



GOVERNMENT OF NEPAL

Ministry of Water Supply

Department of Water Supply and Sewerage Management

Panipokhari, Kathmandu

Nepal Water Governance and Infrastructure Project (NWGIP)

World Bank Assistance to Government of Nepal

Executive Summary

Draft Environmental and Social Management Framework (ESMF)

January 16, 2022

Executive summary

Background

Nepal endeavored to federal government system with a new constitution in 2015. The current governance system comprised of three tiers: a federal government, seven provincial government, and 753 local governments. Several Water Supply and Sanitation (WASH) legislations, rules/regulations and policies have been formulated and enforced so as to improve the WASH sector. However, significant challenge of achieving safe, reliable and continuous service delivery has been the focus of this sector, with less attention given to other important considerations such as environmental and social sustainability and the proposed project is therefore designed to improve the E&S issues, sector governance and institutional capacity nationwide.

The Nepal Water Governance and Infrastructure Project (NWGIP) is the culmination of over two years of dialogue between the World Bank and the Ministry of Water Supply under the Nepal Water Platform. The Platform will continue providing a convening space for cross-sectoral coordination, and coordination with other Global Practices in the World Bank, other development partners, and sector stakeholders during project preparation and implementation, as well as support for key analytics on federalism and governance reforms in the country.

Project Components

The project development objective (PDO) of NWGIP is to increase access to water supply and sanitation, build resilience to disasters, and to strengthen sector institutional capacity for water supply service delivery in participating local governments under the federal systems. The NWGIP has three major components.

Component 1: Improving Sector Governance and Institutional Capacity, Project Management.

Component 2: Access to Improved and Safe Water Supply, Sanitation and Hygiene: The activities under the component are divided into three further subcomponents:

- a) Urban and peri-urban water supply and City-wide Inclusive Sanitation (CWIS);
- b) Rural water supply and sanitation;
- c) Water Quality Monitoring and Management.

Most of infrastructure construction activities are included under the Component 2. Types of infrastructure the project is likely to finance include: Side intake in river and pumping system to augment water supply to Surkhet (one potential option under consideration is pumping water from the Bheri River); Reservoirs at different locations; Water treatment plants; Water transmission lines (system)/Bulk water transmission pipelines; Rehabilitation, upgrading or installation of new water distribution lines; Rural Community Gravity Water Supply Schemes using surface water sources (such a scheme consists of small intake at spring or stream, pipeline, reserve tanks, break-pressure tanks, distribution pipelines and water taps; Rural community water supply schemes using groundwater (pumping through shallow tube-well or deep tube-well, overhead reserve tanks distribution pipelines), Improving sewer system; installation of new sewer lines for sanitary wastewater management; Faecal sludge and wastewater treatment facilities.

Component 3: Building Resilience through Integrated Watershed Management. This component will support urban/rural watershed management and nature-based solutions to improve upstream/downstream water quality and environmental flows, and provide adaption and mitigation measures against climate-related hazards including droughts, floods and rain induced-landslides, as provided for under the Surkhet Valley Northern watershed Management Plan developed by the Forest and Environment Directorate, Ministry of Industry, Tourism, Forest and Environment, Karnali Province (MITFE-K, 2020).

NWGIP will demonstrate the operationalization of federalism at the local level with a specific focus on improving water supply and sanitation service delivery in participating municipalities, together with promoting an integrated urban-water and rural-water management. The Project will be implemented in two provinces – Karnali and Sudurpaschim. Karnali and Sudurpaschim provinces have the lowest coverage of basic water supply service delivery at about 84 percent. In Karnali Province, provincial capital Birendranagar Municipality, and Sharada Municipality will be supported. In Sudurpaschim, Janaki Rural Municipality, Joshipur Rural Municipality, Bardgoriya Rural Municipality will be supported.

