

CLIMATE FINANCE READINESS ASSESSMENT



A programme by \_\_\_\_\_



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## BACKGROUND

The objective of this assessment is to empower an ecosystem of impact enterprises in Bangladesh to understand if and how they can leverage climate finance to grow and scale their impact. To achieve these aims, the B-Bridddhi programme undertook a Climate Finance Readiness Assessment, developed the [Bangladesh Climate Finance Market Scoping Report](#) and the [Climate Finance Navigator Toolkit](#), as free knowledge resources.

This document provides a summary of the key findings and implications of the Climate Finance Readiness Assessment for impact enterprises in Bangladesh, and an illustration of specific recommendations for selected impact enterprises. This report was prepared by the two consultants (Naomi Rosenthal and Lars Osterwalder) who were leading the development of the climate finance resources on behalf of the B-Bridddhi programme. The findings are informed by interviews with five selected impact enterprises and other relevant stakeholders in preparation and during a mission to Bangladesh in February 2025.

## ABOUT B-BRIDDDHI

A key goal of growth in Bangladesh is to develop an inclusive ecosystem, which allows the entire population to participate. Impact enterprises can play a vital role in this vision. By developing and scaling innovative solutions to social and environmental challenges, people still living in disadvantaged conditions can receive an equal chance to benefit from economic prosperity in their roles as customers, suppliers and employees.

*B-Bridddhi is a multi-year public-private development partnership (PPDP) supported by the Embassy of Switzerland in Bangladesh, implemented by Roots of Impact, LightCastle Partners and other stakeholders, including investors, private sector organizations, incubators, and support organizations for impact enterprises.*

**BiniyogBridddhi (“B-Bridddhi”)** was launched in 2020 to enhance the **financial, social, and environmental** performance of impact enterprises by enabling them to master **Impact Investment Readiness (IIR)** as well as **Impact Measurement and Management (IMM)**. In addition, it gives them much-needed access to **innovative and catalytic funding**, which puts them in a much better position to scale their impact.

**B-Bridddhi’s primary actions are organised around four pillars of activity**, which include **capacity building, catalytic finance, advocacy, and knowledge management**. The overall objective is to help impact entrepreneurs grow and scale with Impact-Linked Finance and reach more vulnerable customer groups and to help build is to help build an ecosystem in which impact entrepreneurs have increased access to suitable growth capital and where investors receive exposure to a pipeline of investment-ready impact enterprises.

## KEY FINDINGS

### 1. Climate impact and associated climate finance is relevant and accessible for impact enterprises in Bangladesh

Impact enterprises in Bangladesh, including those that have focused on social impacts to date, often have a positive climate impact and contribute to climate mitigation through their handprint and improved footprint, as well as to climate change adaptation. As part of this assessment, suitable climate finance pathways (i.e. carbon markets, value chain climate action, concessional and grant finance) were identified for five impact enterprises: each of the three pathways was found to be applicable for at least one company. Impact enterprises are able to pursue climate finance, despite their comparatively small business size/scope, by focusing on:

- Accessing green finance under the Bangladesh Bank sustainable finance scheme
- Joining established carbon credit programs, through grouped projects
- Leveraging grant financing to support carbon credit project development
- Leveraging value chain partnerships using robust monitoring and a clear climate communication strategy

## **2. When considering climate finance, impact enterprises often focus on mitigation, and carbon credits in particular**

While accessing carbon markets can be an attractive climate finance pathway, impact enterprises should evaluate their climate impact more broadly, including mitigation in terms of handprint and footprint, but also considering their role with regards to adaptation. Based on this, impact enterprises should establish a sound climate rationale - outlining their main hotspots alongside a theory of change.

## **3. Carbon credits can provide relevant revenue streams, but are unreliable**

An initial assessment shows that some impact enterprises can generate carbon credits at a scale that may bring in revenues that are highly relevant to their business models. Unfortunately, however, the carbon markets are currently undergoing volatility, and it is difficult to predict how these market dynamics will evolve over the next five years. There is uncertainty as to the volume of carbon credits that can be generated, whether and when it will be possible to sell the generated carbon credits, and what price will be paid for the carbon credits.

## **4. Government driven carbon markets may present a mid term opportunity for impact enterprises**

Bangladesh intends to clarify its approach to Article 6 of the Paris Agreement through a clear policy framework expected to be completed by the end of 2025. This presents an opportunity for impact enterprises to access finance through bilateral agreements (ITMO) or through the marketplace Paris Agreement Crediting Mechanism. In both cases, it will be necessary for impact enterprises to follow established carbon emission quantification methodologies, have a robust monitoring approach in place, and generate an impact in an area that is favorable for international support (i.e. in the conditional area of the Bangladesh NDC).

