



# Appraisal Environmental and Social Review Summary

## Appraisal Stage

### (ESRS Appraisal Stage)

Date Prepared/Updated: 04/21/2024 | Report No: ESRSA03444

**I. BASIC INFORMATION****A. Basic Operation Data**

|                                                                                                          |                                                            |                                       |                      |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------|----------------------|
| Operation ID                                                                                             | Product                                                    | Operation Acronym                     | Approval Fiscal Year |
| P181384                                                                                                  | Investment Project Financing (IPF)                         | Bangladesh climate and carbon finance | 2025                 |
| Operation Name                                                                                           | Bangladesh Climate and Carbon Finance for Renewable Energy |                                       |                      |
| Country/Region Code                                                                                      | Beneficiary country/countries (borrower, recipient)        | Region                                | Practice Area (Lead) |
| Bangladesh                                                                                               | Bangladesh                                                 | SOUTH ASIA                            | Energy & Extractives |
| Borrower(s)                                                                                              | Implementing Agency(ies)                                   | Estimated Appraisal Date              | Estimated Board Date |
| People's Republic of Bangladesh                                                                          | Infrastructure Development Company Limited (IDCOL)         | 15-Jul-2024                           | 18-Dec-2024          |
| Total Project Cost                                                                                       |                                                            |                                       |                      |
| 16,762,885.00                                                                                            |                                                            |                                       |                      |
| Proposed Development Objective                                                                           |                                                            |                                       |                      |
| Mobilizing climate and carbon finance support for distributed renewable energy development in Bangladesh |                                                            |                                       |                      |

**B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project Activities**

The proposed project intends to make results-based climate/carbon finance payments of up to US\$16.76 million to IDCOL in exchange for verified emissions reductions (ERs) generated between January 2021 and December 2024 by 2.4 million installations of the existing solar home systems (SHS) implemented by IDCOL under the World Bank RERED II program. The RBC/CF transaction also fulfills a broader, more impactful objective of setting up a pilot transaction to test-run the governance framework set-up for Bangladesh's preparation under Article 6 readiness. The pilot transaction will provide real-world experience to draw insights and learnings on the processes and ecosystem needed to support future international results-based climate finance transactions under Article 6 instruments of the Paris Agreement.



## **D. Environmental and Social Overview**

### **D.1 Overview of Environmental and Social Project Settings**

The project does not directly finance any physical activity on the ground but consists solely of technical assistance (TA) activities in Bangladesh with a clear emphasis on the capacity enhancement of the Government of Bangladesh on Article 6 readiness. The project, covering the entire country with a primary focus on modified rural habitat. Given its nationwide scope, it is highly likely to include coverage of communities of ethnic minorities; however, the project will not affect them negatively. These TA activities will not have any implications in the high-biodiversity settings. These TA activities encompass various aspects, including making Results-based climate/carbon finance (REB/CF) payments to IDCOL for verified Article 6 emissions reductions, supporting IDCOL's efforts to expand renewable energy and clean access programs, piloting a governance framework for Article 6 readiness, and preparing an Article 6 Readiness roadmap.

The downstream activities from the received proceeds will provide funding support, in the form of results-based climate/carbon payments, will be provided to support the maintenance of existing SHS installations, and the continued expansion of distributed RE programs under IDCOL. This will ensure that beneficiaries continue to reap full benefits from off-grid RE applications that supply reliable and affordable off-grid renewable energy and prevent the SHS from ending up in disrepair prior to its retirement date. Another major portion of the funds from the RBC/CF transaction to be used as financial support for IDCOL to scale up other Renewable Energy (RE) and clean energy access programs. One program that can benefit from financial support is the Solar Irrigation Pump (SIP) program. The SIP program is a proof-of-concept for a new technology deployment. The business model of SIP involves a “fee for service” approach where the system owner (non-governmental organizations (NGOs), microfinance institutions, and private entities) takes care of the installation and operation of SIP, and farmers avail the water supply service from the system, owner by paying an agreed price or fee. The primary benefit of SIPs is lowering the water supply services' cost to the farmers. As the fund is expected to boost IDCOL's Renewable Energy (RE) and clean energy access program. The project continues to make positive contributions from both environmental and social perspectives.

The RBC/CF transaction also fulfills a broader, more impactful objective of setting up a pilot transaction to test-run the A6 institutional framework set-up for Bangladesh's preparation under Article 6 (A6) of the Paris Agreement readiness.

Considering the novelty of the RBC/CF concept in Bangladesh, a continuous dialogue and knowledge sharing are needed to build up the capacity of not only IDCOL but also the Department of Environment (DoE). In addition, IDCOL and DOE will also benefit from in-depth technical discussions with experts during the process of mapping out the Article 6 under the Paris Agreement roadmap for Bangladesh.

