interventions aimed at providing technical support to women-owned MEs and ensuring access to credit under Component 1 and 2.

They are i) ME assessments conducted with specialized skills; ii) tailored training for female entrepreneurs based on assessment (including financial literacy, climate-resilient mitigation measures, green technologies and procedures, and measures to leverage the demand for environmentally-friendly products); iii) window under the line of credit for women-owned MEs; iv) additional steps to be taken to support women entrepreneurs to register with government, opening mobile banking accounts, and apply for loans; and v) awareness-raising campaigns targeted to MEs and communities to inform about the project's services as well as tap into the existing opportunities for women-owned MEs.

The main area of focus will be access to credit because it is a key challenge for women who are faced with wide credit gap. PO staff will also be informed on relevant policies on importance of extending credit to women-led MEs.

Planning	Design & Preperation	Implementation	Monitoring
During the planning stage PKSf will explore how project activities will affect different groups including women, children and vulnerable groups through desk research of available policies/reports/scholarly articles /studies/analyzing available data and/or through primary research.	<ul style="list-style-type: none"> <li>Throughout the project participants, PKSf will continue consultations with the project participants and vulnerable groups and may engage with the experts to identify the gender gaps relevant to the project. Moreover, consultations with local women and women's groups is suggested to be undertaken to tailor interventions and project actions to target that specific gender gaps.</li> </ul>	<ul style="list-style-type: none"> <li>Similar to the planning and preparation stages, a gender lens will also be applied during the implementation of the projects in collaboration with the POs. For example, the selection criteria for the Partner Organizations (POs) of PKSf will take into consideration the gender-related policies followed by the organizations. Moreover, in principle, women-led firms should be prioritized.</li> </ul>	<ul style="list-style-type: none"> <li>To track progress of gender outcome as per the project/ program objectives, relevant indicators on corresponding gender actions will be formulated while, gender-disaggregated data will be collected in support of validating formulated indicators.</li> </ul>

## 9. Addressing GBV/SEA/SH Issues

**Gender-Based Violence (GBV)** is an umbrella term for any harmful act that is perpetrated against a person's will and that is based on socially ascribed gender differences. GBV includes acts that inflict physical, mental, sexual harm or suffering; threats of such acts; and coercion and other deprivations of liberty. GBV disproportionately affects women and girls across their work and family lifespan and take the form of sexual, physical, or psychological abuse.

**Sexual Exploitation and Abuse (SEA)/ Sexual Harassment (SH)** are manifestations of GBV. Project Participants or members of project-affected communities (women, children, girls, men, and boys) may experience SEA/SH. The SEA usually occurs against a beneficiary or member of the community whereas SH occurs between personnel/staff and involves any unwelcome sexual advance or unwanted verbal or physical conduct of a sexual nature. Potential forms of SEA/SH that may occur include rape, human trafficking, prostitution, child marriage, eve-teasing, sexual comments, asking for sexual requests/favors, unwanted physical contact, being suggestive, and stalking. Leveraging the survivor-centered approach, measures will be undertaken to address issues on GBV/SEA/SH following existing legal rules and relevant PKSf policies.

## 10. Environmental and Social Monitoring and Reporting

PKSF will prepare and submit regular monitoring reports on environmental, social, health, and safety (ESHS) performance to the World Bank, including but not limited to the implementation of the climate resilient RECP status of preparation and implementation of E&S documents required under the ESCP, stakeholder engagement activities, functioning of the grievance mechanism(s). To track the project's overall progress, a web-based monitoring system will be developed based on the results framework. Environmental Specialists, Social Program Officers, and Program Officers will be deployed to monitor and verify project outputs and carryout independent environmental, social, health, and safety compliance monitoring to propose corrective measures. A format will be developed and monitoring reports will be submitted as per World Bank and PKSf agreed template every six months. POs to provide quarterly monitoring reports to PKSf on ESHS performance in accordance with the metrics specified in the respective bidding documents, sub-project proposals and contracts, and submit such reports to the World Bank every six months.