## **5. It is advised that impact enterprises partner with a carbon credit project developer if they choose to pursue carbon credits. Some technical assistance may be needed to ensure impact enterprises are able to enter into a trusted partnership**

Developing carbon credits requires significant resources (to develop initial feasibility studies, monitoring approach, undertaking registration, verification and subsequent commercialization of the credits), and can typically be better undertaken by a specialized carbon project developer. In order for impact enterprises to enter into a successful and trusted partnership, it is important that they build some knowledge internally and are able to lead discussions with potential project developers with a good understanding of the opportunities and risks associated with the project, as well as costs and potential financing approaches. Impact enterprises should be aware of the costs associated with carbon project development and potential revenues and their timing, to understand and ensure fair distribution of all costs and revenues between the impact enterprise, the developer and all other project participants. The Climate Finance Navigator provides some suggestions, additional support could include providing a list of carbon project developers, enabling companies to compare partnership options amongst several developers.

## **6. In order to prepare for the possibility of accessing all forms of climate finance, it makes sense to include relevant climate related indicators within IMM.**

As mentioned under point 2, the impacts measured could include both mitigation as well as adaptation related indicators, and could focus on the companies' handprint or footprint. Relevant indicators across climate impact hotspots can then be developed and tracked as part of the companies' impact measurement and management (IMM) system. Indicators that are measured and managed should be focused on those that are relevant to impact hotspots. Having a strong foundation of measuring and managing the impact lays the foundation for impact enterprises to access climate finance. All the climate finance pathways ultimately require a clear IMM system with indicators that are relevant to the climate impact.

## **IMPLICATIONS FOR IMPACT ENTERPRISE ECOSYSTEM**

Ecosystem partners can play a valuable role to support and drive climate finance readiness for impact enterprises. This assessment identified five concrete areas where ecosystem partners can support build an ecosystem of impact enterprises that can access climate finance.

### **1. Building awareness and technical knowledge about climate finance**

- Many impact enterprises are not aware of the potential that climate finance has for their business. The Climate Finance Market Scoping report aims to help impact enterprises understand the landscape of climate finance. Ecosystem partners can help to disseminate this resource, and further raise awareness about climate finance for impact enterprises.
- Climate finance is a complex topic, and many impact enterprises have had limited opportunities and resources to learn about climate finance to date. The Climate Finance Navigator aims to provide a first comprehensive toolkit for impact enterprises that are commencing their journey towards climate finance. Ecosystem partners can play a valuable role in providing technical assistance to further deepen knowledge about each step of the climate finance journey.

### **2. Facilitating connections for grouped climate finance approaches**

- Due to the high costs associated with carbon project development, projects need to reach a certain scale (several 10,000 tons) to make economic sense, something that can create a barrier for impact enterprises to access climate finance. One way to overcome this barrier is for ecosystem partners to facilitate impact enterprises to connect, and form grouped approaches for climate finance. An example would be several solid waste collection and recycling companies to work together to gain plastic credits through a joint project.

### **3. Matchmaking between impact enterprises and project developers**

- Impact enterprises often are not aware of carbon project developers they could partner with. Ecosystem partners can play a valuable role in facilitating connections between impact enterprises and a number of different project developers, thereby assuring impact enterprises have the opportunity to get to know different project developers - including their differences.

- Impact enterprises should partner with project developers to develop carbon credits, yet, due to lack of knowledge about options, implications and technical understanding, impact enterprises may struggle to form equitable partnerships with carbon project developers. Ecosystem partners can develop a common understanding of what equitable financial terms, obligations and opportunities are between impact enterprises and project developers.

#### 4. Building knowledge and capacity on climate adaptation

- In pursuing climate finance, most impact enterprises are focused on climate mitigation, yet in a country like Bangladesh, climate adaptation is a high priority - and also has corresponding financing opportunities. Ecosystem partners can play a valuable role to increase understanding of climate adaptation, and the associated indicators that could be tracked in the IMM system.

#### 5. Driving technology transfer through international connections

- As climate finance from governments in the form of bilateral agreements begins to ramp up, impact enterprises that have a broader connection to the financing government may have an advantage in accessing their climate finance. For example, if an ag-tech company in Bangladesh uses a European software or hardware component, that European country may feel more compelled to finance the climate impact of the ag-tech company through a bilateral agreement. Ecosystem partners can facilitate the establishment of connections to companies and academia abroad to enable technology transfer.