Environmental and Social Management Framework

During preparation, broader geographical locations/ boundaries within which NWGIP subprojects will be implemented have been identified. These include selected municipalities and rural municipalities of Karnali and Sudurpaschim Provinces. However, exact locations/ sites of subprojects are not known. As particular details such as location and scope of subprojects are not yet known, this Environmental and Social Management Framework (ESMF) has been prepared in order to assist in the screening, identification, assessment and management of environmental and social risks and impacts during the sub-project planning, design, construction and operation phases. The ESMF has been prepared complying with the applicable environmental and social requirements of the Government of Nepal (GoN) and the World Bank including the Environmental and Social Framework (ESF) and Environmental and Social Standards (ESSs). The ESMF has been prepared to provide environmental and social guidance during site selection, planning and design of subproject and site-specific assessment of the environmental and social impacts of particular sub projects once specific site and activities are finalized. This ESMF provides procedures on how the subproject proponent will manage the identified E&S risks and impacts as and when the details of the subprojects (i.e., location, capacities and components) are established. Subproject specific and appropriate environmental and social instruments e.g., Brief Environmental Study (BES), Initial Environmental Examination (IEE), ESIA, and ESMPs will be developed, following the guidance set in the ESMF, during subproject planning and design, when more information about the subprojects are available. The Project Management Unit (PMU), ensures that all environmental and social requirements/recommendations are incorporated in the subproject plan and design, and in the bidding documents; and ensures that these go through a thorough review process. The ESMF is a 'living document'. Hence, during implementation, project may update ESMF itself and disclose as needed and in agreement with the World Bank.

In addition to the ESMF, a Stakeholder Engagement Plan (SEP); a Resettlement Policy Framework (RPF), an Indigenous People Planning framework (IPPF) and an Environmental and Social Commitment Plan (ESCP) have also been developed, will be consulted and disclosed prior to Project appraisal all of which needs to be effectively implemented during the project implementation.

Given that the ESMF was prepared in the context of COVID-induced disruptions of services and restrictions of movements, data and information provided in this ESMF were drawn largely from secondary sources. Additional information for the purpose of preparing this ESMF was collected through discussions with key and relevant government officials at the federal and provincial levels. Further, as part of project preparation, selected stakeholders including officials of water users' committees, municipalities, provincial government, Divisional Forest Office, forest users including User Committees, etc. have been consulted to obtain their views and feedbacks, and their inputs informed this draft ESMF. In addition, the SEP has identified disadvantaged and vulnerable people in the sub-project areas as one of the key stakeholders. So, before the appraisal, the project will disclose the ESMF including other E&S instruments¹, organize further stakeholder consultations with the stakeholders including with disadvantaged and vulnerable people, and get their feedback on those instruments and make appropriate changes in the draft ESMF and other E&S instruments, as needed. The draft ESMF was disclosed on <https://www.dwssm.gov.np> on January 16, 2022. Follow up stakeholder consultations on the ESMF as well as RPF, SEP, IPPF will be undertaken, virtually or face to face depending on the pandemic situation, in February 2022 with the relevant stakeholders including target beneficiaries, disadvantaged and vulnerable people, municipalities, provincial ministries, and key non-government organizations (NGOs) and community-based organizations (CBOs). The Draft ESMF will be updated, based on stakeholder consultations. Stakeholder engagement and consultation will continue during implementation with the wider project stakeholder group including local communities, and poor and vulnerable groups targeted under the project including women, indigenous groups, as well as civil society organizations (CSOs) and non-government organizations (NGOs) which represent these groups.

Relevant Policies and Regulatory Frameworks

The ESMF reviewed country's legal and institutional framework, identified gaps from comparison of national and World Bank ESF requirements and suggested corresponding measures to meet the requirements. Nine of the ten World Bank Environmental and Social Standards (ESSs) are relevant to this project, namely ESS1 on Environmental Assessments,

¹ The draft ESMF is disclosed on <https://www.dwssm.gov.np> on 16 January 2022. Other relevant documents will be uploaded in the same website as and when they are ready for disclosure.

ESS2 on Labour and Working Conditions, ESS3 on Resource Efficiency and Pollution Prevention and Management, ESS4 on Community Health and Safety, ESS5 on Involuntary Resettlement, ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources, ESS7 on Indigenous Peoples, ESS 8 Cultural Heritage and ESS10 on Stakeholder Engagement and Information Disclosure.