For incidence and accident reporting, PKSf will notify the World Bank of any incident or accident related to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including, inter alia, cases of sexual exploitation and abuse (SEA), sexual harassment (SH), and accidents that result in death, serious or multiple injury, serious mismanagement of in handling waste, security breach etc.

compile a report on the incident or accident and propose any measures to address it and prevent its recurrence based on the reports from by POs and MEs.

## CHAPTER 6 MONITORING AND EVALUATION

Monitoring and evaluation will be conducted at both PKSf and PO levels during the Project implementation. POs will conduct monitoring from both their head offices and branch offices to ensure the quality implementation of interventions and track the regular progress while PKSf will monitor the project performance of PO-level activities through its project management unit (PMU) and the mainstream staff of PKSf. PKSf will continue its offsite and existing onsite monitoring practices. The Project's policies and guidelines (including safeguard documents, procurement, finance and accounts) will be part of the monitoring tools. These guidelines will help PKSf evaluate the anticipated changes at the microenterprise level.

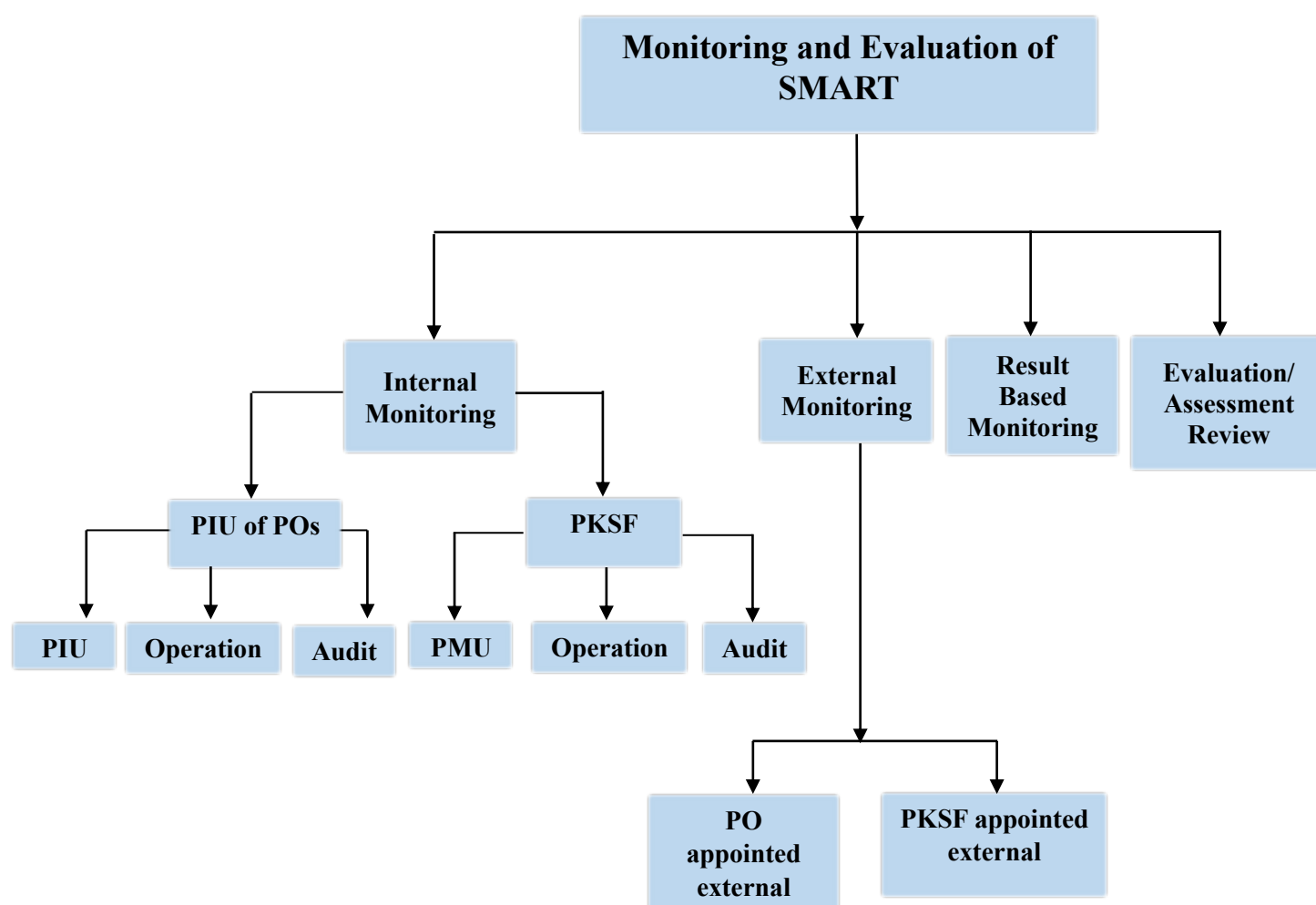


Figure 6: Monitoring and Evaluation at PKSf and PO level

### 1. Internal Monitoring

#### a) PO Level Monitoring

The Sub-project Implementation Unit (PIU) will be established by the POs that will be responsible for implementing the sub-project activities and regularly monitor the implementation of the project activities in the field. PO will administer the field-level monitoring activities. Evaluation of the project will be conducted in two phases. That is external

evaluator as well as the PMU will evaluate the periodic results of the project. Besides, the PIU of the PO, the Head Office will also monitor the field-level activities of the sub-projects.

Each Partner Organization of PKSf has a separate Internal Audit department which is also responsible for conducting field visits of its branches and Head office. All the books of accounts, finance, procurement, activities of the micro-credit program, and different projects implemented by the POs are scrutinized by the Internal Audit Department's officials. Therefore, the sub-project activities under the SMART project will also be visited by the audit department of PO once a year. The management of the PO will make decisions based on the observations of the report.