## CASE STUDIES

Under the guidance of the B-Briddhi (Biniyog Briddhi: Scaling Impact Enterprises of Bangladesh) and the A2GF (Access to Green Finance) program, five impact enterprises were selected using the following criteria:

- Climate impact likely to be relevant
- Covering impact enterprises operating in different thematic fields
- Covering different climate finance pathways
- Interest and consent from impact enterprise

The following five impact enterprises were selected:

- iPage
- Kamrul Biogas
- Classical Handmade Products
- Drinkwell
- BRTL

The consultants used the Climate Finance Navigator to guide the conversation with the selected impact enterprises, and provided technical inputs and guidance along the discussions. The assessment focused on three areas:

- Climate impact clearly understood and documented (step 1 and 2 in the navigator)
- Climate included in IMM system to generate evidence (step 3 in the navigator)
- Climate finance pathway identified and pursued (step 4 in the navigator)

The findings from the assessment were provided to each of the impact enterprises, and company specific findings and recommendations are included in this overview report.

## **iPAGE**

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iPAGE is an ag-tech company which empowers over 20,000 smallholder farmers across Bangladesh to get access to the data needed to use precision agriculture. Their technology, which includes hardware that analyses soil as well as software that considers weather patterns and smart farming practices, encourages farmers to adjust their fertilizer use to minimize costs. As the iPAGE product is fully digitized, the company maintains a database with extensive information about farm activities - including location, crop types, fertilizer and pesticide use. This database forms an excellent basis for impact measurement and monitoring. iPAGE used this database to discover that their recommendations on fertilizer result in carbon emission reductions of approximately 3 percent - due to reduced emissions from the fertilizer production. While this represents a positive impact on their carbon handprint, the scale of the emissions reductions would not make a carbon project feasible.

In order to increase the positive environmental impact of the product, it is recommended for iPAGE to explore regenerative agriculture practices, to increase soil health and soil carbon stocks. Examples of regenerative agriculture practices include low tillage, cover cropping, intercropping, and farm residue management etc. The carbon credit methodology that would be applicable for improved agricultural management (VM0042 by VCS/Verra) specifically focuses on these regenerative agriculture practices, in addition to the nitrogen fertilizer element. These regenerative agriculture practices are known to improve the resilience of farms, support yields and improve soil carbon and soil health. Therefore, these interventions would be beneficial beyond the carbon impacts alone. The digital farmer database and underlying data form a good basis for measuring and monitoring climate impacts. In addition to mitigation, iPAGE could consider to explore the climate change adaptation impacts as more resilient farms can support food security in the face of climate change.

## **KAMRUL BIOGAS**

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Kamrul Biogas provides advisory and installation of biogas systems that are used on farms for processing manure, generating biogas for thermal application as well as for producing electricity. The company has a long history of providing biogas related services, and is currently focusing on larger scale systems. At the current scale of operations Kamrul Biogas installs around a dozen biogas systems every year that, in total, can process the manure of approximately 5,000 cows and 250,000 poultry birds. Assuming that all biodigesters are replacing the disposal of animal manure into lagoons,

ponds and pits (with uncontrolled anaerobic digestion and related high methane emissions), the company's carbon handprint is in a range that is worthwhile exploring the carbon markets pathway in more detail.

To better understand and maximize the climate impact, it is recommended for Kamrul Biogas to develop a sound monitoring and maintenance approach. Carbon credits are not issued for the installation of a biogas system, but rather for the on-going operation of the system and the effective capture, usage and destruction of the methane emissions. Automated remote monitoring through simple remote sensors that measure biogas and/or electricity production could be considered to get real-time information about operational status and climate impact of the biogas systems installed by Kamrul Biogas. Such an improved monitoring and maintenance approach would allow the company to take corrective action when needed and ensure that all systems remain functional. This could possibly be financed through the proceeds from carbon credits. Kamrul Biogas is exploring carbon project development with a local project developer, for which the biogas systems of Kamrul Biogas would be registered along with systems installed by other companies. The partnership with the project developer could be further strengthened through sharing of knowledge about the planned carbon project activities.

## **CLASSICAL HANDMADE PRODUCTS**

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Classical Handmade Products (CHP) produces handmade homeware products using natural materials. As an exporting company, CHP's most probable climate finance pathway is through the value chain climate action pathway. Since the company was established, it has focused on sustainability, including by using natural materials such as grasses and leaves that would otherwise go to waste. The company is already measuring and managing its energy use, and transitioned to solar energy at their main factory. CHP has partnered with an energy auditor which will help CHP to make verified claims around the use of solar power in the production facility. CHP is also monitoring its climate related impacts and disclosing this to some of their buyers that are requesting this kind of information. Given the low carbon footprint of the products they produce, CHP has an opportunity to use this as a unique selling point of the products vis a vis the retailers that purchase them. This is particularly relevant, since CHP exports to a number of international retailers, including several that have committed to the Science Based Targets initiative (SBTi).

