



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P505226	Investment Project Financing (IPF)	PFMDEP	2025
Operation Name	Public Financial Management for Development Effectiveness Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Nepal	Nepal	SOUTH ASIA	Governance
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Nepal	Ministry of Finance	15-Apr-2025	30-May-2025
Estimated Concept Review Date	Total Project Cost		
06-Dec-2024	12,500,000.00		

Proposed Development Objective

To strengthen systems for effectiveness in public resource allocation and expenditure management.

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 project aims to focus on the deficiencies in resource allocation and expenditure management, which have been identified as the major constraints to development effectiveness and efficiency. The project will also focus on enhancing accountability considering its impact on development effectiveness and increased importance in the federal context. Based on the lessons learned from the predecessor PFM project, the project aims to consolidate efforts on fewer impactful areas focusing on key PFM challenges to development effectiveness.

D. Environmental and Social Overview



D.1 Overview of Environmental and Social Project Settings

The project's coverage is nationwide. The project has no physical footprint or land acquisition and will not construct any physical structures or finance any external upgrading/maintenance of any facilities. The population in Nepal is heterogenous consisting of Khas, Aryans, Dalits, Indigenous Peoples, Madeshi and others. IP communities include Gurung, Rai, Tharu, Magar, Newar and others. There are also minority groups like Dalits and Muslims.

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

The Ministry of Finance (MOF) will oversee the implementation of the project. Based on the various intervention areas, in coordination with the subnational governments, the activities will be implemented by the various PFM agencies as per their mandate – National Planning Commission, Ministry of Finance, Public Procurement Monitoring Office, Financial Comptroller General Office, Ministry of Federal Affairs and General Administration (MOFAGA), Office of the Auditor General, and Public Accounts Committee. The International Economic Cooperation Coordination Division of MoF has forest and environment section and social section which looks into the environmental social (E&S) risks. Like wise MOFAGA has social, environmental and disaster section to look into E&S aspects. However, the other implementing partners do not have dedicated units to oversee the E&S risks, hence the capacity needs to be developed in these entities.

The PFM Steering Committee represented by the subnational governments will provide strategic direction on PFM reforms for the three tiers and the PFM Reform Unit in MOF along with the technical coordination mechanism represented by the subnational governments will ensure coordination and monitor implementation progress in the three tiers.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Low

A.1 Environmental Risk Rating

Low

The environmental risk for the project is classified as low. The project's focus is on reforming, strengthening, and enhancing the management of public financial resources within the country. This will involve soft activities such as providing technical assistance and capacity building. There will be no financing of civil works, thus eliminating environmental risks typically associated with physical infrastructure development. However, the project will procure computers, servers, and other IT equipment necessary for improving digital data management and solutions. The anticipated environmental risks and impacts are primarily associated with the end-of-life management of this IT equipment, which could contribute to increase and mismanagement of e-waste. To address this concern, the requirement of the e-waste management plan will be included which will be incorporated into the Environmental and Social Commitment Plan (ESCP) to ensure proper disposal of the equipment, batteries at the end of its lifecycle.

A.2 Social Risk Rating

Low



The social risks for the project are assessed as low. The risks include occupational health and safety concerns related to the handling and operation of IT equipment. With numerous agencies and implementing bodies involved, the project's success hinges on effective stakeholder collaboration. Without inclusive engagement and a balanced approach to the various needs and priorities of these agencies, there could be coordination challenges and a potential neglect of gender and climate considerations in PFM reforms. Specifically, within the framework of aligning periodic plans, the Medium-Term Expenditure Framework (MTEF), and annual budgets across government tiers, the absence of comprehensive consultations could result in overlooking gender-responsive budgeting. Another risk could extend to inadvertently excluding individuals or agencies with limited access to technology or digital skills as the project relies on digital based reforms and online capacity building programs. The multilayered implementation structure can also undermine the capacity of the implementing agencies to manage and mitigate these social risks.

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

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

Relevant

Since the project will not support any construction of infrastructure or modifications and not require land acquisition, no environmental and social risks related to physical aspects, biodiversity, and cultural heritage have been identified. The Borrower's framework will be used to manage E&S risks for this project. The risks associated with the project and the action and measure required to mitigate will be included in the ESCP. Requirement of the e-waste management plan preparation will be included in the ESCP. Risks of exclusion of individuals or agencies with limited access to technology or digital skills as the project relies on digital based reforms and online capacity building programs will be managed through meaningful stakeholder engagement during project preparation and implementation. The provisions related to stakeholder engagement and grievance redress will be included as commitments in the ESCP.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

This standard is relevant. Stakeholder engagement and disclosure of information with stakeholders will be key for planning and implementing project activities. The project activities will be used for PFM capacity building of the three tiers of government. The project stakeholders and their level of engagement will be identified and mapped during project preparation. The stakeholder engagement activities as part of the coordination, capacity building, two-way communication during project preparation and implementation, establishing a grievance redress mechanism and ensuring timely disclosure of project information will be detailed in the Environmental and Social Commitment Plan (ESCP).

ESS2 - Labor and Working Conditions

Relevant

The implementation of the project will involve direct workers (consultants hired by the PMU) and contracted workers. PMU consultants and Government staff will primarily implement the Project. The project will apply the Borrower's framework for labor and working conditions. The ESCP will reflect commitments concerning labor management and practices. Beyond the national framework, a worker grievance mechanism will be put in place, as will be indicated in the ESCP. The ESCP will include the commitment to include a Code of Conduct (CoC) to prevent



and manage SEA/SH risks into contracts to address the associated risk of SEA/SH. Provisions related to OHS, child/forced labor, SEA/SH code of conduct will apply to civil servants during their involvement with the project.

ESS3 - Resource Efficiency and Pollution Prevention and Management Relevant

The project will procure computers, servers, and other IT equipment necessary for improving digital data management and solutions. The anticipated environmental risks and impacts are primarily associated with the end-of-life management of this IT equipment, which could contribute to increase and mismanagement of e-waste. Requirement of the e-waste management plan preparation will be included into the Environmental and Social Commitment Plan (ESCP) to ensure proper disposal of the equipment, batteries at the end of its lifecycle. The e-waste management plan will include storage, and end disposal of e-waste in accordance with international practices, and monitor e-waste disposed.

ESS4 - Community Health and Safety Not Currently Relevant

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

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

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

ESS8 - Cultural Heritage Not Currently Relevant

ESS9 - Financial Intermediaries Not Currently Relevant

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

Borrower's framework will be used, gaps will be captured in the ESCP.

Use of Common Approach No



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 Appraisal?

Preparation of ESCP with SEP included.

III. CONTACT POINT

World Bank

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IV. FOR MORE INFORMATION CONTACT

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