#### b) PMU-level Monitoring

The PMU at PKSf will be responsible for overall monitoring of the project implementation against agreed performance indicators like Project Development Objectives (PDO) and intermediate results indicators (IRI), listed in the results framework (Annex-8). M&E Specialist will administer the whole monitoring and evaluation process of the project. The officers concerned at the PMU will conduct field visits to monitor all the activities of the sub-project.

#### c) Monitoring by the program department of PKSf

The Program Department of PKSf will also monitor the activities of the POs and provide capacity building wherever necessary. The program officers from the core program department will visit fields on a regular interval. According to the existing monitoring practice of PKSf, these operations staff often conduct on-spot training and monitoring during those field visits.

#### d) Monitoring by the audit department of PKSf

PKSf has a separate audit department which is also responsible for conducting field visits of the Partner Organizations. A PO is visited by the Audit Department once a year. All the books of accounts, finance, procurement, activities of the micro-credit program and different projects implemented by the PO are scrutinized by the officials. The audit department directly submits the audit report to the Managing Director of PKSf. Major observations revealed from the audit are presented to the meeting of the Governing body of PKSf on a regular interval (3 times in a fiscal year). The management takes decisions based on the observations of the report. Besides, High officials from PKSf and POs carry out visits regularly. Sometimes, central teams are formed and sent for monitoring or audit if and when required.

## 2. External Monitoring

#### a) Monitoring by a third party appointed by the PO

PO engages an External Audit firm to conduct inspections once a year. The External audit firms are responsible for providing reasonable assurance that the financial statements published by the POs are free from material misstatements and prepared according to an accounting framework. The external audit firm ensures compliance with established internal control procedures by examining records, reports, operating practices, relevant documents of the POs. They also prepare audit reports and share them with PKSf management.



### b) Monitoring by a third party appointed by PKSF

External audit firms appointed by PKSF are responsible for providing reasonable assurance that the financial statements published by the POs are free from material misstatements and prepared according to an accounting framework each year. The external audit firm ensures compliance with established internal control procedures by examining records, reports, operating practices, and documents. They also prepare audit reports and submit them to PKSF management.