### **D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts**

IDCOL is a non-banking financial institute under ministry of finance under the Economic Relations Division with a mandate to catalyze and optimize private sector participation in the promotion, development, and financing of infrastructure, renewable energy, and energy efficient projects in a sustainable manner through public-private-partnership initiatives and will be the implementing agency. Although IDCOL is generally acts as an Financial Intermediary (FI), but in this project their implementation role will be limited to submit emission reduction report and receive results-based climate/carbon finance (REB/CF) payments. Even if they use the payment for funding



POs/borrower that is out of the scope of the project. IDCOL have just completed the Rural Electrification and Renewable Energy Development II Project (P131263) and currently implementing the Bangladesh Scaling-up Renewable Energy Project (P161869). IDCOL's safeguard performance has been found satisfactory and have good grasp of the Bank's ESF and the national environmental and social laws, regulations, policy and procedures. They have experienced workforce capable of implementing these standards in the field.

IDCOL engages Partner Organizations (POs) all over the country to implement the project activities, many of which operate in multiple locations, thereby enhancing IDCOL's significant outreach and implementation capacity at the community level. To uphold environmental and social standards, IDCOL has established its own dedicated Environmental and Social Unit, equipped with adequate social and environmental staff. The staff members of the IDCOL's E&S unit also received ESF trainings provided by the Bank.

As the project has received 'Low Risk' designation for E&S risk rating, the implementing agency should largely follow the 'Country System'. IDCOL already has an Environmental and Social Management System (ESMS) in place to manage the environmental and social risks and impacts of the Solar Home System. Moreover, IDCOL also developed an Environmental and Social Safeguards Framework (ESSF) in 2022 covering national and donors requirements including the world bank. The ESMS and ESSF will also be reviewed to encompass all potential downstream activities. The participating POs will be required to adopt this ESMS and ESSF to manage relevant E&S mitigation measures.

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

### A. Environmental and Social Risk Classification (ESRC)

Low

#### A.1 Environmental Risk Rating

Low

The Environmental Risk Rating is Low. The project comprises solely TA activities, which do not include any physical works or support studies to prepare future projects that could have a higher risk rating. Hence, the potential direct adverse environmental impacts are minimal, and there are no significant adverse risks or issues that are complex, diverse, sensitive, or irreversible. Instead, the project intends to support achievement of long-term positive impacts to the environment, particularly by reducing greenhouse gas (GHG) emissions and energy consumption, aligning with sustainable development goals. The utilization of results-based climate and carbon finance (RBC/CF) is unconditional and beyond the scope of this project. However, to further maximize the co-benefits of a successful SHS program in strengthening IDCOL's business network to promote RE and clean energy access agenda more ambitiously, the Project foresees a portion of the funds from the RBC/CF transaction to be used as financial support for IDCOL to scale up other RE and clean energy access programs. One program that can benefit from this financial support is the Solar Irrigation Pump (SIP) program, which replaces the existing diesel pumps. Nevertheless, any activities with potential moderate or higher risk and those associated with increased GHG emission will be screened out through the negative list. All these activities by IDCOL are expected to yield positive outcomes by reducing GHG emissions, carrying global and national implications for addressing climate change and air pollution. IDCOL possesses significant experience in managing E&S risk and impact and currently handling two Bank-financed projects with satisfactory management compliance. They also have their own Environmental and social Safeguard Unit with adequate social and environmental staff, who received ESF trainings from the Bank.



Low

## **A.2 Social Risk Rating**

The social risk rating is Low, considering the non-physical nature of project activities, IDCOL's proven capacity in managing E&S risks from past and ongoing WB-financed projects, capacity in the management of grievances and regular reporting capacity. IDCOL has a dedicated team, including an experienced permanent social and gender specialist. Consequently, the project is likely to have minimal or no negative immediate social impacts at this stage.

## **B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered**

### **B.1 Relevance of Environmental and Social Standards**

#### **ESS1 - Assessment and Management of Environmental and Social Risks and Impacts**

Relevant

The project is unlikely to have any significant environmental and social risk and impact and intends to achieve long-term positive impacts on the environment, particularly targeting the reduction of GHG emissions and promoting clean energy consumption. Even the potential downstream investments in the SIP program are not likely to cause any significant risks and impacts; on the contrary, these are expected to contribute to the reduction of GHG emissions and air pollutions. In SIP, the use of batteries is not recommended, minimizing waste generation. However, any unexpected and accidental events as well as other potential risks and impacts will be assessed and mitigated through the adoption of IDCOL's updated ESMS. All necessary E&S processes and procedures, consistent with the Environmental and Social Standard (ESS)1, including SEA/SH risks and mitigation will be further screened and incorporated upon more clarity during preparation and appraisal, to ensure full compliance with the ESF

#### **ESS10 - Stakeholder Engagement and Information Disclosure**

Relevant

The project preparation will involve consultations with various stakeholders from government, POs and end users. Several stakeholders' consultation workshops, dialogues, and roundtables will be conducted during the project appraisal and will be continued throughout implementation to ensure that all parties fully understand the planned activities, SEA/SH responsive Grievance Mechanism (GM) and to guarantee they benefit appropriately from the capacity building and/or technical assistance provided by the project. The FI ESMS will be reviewed during the appraisal stage. The FI's ESMS needs to adopt the Stakeholder Engagement/information disclosure/project level GRM related mitigation measures. Responsibility of the grievance committee at PO levels needs to be detailed as well. The responsible PO will establish procedures for external communications on environmental and social matters, proportionate to the risks and impacts of project activities, consistent with the requirements of ESS10.