Environment and Social Risks and Mitigation Measures

The project will support civil works which may include excavation and pipe laying, facilities for water withdrawal, intake, and water reservoir, installation of lift pumps, water treatment plants, sewers, and wastewater treatment plants in urban and rural settings including in the forest areas and hilly terrains. The major environmental concerns include loss and degradation of small portions of forests including community forests; increased risk of landslides, and localized soil erosion related risks when excavation is needed at hilly fragile slopes; dust and noise at construction sites, vibration during construction; exposure of workers to occupational hazards and incidents; and pollution from construction and other wastes generated by the project. The operation of water and wastewater treatment facilities may also pose additional risks and impacts in the form of odour and noise from operations of equipment, pollution risks to receiving water bodies (in case of treatment system failures), wastewater sludge production and disposal as well as occupational health and safety hazards including chemical (disinfectants, alum, chlorine, etc) storage, use and disposal.

The national laws require infrastructure projects to undertake environmental studies and the scale of the study (EIA or IEE or the BES) largely depends on project's size, location and financial threshold; irrespective of the level of potential risks. There is no provision for associate project projects/activities; and large projects can be split into smaller projects to avoid full ESIA study. The EA process gives freedom to proponent to design and implement EA on their own (for example all documents including Scoping, ToR, EIA reports are prepared by proponent and approved by concerned government agencies). The other gaps include mitigation hierarchy is not well recognized or defined, and provisions related to biodiversity and habitat assessment, occupational and community health and safety as well as to resource efficiency are weak or inadequate. However, the ESS requires the WB-funded projects to go through the E&S screening and, depending upon risk categorization, projects are required to undertake either the ESIA or the

ESMP or other instrument. Similarly, unlike the requirements of the WB's ESS, Nepal's regulator frameworks do not ask for the identification of project stakeholders and periodic consultations with the stakeholders, including information disclosures. Though Nepal's law envisages the GRM for the PAPs. However, unlike the WB's ESS that asks for the project to maintain the GRM throughout the project lifecycle, the grievance mechanism only deals with issues related to land acquisition and becomes non-functional once the land acquisition is completed.

Though the project does not expect major private land acquisition, resulting in physical and economic displacement, there are concerns that the project activities might trigger physical and economic displacements of informal settlers that have been using public land. In addition, there are risks that the project activities might cause temporary restriction of access to public and private facilities, homes, and businesses. There is also potential for excluding vulnerable and marginalized groups from the planning process, stakeholder engagements, opportunities and benefits offered by the project. During construction, other potential risks and impacts which may include labor influx, SEA/SH, use of child labor or forced labor among contracted workers, as well as occupational and community health and safety risks.

Environmental and Social Management Procedures

The management of environmental and social risks and impacts will be undertaken on per sub-project basis. Sub-projects shall be initially screened by the participating municipalities to ensure eligibility for funding. Consistent with the requirements of ESS1, some activities have been predetermined as ineligible for support under the project due to their potential for causing high environmental and social risks and impacts. Following are examples of the following type of activities that will not be supported by the Project:

- Activities that contravene Nepal's obligations under its international agreements
- Activities that convert or degrade critical natural habitats
- Activities that are proposed to take place inside legally protected areas including National Parks, wildlife reserve, and their buffer zones
- Activities involving harmful or exploitative forms of forced labor and/or harmful child labor

- Activities that would cause dislocation, modification, or restriction of access to cultural heritage sites, and pose adverse impacts to cultural and heritage sites;

Considering the nature of the project and the environmental and social issues connected with it, the exclusion list also includes the following activities:

- Activities that require extraction and distribution of water from the National Parks and protected areas²
- Extraction and distribution of ground water containing Arsenic and other hazardous chemicals
- Construction of barrier for aquatic fauna that would affect their migration
- Construction activities in the river section where there are presence of aquatic species of concern
- Activities that will discharge harmful liquid waste (for example leachate, disinfecting chemicals) directly into the river systems
- Activities that require obtaining FPIC from IPs.
- Extraction of surface water that may substantially reduce downstream flow quantity, degrade water quality or significantly alter the velocity.
- Use of water source that has unresolved social conflict over it (e.g. competing demand or right over it, etc.)
- Extraction of ground water in ground water stressed area adversely affecting existing users source and livelihood in potential project affected area

As a standard procedure, every subproject to be financed under the project will undergo an E&S screening before it is selected for support under the project, in order to comply with national regulatory requirements and the WB's ESSs. The results of the screening exercise will inform the scope of detailed assessment followed by planning and implementation of Environmental and Social Management Plans (ESMPs) including any additional management Plans such as Resettlement Action Plan (RAP), Biodiversity Management Plan (etc), where required. The implementation of ESMP, including any additional management plans will be undertaken by the PMU and the implementing municipalities

² This will not restrict extraction of water from the river/spring outside the protected area boundary, If the river/stream is originating inside a protected area and flows outside, the water can be extracted from outside.