### 3. Results-Based Monitoring by PMU

PKSF has its own intense monitoring system for sub-projects that has proven to be a useful tool for keeping project implementation on track. The PMU will have an M&E section that will develop a more detailed, results-based monitoring framework based on the project's Results Framework and the needs of economic and financial analyses, including capturing climate and environmental outcomes and impact. These two systems will complement each other by integrating field implementation status and result outcomes. A GIS-based approach will be used to show results along the lines of the mapping of results approach. The results-based monitoring will also include a project management information system called Activity to Output Monitoring (ATOM), which allows continuous monitoring of budget utilization at all levels of the project. This would provide an integrated platform for project monitoring using information and communication technologies to simplify bookkeeping and data entry modules. The implementing POs will share monitoring data and pictures. Based on these monitoring data, PKSF will prepare half yearly report.

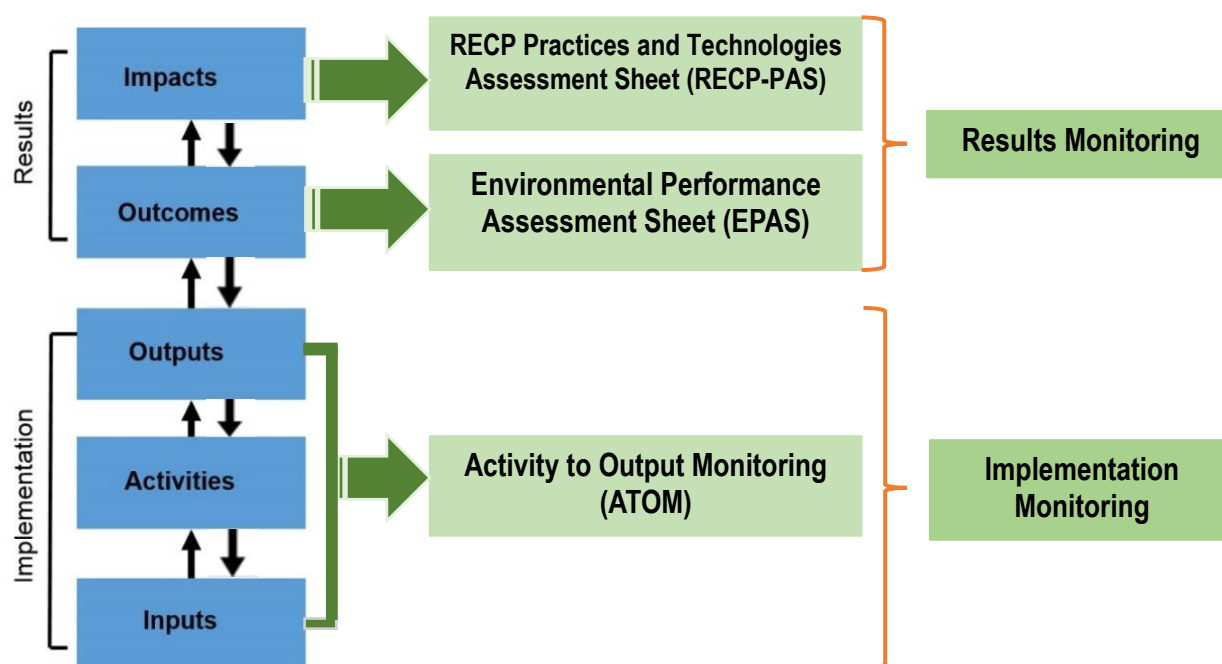


Figure 7: Results-Based Monitoring Schematic Diagram of SMART Project



## 4. Assessment and Reviews

### a) Situational Study

A situational assessment will be conducted by a third party/independent consultancy firm hired by the PKSf with an aim to provide information about the current situation of microenterprises or initial conditions before the project starts.

### b) Baseline Study

A third party/independent firm will be hired by the PKSf to carry out a baseline study to assess the existing context on the certain results framework indicators and set the benchmark of the baseline value.

