



# SMART INSIGHTS

A Biannual Newsletter of Sustainable Microenterprise  
and Resilient Transformation (SMART) Project

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# SMART INSIGHTS

## EDITORIAL

Welcome to the January-June 2024 edition of *SMART Insights*, our first issue of the bi-annual newsletter of the 'Sustainable Microenterprise and Resilient Transformation (SMART)' project. This issue highlights the journey in organizing and enabling microenterprises towards sustainable growth.

In this period, we have made significant progress in setting the premise for implementing key project components in the field. The finalization of the Project Operation Manual (POM) and the Environmental and Social Management System (ESMS) has provided robust frameworks to steer forward the project activities. The Project Management Unit (PMU) has been evaluating the Sub-project Concept Notes (SPCNs), leading to finalizing the detailed Sub-project Proposals (SPPs). Workshops on Resource-Efficient and Cleaner Production (RECP) have been pivotal in equipping interested Partner Organizations (POs) with essential knowledge.

We are grateful for the unwavering support from the Government of Bangladesh, the World Bank, and our dedicated stakeholders. Together, we are making strides towards a greener, more resilient microenterprise sector in Bangladesh.

Thank you for your continued support. We hope you find this edition of *SMART Insights* both informative and inspiring.

# ABOUT PROJECT

## INTRODUCTION

Bangladesh's economic and social progress has been fueled by the remarkable growth of its microenterprise (ME) sector. With millions of MEs employing a significant portion of the population and contributing heavily to the Gross Domestic Product (GDP), they are the backbone of the nation's development. However, challenges remain in ensuring their long-term sustainability. The MEs lack awareness of resource inefficiencies, cleaner production methods, and access to financial resources required for implementing climate-resilient and environmentally friendly practices, often leading to unsafe working conditions and production of contaminated goods. Traditional methods often lead to resource inefficiencies and environmental pollution, jeopardizing worker health and product safety.

PKSF has been working for the MEs, expediting poverty reduction by expanding opportunities for self and wage employment in Bangladesh. Recognizing this, PKSF, an apex development organization in Bangladesh, has launched the 'Sustainable Microenterprise and Resilient Transformation (SMART)' project. It aims to equip MEs with the tools and knowledge they need to achieve green growth, a crucial step towards a more sustainable future for Bangladesh, by promoting climate-resilient Resource Efficient and Cleaner Production (RECP) practices and technologies among MEs.

The Financing Agreement on the project was signed between the World Bank and the Economic Relations Division on 28 April 2023, at the World Bank's headquarters at a time that marked the 50th anniversary of partnership between Bangladesh and the World Bank.

The project focuses on providing support to microenterprises operating in agribusiness, manufacturing, and service sectors, with a specific emphasis on environmentally stressed areas susceptible to climate change and natural disasters. Additionally, the project aims to encourage development of environmentally friendly businesses and the adoption of operational safety standards within microenterprises. The SMART project places significant emphasis on the need for capacity building, technology adoption, knowledge sharing, and behavioral change among microenterprises. This multifaceted approach ensures the promotion of green growth solutions that are both sustainable and beneficial the environment.

By equipping MEs with the knowledge and tools to become champions of environmental sustainability, the SMART project promises to unlock a new era of green growth for Bangladesh.

## OBJECTIVE

The objective of the project is **to increase resource-efficient and resilient green growth of microenterprises**, encapsulating three core concepts:

### 3 CORE CONCEPTS



#### RESOURCE EFFICIENCY

Promoting resource-efficient and cleaner production measures while ensuring profitability and livelihood improvement.



#### GREEN GROWTH

Encouraging businesses to contribute to clean air, water, and healthy ecosystems, safeguarding natural capital and community health.



#### CLIMATE RESILIENCE

Strengthening MEs' economic basis and social cohesion to withstand external shocks, constructing emergency shelters, and conducting climate-resilient assessments.