The company is exploring additional actions to increase their positive impact even further. In addition to implementing improved sustainability actions within the production, CHP could undertake some actions to document and communicate its climate impact. By developing a clear climate policy, measuring their carbon footprint (holistically, across all factories), and outlining a high level transition plan - CHP will be able to articulate the climate advantages of their products vis a vis their clients.

## **DRINKWELL**

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Drinkwell provides access to safe drinking water through approximately 300 community water kiosks, mostly in Dhaka, each of them supplying on average 3,600 liters of water per day. To also serve the needs of rural communities, the company is in the process of raising funding for an expansion into rural areas and believes that carbon credit related revenues can help to make the expansion financially



viable. Safe drinking water projects that use low carbon emitting water purification technologies (such as chlorination or water filters) are eligible for carbon credit generation because these technologies result in lower carbon emissions than boiling water using wood or charcoal, a common alternative in some areas. While only about five percent of Bangladeshi households are effectively boiling their drinking water, more than 80 percent are using drinking water that is microbiologically contaminated (MICS 2019). The most commonly used carbon methodology developed by the Gold Standard allows the generation of carbon credits for households that currently do not have access to safe drinking water even if they do not boil - recognizing economical and knowledge constraints preventing them to adequately treat their drinking water. This concept is known as “suppressed demand”, which is further supported in Bangladesh by the fact that boiling of drinking water is more prevalent among richer households. This indicates that with economic development more and more households may start boiling if no alternative low carbon emitting water purification technologies are made available.

Drinkwell has a big carbon handprint, when suppressed demand is taken into account. If the same scale of current operations can be replicated in rural areas, Drinkwell can contribute to the avoidance of several ten thousand tons of greenhouse gas emissions every year. The company has already secured funding to register the expansion into rural areas as a carbon project. Due to the uncertainties related to the generation of carbon credits (in particular related to potential changes to how suppressed demand is accounted for in the Gold Standard methodology), as well as uncertainty related to timing and price of carbon credit sales, it is recommended that Drinkwell designs its rural business model in a way that could sustain without carbon finance, but to which carbon-financed pro-poor measures can easily be integrated. Ideally, Drinkwell could secure an offtake agreement for the carbon credits with an established corporate partner. This type of future offtake agreement would de-risk the carbon project development. In addition, it is recommended that Drinkwell develops and tracks indicators related to climate change adaptation to prepare the ground for accessing climate finance beyond carbon credits.

## **BRTL**

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BRTL is a solid waste management company that removes plastics from waste streams, recycles them, and ensures 100% diversion from landfills. By replacing virgin plastics with recycled alternatives, the associated emissions from plastic production are typically reduced by 30 to 80 percent, resulting in an estimated 0.85 to 2.25 kgCO<sub>2</sub>eq per kilogram of plastic. With BRTL's current plans to expand its capacity to process up to 2,000 metric tons of plastic waste annually, the projected emission reductions may fall short of the thresholds required for a financially viable carbon project. Nonetheless, it is advisable for BRTL to further refine the applied emission factors for virgin and recycled plastic, specifically tailored to its operations in Bangladesh, to enhance accuracy and provide evidence when exploring potential alternative climate finance opportunities.

As an alternative to a carbon project, BRTL may benefit from developing a plastic credit project. Broadly speaking, plastic credits are a sub-product in the global environmental market space: they are generated through a similar process as carbon credits and partly by the same certification bodies, such as Verra. The plastic credit market is very nascent and demand for the credits is not stable and not all generated credits can eventually be sold. Nevertheless, the typical prices paid for credits (between 200 and 400 USD/ton of plastic recycled) would be a very relevant revenue stream for BRTL.

Generating plastic credits may be feasible for the company by joining one already established project in Bangladesh under Verra plastic waste reduction standard. Undertaking plastic credit certification alongside an established project, would reduce administrative costs associated with the generation of the credits. Alternatively, BRTL could explore developing its own project, with an aim to market this project through the PCX marketplace, which is a central marketplace for plastic credits. Some buyers on the PCX marketplace purchase plastic credits for compliance reasons - to fulfill Extended Producer Responsibility (EPR) requirements, notably buyers that have operations in the Philippines. The PCX marketplace does not currently include any projects from Bangladesh. If BRTL pursues developing and marketing its own project via PCX, it is recommended for BRTL to clearly demonstrate how their operations are more impact driven compared to about 3000 plastic collection/recycling companies operating in Bangladesh. While there are some uncertainties in the ability of BRTL to sell the credits, the opportunity is still very interesting because BRTL would not need to adjust their business practices, but rather, would gain additional revenues for doing the activities that are central to the business today.