### c) Midterm Review

The PKSf will carry out a mid-term review (MTR) of project performance about two and half years of project implementation. In preparation for the MTR, the PKSf will hire an independent firm to carry out project progress review and performance followed by immediate and/or longer-term corrective measures, if required.

### d) Final Impact Assessment

The correlation between the project activities and informal sector outcomes will be evaluated through an independent impact evaluation using external funding. A consulting firm will be hired to undertake an impact evaluation over the medium-term of the project. The results are expected to contribute to the development and advancement of multi-sectoral policies linked to microenterprise development.

## 5. Results Chain

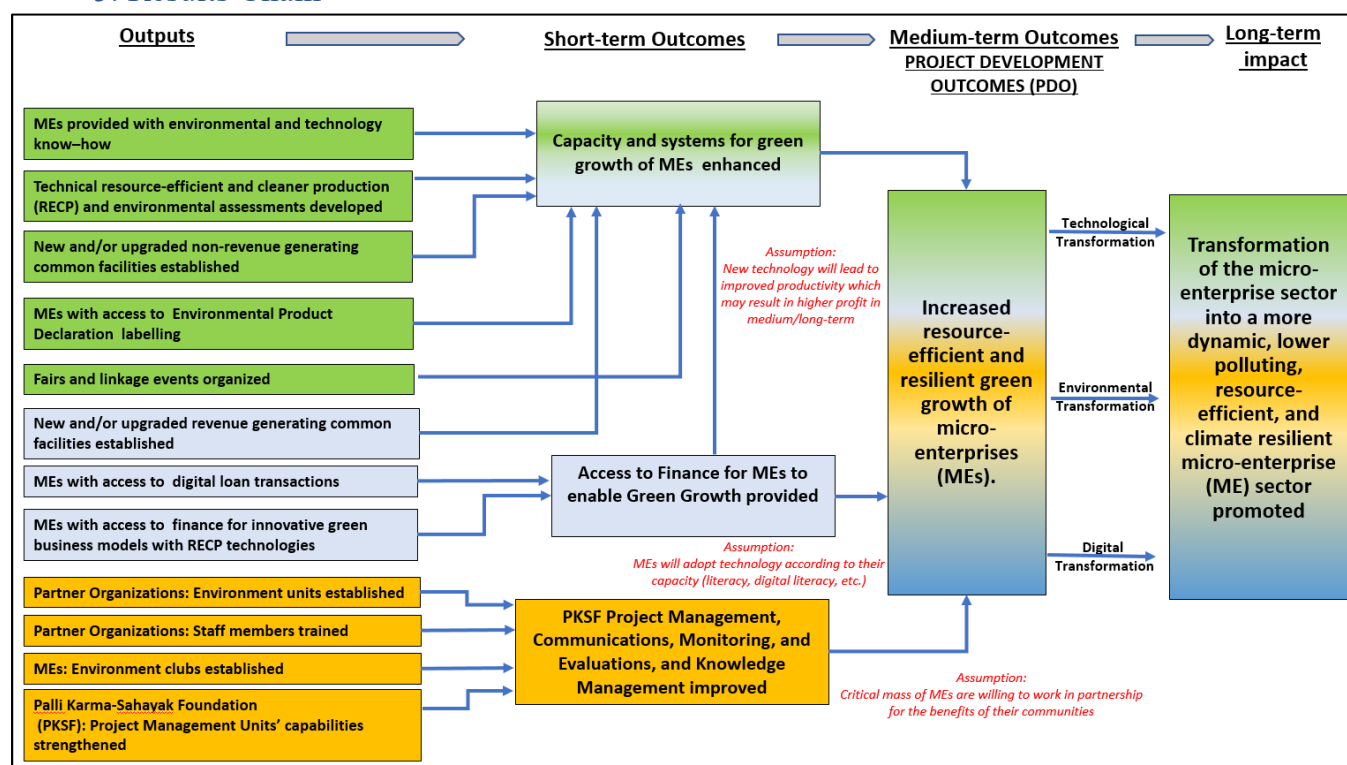


Figure 8: Result Chain of SMART

## 5. Reporting

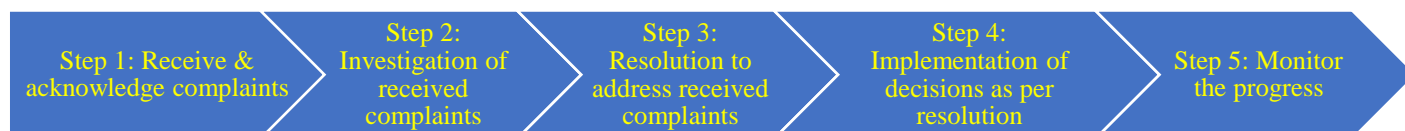
PO will submit a report to PKSf on a regular basis. PKSf will prepare a progress report based on the field data on the project activities and share it with the World Bank bi-annually.

## 6. Data Protection and Confidentiality

A large volume of personal information e.g. age, ethnicity, income, and eligibility information; for migrants and their families will be processed, managed, and exchanged through the MIS. To help protect individuals' privacy, policies specifying who has access to what pieces of information will be embedded into the system during the development stages. Moreover, the data protection system will be in line with the existing acts and rules related to data security. Moreover, personal data is “identity information” and requires an individual's explicit consent or authorization for collecting, selling, storing/preserving, supplying, or using his/her identity information.