#### **ESS2 - Labor and Working Conditions**

Relevant

The project will involve both direct workers (IDCOL staff) and those contracted by the Project Management Unit. Community workers are not involved in the project. IDCOL staff working on the project will adhere to the national codes and practices by which the Government of Bangladesh labor laws have been ratified against the principles of the International Labor Organization. The labor risks for contracted workers are considered low given that the consultants engaged will be hired following the implementing agencies' procurement policies and procedures that will be assessed by the Bank to meet requirements of ESS2 as part of its due diligence. There are no vulnerable workers, such as migrant workers or low-wage workers who may face discrimination on the basis of gender or



disability. Since all requirements of ESS 2 are applicable to the FI, ESMS of the FI will adopt mitigation measures materially consistent with ESS2. A survivor centric and functioning Grievance Redress Mechanism (GRM)

**ESS3 - Resource Efficiency and Pollution Prevention and Management** Not Currently Relevant

ESS3 is currently not relevant. The project intends to achieve long term positive impacts to the environment particularly on reducing GHG emissions and promoting efficient use of energy and resources.

**ESS4 - Community Health and Safety** Not Currently Relevant

ESS4 is not relevant. The project activities do not involve preparation of engineering design studies intended for use in future physical investments.

**ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement** Not Currently Relevant

ESS5 is not relevant. As the project does not involve any physical activities, the project will not finance activities that would require land acquisition or access rights such as for easement (short -term or long-term), or lead to physical or economic displacement.

**ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources** Not Currently Relevant

ESS6 is not relevant. There are no civil works planned under the project. Hence, the project activities are not anticipated to cause direct risks and/or impacts on natural or critical habitats, forests or other areas of biodiversity importance.

**ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities** Not Currently Relevant

ESS7 is not relevant.

**ESS8 - Cultural Heritage** Not Currently Relevant

ESS8 is not relevant.

**ESS9 - Financial Intermediaries** Relevant

Under this project, IDCOL, acting as a Financial Intermediary, will be responsible for providing capital to its POs who are already working with IDCOL. According to the new modality, as “low” risk projects will be implemented following the country system, thus this project intends to support IDCOL in updating its existing ESMS to manage project’s environmental and social risks and impacts. The IDCOL’s revised ESMS will serve as policy guidance for managing risks and impacts and for sub-project level E&S management and monitoring. The participating POs are also required to use the ESMS for managing risks and impacts on their end. IDCOL will be responsible for overseeing these participating POs and ensuring that they identify, assess, manage and monitor any E&S risks emanating from their activities. Requisite training will be provided by IDCOL to orient them towards the preparation and use of the ESMS. All FI subprojects will be screened against the exclusions list.



## B.2 Legal Operational Policies that Apply

**OP 7.50 Operations on International Waterways**

No

**OP 7.60 Operations in Disputed Areas**

No

## B.3 Other Salient Features

### Use of Borrower Framework

In Whole

As the project has received an initial designation of 'Low Risk' for both environmental and social risk rating, the implementing agency should largely follow the 'Country System'. IDCOL already has an Environmental and Social Management System (ESMS) in place to manage the environmental and social risks and impacts of the Solar Home System. Moreover, IDCOL also developed an Environmental and Social Safeguards Framework (ESSF) in 2022 covering national and donors requirements including the world bank. The ESMS and ESSF will be reviewed to encompass all potential downstream activities. The participating POs will be required to adopt this ESMS and ESSF to manage relevant E&S mitigation measures. However, before the effectiveness these two documents will be reviewed and updated taking into account the recent changes in both country system, mainly the Environment Conservation Rule 2023 and the Bank's ESF, which is elaborated in the ESCP.

### Use of Common Approach

No

N/A

## C. Overview of Required Environmental and Social Risk Management Activities

### C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?

IDCOL already has an ESMS in place for managing environmental and social risks and impacts of the SHS. However, before appraisal, this ESMS will be reviewed and updated based on the recent changes in both country system and the Bank's ESF and the Environment Conservation Rule 2023. The results of the update of ESMS will be elaborated in the A-ESRS & ESCP..

## III. CONTACT POINT

### World Bank

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#### V. APPROVAL

|                               |                                  |
|-------------------------------|----------------------------------|
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