### TARGETED MICROENTERPRISES

**80,000** microenterprises in agribusiness, manufacturing and service sectors

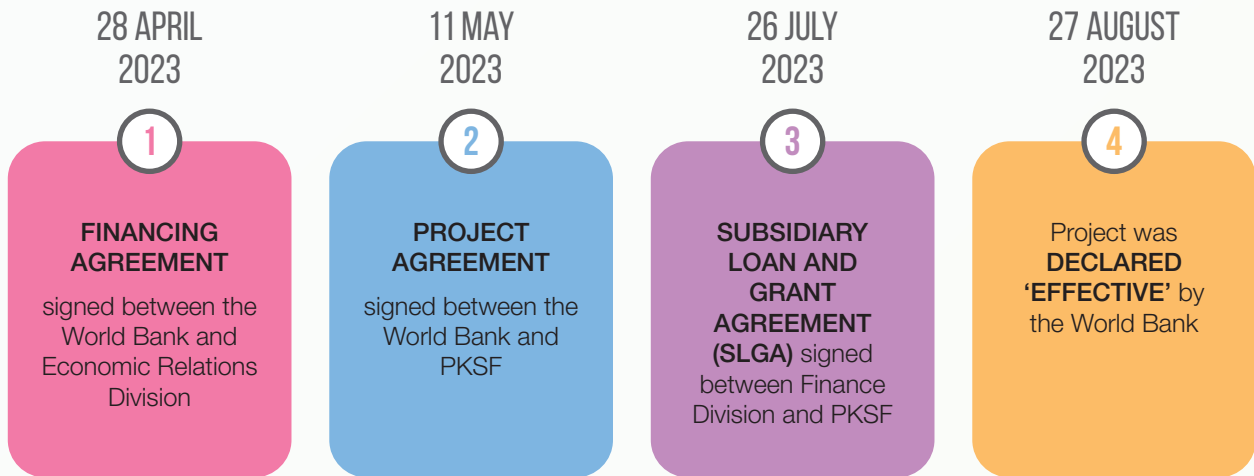
### TARGETED AREA

All over Bangladesh with a special focus on climate-vulnerable areas

### BUDGET

The total budget of the project is USD **300** million, of which the World Bank and PKSF's contribution is USD **250** million and USD **50** million respectively.

## « KEY TIMELINE »



## SCOPE

The project will operate nationwide, with a special emphasis on areas particularly vulnerable to climate change-related shocks. The interventions are structured across 3 business areas, 9 sectors, and 21 sub-sectors.

Business Area	Sector	Sub-sector
Agriculture	Horticulture	High-value Crops
	Livestock	Cattle and Buffalo Poultry
	Aquaculture	Pisciculture
Manufacturing and processing	Footwear and Leather Products	Leather Products
	Mini Textile	Mini Garments
		Loom
		High-value Handicrafts
	Light Engineering	Machinery and Equipment
		Eco-friendly Construction Materials Metal Products (imitation, metallic, steel)
	Plastic Recycling	Plastic Recycling
Food Processing	Salt Processing	
	Dry Fish Processing and Trade	
	Rice Mill Jaggery Processing	
Service	Service	Eco-friendly Tourism Development
		New Logistics, Packaging, Transportation including courier service, IT Services
		Waste Management Services
		Restaurants, Street and Bakery Food
		Automobile Workshop

## APPROACH

The SMART project focuses on transforming the ME sector into a more dynamic, lower-polluting, resource-efficient, and climate-resilient sector. It will support measures that enhance climate resilience by promoting RECP knowledge, technology, and business processes.

**Promoting Climate-Resilient RECP Practices and Tracking Environmental Key Performance Indicators:** The project focuses on Resource-Efficient and Cleaner Production (RECP) technologies, enabling MEs to anticipate and adapt to the challenges of climate change. It will also maintain a robust monitoring mechanism for tracking the environmental performance indicators in terms of air quality, water quality, waste management, electricity consumption, etc.

**Fields of Support:** The project prioritizes MEs operating in agribusiness, manufacturing, and services, focusing on regions vulnerable to environmental stress and natural disasters.

**Building Capacity and Encouraging Innovation:** The SMART project emphasizes on the need for knowledge sharing, technology adoption, and fostering a shift towards environmentally responsible practices within MEs. This multifaceted approach ensures long-term sustainability and positive environmental impacts.

**Maximizing Impacts:** SMART project strategically prioritizes interventions based on key principles such as business clusters, pollution reduction, ecosystem protection, and the potential for wider replication and scaling.

The project will target both formal and informal MEs in specific sectors with high environmental improvement potential. Women entrepreneurs will remain in focus.

## EXPECTED RESULTS

The SMART project will contribute to Bangladesh's long-term environmental sustainability, and it's aligned with the 8th Five Year Plan, the Nationally Determined Contribution (NDC), and the National Adaptation Plan (NAP), 2022, which are the country's roadmaps to promoting economic growth and poverty reduction and paying special attention to MEs and environmental sustainability.