## CHAPTER 7: GRIEVANCE REDRESS MECHANISM (GRM)

To properly address GBV/SEA/SH-related issues and risks, the GRM needs to be in place and all project actors must be made aware of the GRM and complaint filing procedure. PKSf has its own policy on complaint-redress systems according to which PKSf maintains its Grievance Redress System (GRS). Steps followed in resolving complaints:



PKSF has established GRM to ensure its accountability to the people who might be affected by projects or programs financed by PKSf. PKSf acknowledges and accepts complaints from the affected community/ aggrieved parties and solves those complaints through the GRM. The GRM ensures the participation of the relevant stakeholders including the aggrieved person. The Citizen's Charter of PKSf (<https://pksf.org.bd/citizen-charter-test/>) outlines its Grievance Redress System (GRS). process which is presented below:

Sl.	When to communicate	Complaint submission to	Contact Point	Time limit to solve the complain
1	If the concern officer fails to solve the received complain	GRM Focal Person	Deputy Managing Director, PKSf	30 working days
2	When GRM focal fails to solve complaints	Personnel to appeal	Managing Director, PKSf	30 working days
3	When APPEAL PERSONNEL fail to solve complaints	Executive Committee	Chairman, Executive Committee, PKSf	90 working days

For the SMART Project, we have established a link between GRC and PMU where the Deputy Project Coordinator is a focal point for readdressing grievances that come from the field level. In this case, the Deputy Project Coordinator will report to DMD for this purpose if necessary.

### 1. Addressing GRM in the field by PO

Grievance Redress Mechanism (GRM) will be established at PO level to deal with any complaints/grievances received from the aggrieved-on issues related to about environmental, social, SEA/SH.

The operational procedure of the GRM in the field will be as follows:

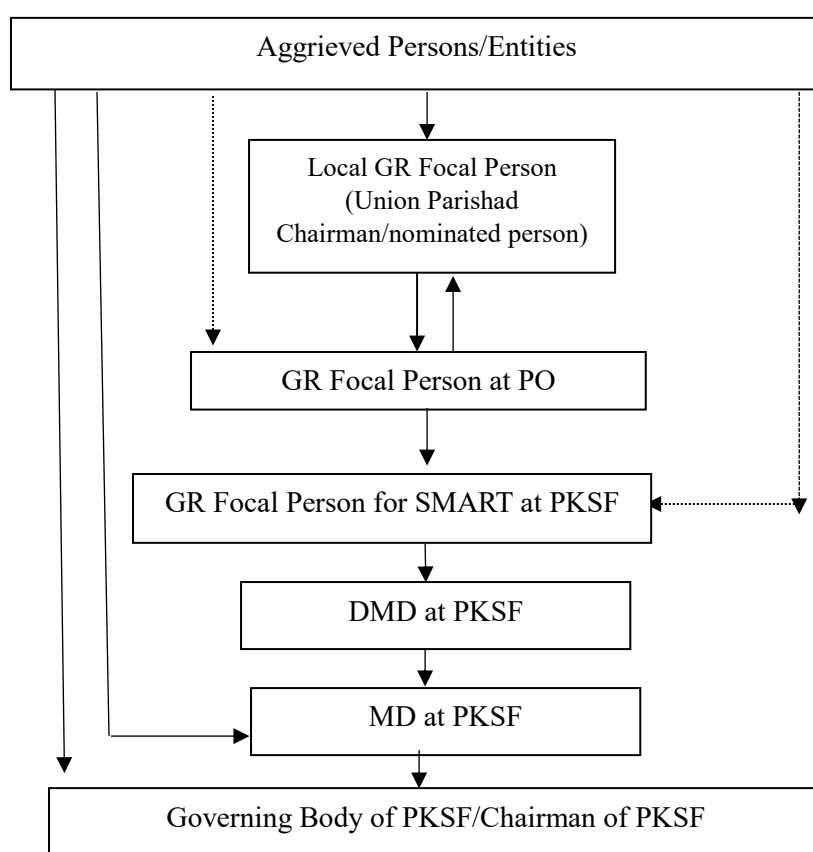
- ✓ Complaints should be accepted in formal written. Walk-ins to the nearest premises during office hours should also be allowed and encouraged. In that case, a complaint form should be provided to the complainant. Both Bangla and English is should be allowed to lodge the complaint.
- ✓ Complainant must receive an acknowledgement from the authority for the lodged complain.
- ✓ To lodge complain, one dedicated mobile number and email address should be assigned and the community should be well aware and informed about it.
- ✓ PO/Sub-project wise there should be a nominated Focal person for GRM. He / She must ensure that all the incoming complaints are duly registered.
- ✓ Complaints received should be put down not only in a physical complaint register; it should be digitally registered as well.

- ✓ There may be 3 complaint registers: one for the complaint receiving register; one register for resolution and one for closing register.
- ✓ All GBV/SEA/SH-related complaints should be dealt with survivor-centered approach. Strict confidentiality must be maintained based on the wishes of the complainant.
- ✓ The aggrieved person, if female, will be assisted by a female member in the hearing, and if from a tribal community, by a tribal representative.
- ✓ All the complaints received must be resolved within 15 work days in the field.
- ✓ Each month, PO will submit a monthly report on the number of grievances received, solved, and unresolved cases to PKSf.
- ✓ If any decision made by GR focal point is unacceptable to the aggrieved persons, he/she may forward the complaints with all proceedings to the PKSf. PKSf will review and resolve the cases. Finally, the aggrieved person can lodge the complaint to the PKSf chairman. A decision agreed by the complainants at any level of hearing will be binding on the concerned POs and PKSf.

Noteworthy that unresolved cases or any complaints which is taking more than 15 work-days to solve in the field must be communicated to the PKSf. PKSf will document all the complaints and inform relevant stakeholder as per the guidance prescribed in its GRS policy.

It should also be noted that the whole GRM will not pre-empt any aggrieved person's right to seek redress in the courts of law.

The modus operandi of the GRM is figured as follows:



**Figure 9: GRM of SMART project**

## **List of Annexes**

Annex-1: Procurement Plan

Annex-2: Procurement Guideline of POs

Annex-3: List of Sub-sectors

Annex-4: Sub-loan and Grant Agreements from PKSf to PO Level Templates

Annex-5: Terms of References of PMU Staffs

Annex-6: List of Excluded Activities

Annex-7: Sub-project Proposal (SPP) Format

Annex-8: Project Result Framework