# ANNEX - CLIMATE FINANCE WORKSHOPS

## WORKSHOP WITH IMPACT ENTERPRISES

**Date/time:** Monday, 17 February 2025  
**Venue:** Lakeshore Hotel, Gulshan, Dhaka  
**Facilitation:** LightCastle Partners and Roots of Impact  
**Content:** by Naomi Rosenthal and Lars Osterwalder (Consultants)

### Objectives of workshop

- 1) Impact enterprises are aware of the climate finance market scoping report and the climate finance navigator toolkit
- 2) Impact enterprises have a sense of what climate finance is and what it could mean for their business, i.e. they can make an informed decision about whether it is worthwhile for them to go through the two documents in more detail after the workshop
- 3) Impact enterprises have the opportunity to ask questions related to climate financing to put information that they may have heard previously into the broader perspective
- 4) Impact enterprises are aware that, in order to access any form of climate finance, they need to understand their climate impact (e.g., footprint, handprint, or adaptation) and measure it

### Workshop program

Time	Topic	Facilitator/presenter
16:30 - 16:45	Welcome note and introduction	LightCaste Partners and Roots of Impact
16:45 - 17:15	Key findings of the climate finance market scoping report	Consultants
17:15 - 18:00	Climate finance navigator: step 1 to 3, including group exercise	Consultants
18:00 - 18:30	Tea break with the opportunity for individual questions to presenters	All
18:30 - 19:00	Tracking emissions reductions achieved with fuel-efficient cookstoves, Q&A	ATEC
19:00 - 19:45	Climate finance navigator: step 4 and 5, including group exercise	Consultants
19:45 - 19:50	Closing remarks	LightCaste Partners and Roots of Impact
19:50 - 21:00	Reception with the opportunity for individual questions to presenters	All

## Participants

#	Sector	Organization	Representatives
1	Water, Sanitation & Hygiene	Drinkwell	2
2	Water, Sanitation & Hygiene	Bhumijo	1
3	Agriculture & Food	iPage	2
4	Textile & Readymade Garments (RMG)	Reverse Resources	1
5	Agriculture & Food	WeGro	1
6	Agriculture & Food	InsureCow Ltd.	1
7	Agriculture & Food	Planten Agro Ltd.	2
8	Fin-Tech	adorsho praniSheba Ltd.	1
9	Renewables & Environment	BRTL	2
10	Water, Sanitation & Hygiene	Viola Properties	1
11	Renewables & Environment	Kamrul Biogas	2
Total			16

## WORKSHOP WITH PARTNER ORGANIZATIONS

**Date/time:** Tuesday, 18 February 2025  
**Venue:** Office of LightCastel Partners, Gulshan, Dhaka  
**Facilitation:** LightCastle Partners and Roots of Impact  
**Content:** by Naomi Rosenthal and Lars Osterwalder (Consultants)

### Objectives of workshop

- 1) Partner organizations get a better understanding of climate finance mechanisms currently used in Bangladesh, and understand specific opportunities demonstrated based on case studies of up to five impact enterprises
- 2) Partner organizations learn about potential innovations and developments related to climate finance in the coming years, including an expert view on what climate finance opportunities will realistically be accessible for local companies
- 3) Partner organizations are aware of the climate finance market scoping report and the climate finance navigator as tools to be used by impact enterprises in Bangladesh, and are aware of what donors can do to facilitate access to climate finance for impact enterprises in Bangladesh

## Workshop program

Time	Topic	Facilitator/presenter
11:00 - 11:05	Welcome note and introduction	LightCaste Partners and Roots of Impact
11:05 - 11:30	Overview of financing climate action globally and in Bangladesh	Consultants
11:30 - 11:45	Introduction to the climate finance navigator for impact enterprises	Consultants
11:45 - 12:15	Group exercise	All
12:15 - 12:30	Climate finance in Bangladesh: outlook and recommendations	Consultants
12:30 - 14:00	Q&A, networking lunch	All

## Participants

#	Organization	Representatives
1	Swiss Agency for Development and Cooperation	1
2	Truvalu Bangladesh	4
3	UNCDF	1
<b>Total</b>		<b>6</b>