The project's long-term impact is to transform the ME sector into a more dynamic, lower-polluting, resource-efficient, and climate-resilient ME sector.

-  **80,000** MEs to receive financial support
-  **72,000** MEs to gain increased knowledge on climate vulnerability
-  **64,000** MEs each to adopt at least two climate-resilient RECP practices
-  **50,000** MEs to track at least one environmental key performance indicator
-  **30,000** MEs Climate-resilient RECP profiles to be prepared and validated for MEs
-  **100** Shared Facilities 50 revenue-generating and 50 non-revenue-generating Common Service facilities to be established

EXPECTED RESULTS

## SMART UPDATES >>

### WORLD BANK APPOINTS EXPERTS TO ASSESS RECP TECHNOLOGIES FOR SMART PROJECT



Experts meeting imitation jewelry makers of Vakurta in Savar, Dhaka

A team of four experts specializing in Air Quality Management, Energy Efficiency, Water Management, and Waste Management has been appointed by the World Bank to evaluate suitable Resource Efficient and Cleaner Production (RECP) technologies for the SMART project. This diverse team, consisting of both local and international specialists, conducted field visits from 1-6 June and 6-7 September 2023, to observe the Sustainable Enterprise Project (SEP) activities firsthand.

Following their comprehensive field assessments, the experts held a knowledge-sharing meeting on 10 September 2023, with representatives from the World Bank, PKSF, and

SEP-implementing Partner Organizations. The meeting, attended by representatives of 20 Partner Organizations, focused on the findings and recommendations of the assessment.

The expert team also submitted a detailed assessment report, which will serve as a crucial guiding document for identifying potential RECP technologies for Microenterprises (MEs) supported by the SMART project.

## WORLD BANK PRAISES PROGRESS OF SMART PROJECT IN BANGLADESH



Officials from the World Bank and PKSF reviewing the progress of the SMART project during the 2nd ISM

The World Bank has conducted two Implementation Support Missions (ISMs) so far to evaluate the progress of the SMART project in Bangladesh, with the latest mission having taken place from 11-18 February 2024.

The first mission, conducted from 24-26 June 2023, rated the project's progress as 'satisfactory.' The

subsequent mission included in-depth discussions with officials on various components of the project, such as procurement, environmental and social frameworks (ESF), grievance redress mechanisms (GRM), financial management, communication, monitoring, and evaluation.

During the second mission, the World Bank team held discussion with Partner Organizations of PKSF to refine strategies for Resource Efficient and Cleaner Production (RECP). A tripartite meeting with the Department of Environment (DoE) and Bangladesh Standards and Testing Institution (BSTI) was held to help get necessary clearance for microenterprises (MEs) supported by the project.

The missions underscore the project's commitment in promoting sustainable development and environmental conservation in the microenterprise sector of Bangladesh.

## PKSF MEETS WORLD BANK: DISCUSSES PROGRESS ON SMART PROJECT



Distinguished discussants at the bilateral meeting between the World Bank and PKSF

A bilateral meeting on the progress of the SMART project was held on 14 November 2023 at PKSF Bhaban. Additional Managing Director of PKSF Md Fazlul Kader chaired the meeting attended by, among others, the World Bank's South Asia Practice Manager

Christophe Crepin and Senior Financial Economist Gabi G Afram.

Provat Kumar Saha, an Associate Professor of Bangladesh University of Engineering and Technology

(BUET) and a representative of the consulting group appointed by the World Bank to verify the RECP technologies to be applied through the SMART project,

gave a presentation on the Resource-Efficient and Cleaner Production (RECP) technologies suitable for the project's interventions.

## SMART PROJECT ADVANCES TO THE FIELDS

The SMART project has made significant progress in advancing its initiatives to the fields. On 31 December 2023, the SMART-PMU invited Partner Organizations (POs) to submit their Sub-project Concept Notes (SPCNs). An online workshop was organized to this as well. Basic information on the SMART project was disseminated in the workshop which was attended by the representatives from 101 POs. Following the workshops on SPCNs, the POs submitted their concept notes to PKSf.