Upon the outcome of screening and once the risk level or Category of subproject is determined, one or combination of different tools, appropriate to the nature and scale of the subproject and proportionate to the level of environmental and social risks and impacts, can be used for the environmental and social assessment of the sub-projects. Some of the environmental and social assessment tools that may be used at subproject level include ESIA, ESMPs, cumulative impact assessment, and social conflict analysis. The assessment will be carried out to assess the risks or negative impacts of the sub-projects that may have on the physical, biological, and socio-economic and cultural environment and to determine measures for avoiding, mitigating, or offsetting such undesired effects. The assessment will inform decision-makers about the potential E&S impacts of the proposed sub-projects and to suggest and document appropriate and reasonable mitigation measures to mitigate and/or minimize the adverse impacts so that the project can be implemented in an environmentally and socially acceptable manner. The assessment will demonstrate the mitigation hierarchy and will recommend site-specific measures for sensitive receptors. The site-specific measures will be reflected in the detailed engineering design, including technical specifications. The environmental and social guidance, such as avoiding using forest areas or other habitat to the extent possible (and where this is not possible, use already converted or degraded forest area and location for any subproject. Sub project component in critical natural habitat will not eligible.), provided in the ESMF will be used during subproject's site selection, planning and design.

Once the sub-project is identified, the PMU and the implementing municipality will carry out the screening to ensure eligibility for funding. The sub-projects with the potential for causing high environmental and social risks will be screened out. The proponent, PMU and/or implementing municipality will prepare a Terms of Reference (TOR) for the preparation of Environmental and Social Assessment reports including ESMPs ensuring integration of the ESF requirements. The TOR will then be submitted to the concerned agencies for approval. A consultant will then be hired to undertake the E&S assessment in accordance with the approved TOR. If required, RAPs, BMPs, Emergency Response Plan etc will be prepared simultaneously with the Environmental and Social Assessment report including the sub-project specific ESMPs.

The PMU will ensure that all the impacts identified in the Environmental and Social Assessment have been assessed and relevant mitigation measures are adequately provided in the ESMPs and

in additional E&S plans, if any. All subprojects E&S assessments shall be reviewed by the PMU E&S Specialists before submitting to the concerned agencies for no objection and/or approval.

The E&S procedures ensure effective integration of the environment and social aspects into subproject design and implementation to strengthen social and environmental risk management and determine the appropriate instrument for addressing the risks. The E& S Specialists of the PMU and E&S personnel from participating municipalities will work together with the design teams for integrating E&S measures in project design. The PMU will ensure that the E&S requirements have been incorporated in the Detail Project Report (DPR) as well as in the bidding and contract documents. This will be reviewed and confirmed by the environmental and social specialists. No sub-project will commence before the required E&S instruments needed for the sub-project are prepared and relevant clearances from the GoN and/ or WB a on those E&S instruments are received. The bidding process will start only after the E&S specifications are integrated in the respective sub-project bidding documents. The enforcement, monitoring and compliance check will be carried out by the E&S Specialists during the construction (contract award and commencement of works) and by the local WASH units during operation and maintenance of the project.

Stakeholder Engagement and Disclosure

A good communication strategy between the project and communities needs to be established to ensure that the project is implemented in a sustainable manner. A Stakeholder Engagement Plan (SEP) has been prepared to guide meaningful engagement with project stakeholders throughout the life of the project. Key objectives of SEP is to keep all stakeholders informed of the project activities, the potential beneficial and adverse impacts; and to ensure that stakeholders actively participate in all levels of the project cycle, i.e., they are able to share and provide inputs in the preparation and implementation of project activities, including E&S management; engaged in implementation and monitoring activities, where relevant; and are well-trained and equipped to take over the responsibilities of operation and management once the project phases out. Consultations on social and environmental issues carried out during implementation of subprojects will be done in an inclusive manner and with active participation from women representatives, indigenous people and Dalit communities and vulnerable social groups. To help support the capacity building of participating municipalities, existing local mechanisms will also

be used for engaging with stakeholders, including the vulnerable and disadvantaged groups such as IPs, Dalits, the elderly, and female-headed households, among others. As explained in the SEP prepared for the project, the vulnerable and disadvantaged groups will be engaged through targeted consultations, focus group discussions, targeted information disclosures and one-to-one meetings, if required.

In the context of COVID-19 crisis, the ESMF has also proposed additional engagement strategies and tools to take into account requirements around social distancing. The ESMF also includes details of the project Grievance Redressal Mechanism (GRM) including a two-tier structure with the provision escalation and detailed procedure for resolution. The first Level-1 GRM will be based at the WASH unit of the participating municipality sub-project and will be led by the Chief of the existing Water Supply Users Committees (and later WASH Units when constituted) and supported by the E&S staff and a technical engineer at the municipalities. Similarly, the Level-2 GRM will be based in the PMU of the DoWSSM, will be headed by the chief of the PMU, and supported by the Social Development Specialist at the PMU and another person assigned by the PUM head. The GRM will be provided at no cost to complainants and without retribution, and will not impede access to judicial and administrative remedies. The structure as well as procedures for the GRM will draw on the existing mechanisms and processes established at the local level to help strengthen the capacity of these local systems. The SEP includes further details around the structure and procedures of the GRM.

Implementation Arrangements for E&S Responsibilities and Capacity Building

Ministry of Water Supply (MWS) will set up a project steering committee (PSC) in the Ministry and a PMU at the Department of Water Supply and Sewerage Management (DWSSM) in Kathmandu, and a Project Implementation Unit (PIU) will be established in each municipality for project implementation in the field. The PMU has recruited an Environment Specialist and a Social Specialist for the purpose project preparation. During implementation, project will retain environmental and social specialists at the PMU as well as at PIU, as needed, who will assume overall responsibility for effective implementation of the ESMF, reviewing documents from E&S perspective, monitoring, guiding consultation process, supporting in capacity strengthening activities, and regular reporting to PMU and the World Bank on the implementation of the ESMF. E&S regular monitoring reports during the project implementation will provide

information on key environmental and social aspects of the project activities and on the effectiveness of ESMF and ESMPs. Amongst other responsibilities, the E&S Specialists will be responsible for the verification and approval of E&S screenings, ESIAAs, ESMPs and other reports, with due concurrence of the World Bank where required, reviewing plans, design & bidding documents from E&S perspective, and will be overall responsible for ensuring E&S compliance.

The PMU staffed with an Environmental Specialist and Social Specialist will be the lead ESMF implementing and monitoring unit. Human resources required for the implementation of ESMF is presented in table 31 of the ESMF. The roles and responsibilities of respective units/agencies and individuals for implementing ESMF are defined and presented in table 32 and 33 of the ESMF.

In addition, an external ESMF monitoring will be conducted thrice during project implementation – after first year of implementation, at mid-term and during the final year of project implementation - to ensure that all E&S issues are being properly addressed and that mitigation measures are being implemented as envisaged by the ESMF. The external ESMF monitoring will be able to identify and recommend any amendments to the approach embodied in this ESMF to improve its effectiveness. The external monitoring will be done by an independent body procured by the PMU, external to the project. The external monitoring will also validate and check the internal, project level monitoring systems. It will also ensure that the project's GRM system to address complaints is functioning effectively. The external monitoring reports will be shared simultaneously with the World Bank and PMU.

Environmental and Social Risk and Impact Management Capacity. The Municipal Social Development unit (and later the WASH units yet to be established) will be responsible for the implementation of consultation activities, managing project-related complaints and grievances, and supporting community mobilization efforts of the project. Staff at the Environment Section will serve as the focal persons for the ESMF activities at the participating municipalities. In effect, the E&S staff at the participating municipality will be responsible for managing E&S issues, with technical support and guidance from the E&S specialists at the PMU. However, the capacity to implement and comply with the environmental and social risk and impact management is low at all three levels. Therefore, project will provide capacity-building support

to the implementing partners, PIUs, provinces, municipalities to identify and manage environmental and social risks and impacts. Project will hire E&S specialists to support implementation of the ESMF and management of E&S risks and impacts related to the project. The Project, DWSSM and PMU together with implementing partners, will develop and implement a capacity building plan, as well as train and provide technical support for project staff towards effective implementation of the ESCP, ESMF, SEP, and other management plans.