After a thorough review, PKSf invited shortlisted POs to submit detailed Sub-project Proposals (SPPs). A Technical Evaluation Committee (TEC) and the World Bank evaluated the SPPs. The first TEC meeting was held on 15 May 2024, where five SPPs were presented before the committee. The TEC held another meeting



The Technical Evaluation Committee reviewing sub-project proposals at its 2<sup>nd</sup> meeting

on 2 June 2024. So far ten SPPs have been evaluated and recommended by the TEC for approval. With approval from the PKSf authority, the eligible POs will be awarded the sub-projects to be implemented in the field.

## IN-DEPTH >>

## HOW SHARED FACILITIES ACT AS CATALYST FOR SUSTAINABLE GROWTH IN MICROENTERPRISES

Ashraf Mohammad Feroz, Senior Program Manager, SMART Project, PKSf

In the dynamic landscape of Bangladesh's economy, microenterprises play a crucial role. Despite their potential, these small-scale enterprises often face significant barriers in accessing advanced technologies and sustainable practices. Shared facilities in Common Service centers, however, present an innovative solution to this challenge, enabling effective transfer of appropriate technologies and fostering sustainable development.

### Addressing technology-access barriers

One of the primary obstacles microenterprises encounter is the lack of access to modern machineries and advanced technologies due to financial constraints. Shared facilities alleviate this issue by providing common access to high-cost equipment and technologies that individual micro-entrepreneurs might not afford independently. For instance, in the Bhairab shoe manufacturing cluster, a Footwear Common Service Center established under the Sustainable Enterprise Project (SEP) helped MEs to access



Workers at the Bhairab Shoe Craft Common Service Center, equipped with necessary technologies

high-cost technologies like Shoe Master software, Laser Cutting, Beam Cutting, Pearl Setting machines. Additionally, recycling units established under the Common Service facility enabled local businesses to recycle about 700 tonnes of footwear waste annually, transforming waste management practices and promoting sustainability.

## Enhancing technical capacities and overcoming knowledge barriers

Shared facilities do more than just providing access to equipment; they serve as hubs for technical training and capacity building. By offering training on Resource-Efficient and Cleaner Production (RECP) practices, these facilities help micro-entrepreneurs adopt environment-friendly methods. In Bhairab, training programs conducted in the Footwear Common Service Center of POPI has educated workers on modern technologies and health hazards associated with their activities and the importance of using protective equipment, significantly improving workplace safety and productivity. It also provides centralized access to market information, networking opportunities, and ongoing support, bridging gaps between market accessibility and knowledge. The regular meetings and workshops held at these facilities ensure that micro-entrepreneurs stay updated on market trends, technological advancements, and best practices, empowering them to make informed decisions and enhance their competitive edge.

## Fostering innovation and collaboration

Shared facilities encourage collaboration among micro-entrepreneurs, leading to the exchange of ideas and fostering innovation. When multiple businesses operate within the same space, they can share experiences, solve problems collectively, and develop innovative solutions tailored to their specific needs. This collaborative environment is essential for the continuous improvement of products and processes, driving the overall growth of the microenterprise sector.

## Economies of scale and market access

By centralizing resources, shared facilities help microenterprises achieve economies of scale. This collective approach reduces the per-unit cost of production and increases efficiency, making it easier for small businesses to compete in larger markets. Additionally, shared facilities can help micro-entrepreneurs obtain necessary certifications and meet quality standards required by formal buyers,



Shoe soles being made out of recycled waste generated from the footwear factories around the cluster

thereby expanding their market reach both nationally and internationally.

## Environmental and economic sustainability

The adoption of shared facilities also aligns with the principles of a circular economy, promoting both environmental and economic sustainability. For example, recycling units in Bhairab not only manage waste efficiently but also create new revenue streams through the production of recycled products. This dual benefit of environmental conservation and economic gain underscores the importance of shared facilities in fostering sustainable development.

Shared facilities play a pivotal role in transferring appropriate technologies among microenterprises in Bangladesh. By providing access to advanced machinery, fostering technical skills, encouraging collaboration, and supporting sustainable practices, these facilities enable small businesses to overcome significant barriers and thrive in a competitive market. The success seen in clusters like Bhairab's shoe-manufacturing sector illustrates the transformative potential of shared facilities, highlighting their importance in driving sustainable economic growth and environmental stewardship. As Bangladesh continues to develop its microenterprise sector, expanding and enhancing shared facilities will be crucial to ensuring long-term sustainability and prosperity.



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