



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal 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
Total Project Cost			
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 is nationwide in scope and builds on the achieved outcomes and lessons learnt from the successful implementation of the predecessor Integrated Public Financial Management Reform Project (IPFMRP) project.

The project areas and activities are based on the priorities outlined in the PFM Reform Strategy to ensure ownership and sustainability as it has been prepared with extensive consultations with the three tiers. The project does not involve any physical footprint, land acquisition, or construction of physical structures. It also does not finance any external upgrading or maintenance of facilities.

Nepal's population is heterogeneous, consisting of various ethnic groups such as Khas, Aryans, Dalits, Indigenous Peoples, Madhesi, and others. Indigenous Peoples communities include groups like Gurung, Rai, Tharu, Magar, and Newar, while minority groups include Dalits and Muslims. The project primarily focuses on the systems and procedures for public finance management and does not directly involve beneficiaries at the community level. The primary beneficiaries will be the three tiers of government (implementing agencies as well as others implementing PFM systems) that will benefit from operational effectiveness and efficiency due to development of the streamlined PFM procedures, capacity building, and information system updates to institutionalize the procedures.

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, other implementing partners will need capacity building for managing E&S risks.

The MoF will assign E&S Specialist within the designated organizational structure, including the required human resources to support management of environmental, social, health and safety (E&S) risks and impacts of the Project, which shall be maintained throughout Project implementation. While the agencies will be responsible for managing their respective E&S risks, the Fiscal Federalism Coordination Division (FFCD) of MOF will coordinate with all the agencies to manage overall E&S risks and impacts of the Project.

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 for the project is classified as low. The project's focus is on strengthening the PFM systems and procedures within the country with no requirement of civil works or modifications, nor will it require land acquisition. This will involve soft activities such as providing technical assistance and capacity building. As a result, no environmental risks related to physical aspects, biodiversity, or cultural heritage have been identified. However, the project may procure computers, servers, and other IT equipment necessary for improving digital data management and solutions. The key environmental risks and impacts at the appraisal stage are primarily associated with (a) the end-of-life management of such IT equipment, which could contribute to increase and mismanagement of e-waste at the end of their lifecycle, and (b) maintaining the health and hygiene of training venues.

Low

A.2 Social Risk Rating

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 the process of the Medium-Term Expenditure Framework (MTEF), and annual budgets across government tiers, the absence of comprehensive consultations could result in overlooking relevant gender aspects. Another risk could extend to inadvertently excluding individuals with limited agency to capacity building programs. The Civil Society Organizations (CSOs) and citizens will have opportunity to engage through citizen engagement procedures integrated into MTEF, budgeting and oversight procedures for which the project will ensure that the socio-cultural and context-specific needs of these diverse stakeholders are addressed, with measures to prevent the exclusion of disadvantaged and vulnerable groups from project benefits. For this, Stakeholder engagement will be a key component. The involvement of multiple implementing agencies can also present complexities in ensuring consistent and effective management and mitigation of these social risks.

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

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. Given the project's low E&S risk, the Recipient's E&S Framework will be used to manage the risks and impacts and where gaps are identified, the existing framework will be strengthened with WB standard, which will be maintained throughout the project implementation to ensure consistent management of E&S risks. The Environmental and Social Commitment Plan (ESCP) has been prepared and will be agreed between the World Bank and the Recipient and disclosed before Project Appraisal. The risks associated with the project and the actions required to mitigate will be specifically outlined in the the ESCP. The MoF and associated entities will conduct environmental and social (E&S) screenings and assessments for all project activities. This includes integrating E&S mitigation measures into the Terms of Reference (ToRs) and contract documents. These measures will be applied to all project activities, including training, capacity building, and the installation of IT equipment and computers. The relevant aspects of the ESCP will be incorporated into the contracts and ToRs. For e-waste management where gap is observed, the recipient will use



existing e-waste management guidelines for World Bank-financed projects in Nepal, which will be revised and adapted as necessary to ensure that the project effectively manage both hazardous and non-hazardous electronic wastes, as specified in the ESCP. These revised guidelines will include storage and end disposal of e-waste in accordance with international practices, and monitoring of e-waste disposed. The Project has identified MoF and five associated agencies as primary stakeholders. Potential stakeholders include CSOs and staff involved in and benefiting from the project's capacity building programs. The stakeholder list will be continuously reviewed and updated during the preparation phase to include new stakeholders. The ESCP outlines specific actions for stakeholder engagement, SEA/SH, including the GRM, to ensure that consultations are inclusive, informative, timely, and accessible throughout the project cycle. The MoF and associated agencies will also ensure that the e-waste management, stakeholder engagement, and measures to prevent Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH), are incorporated into the E&S specifications of procurement documents and contracts with contractors and supervising firms. Contractors and supervising firms will be required to comply with these E&S specifications and ensure their subcontractors do the same.

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 MoF and associated entities will ensure effective stakeholder engagement and information disclosure throughout the project. This includes identifying relevant stakeholders and providing them with timely, understandable, and accessible information about the project's environmental and social risks and impacts. Consultations will be conducted in a culturally appropriate manner, free from manipulation and discrimination. An ongoing feedback mechanism will be established to maintain continuous engagement with stakeholders. All engagement activities, including stakeholder identification, information dissemination, consultation methods, feedback received, and responses, will be documented and reported regularly as detailed in the ESCP. Special attention will be given to engaging disadvantaged or vulnerable stakeholders. The existing grievance redress mechanism (GRM) of the MoF and all implementing agencies will be updated to handle project-related concerns and grievances. It will also be equipped to address SEA/SH complaints, ensuring safe, confidential, and survivor-centered referrals to relevant service providers. The updated GRM will be in place before the project's effectiveness and maintained throughout the project implementation.

ESS2 - Labor and Working Conditions

Relevant

The implementation of the project will involve direct workers (consultants hired by the implementing agencies) and contracted workers. Government staff will primarily implement the Project. The project will apply the Recipient's framework for labor and working conditions. As reflected in the ESCP, the project will adopt and implement the legal provision under Labor Act 2017, Labor Rules 2018, Child Labor Prohibition and Regulation Act, 2000, workplace Harassment Prevention Act, 2015, which are applied/extended to all project staff, workers, consultants and contractors. The ESCP includes the commitment to develop a Code of Conduct (CoC) based on the existing code of conduct of the Government 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 also apply to civil servants during their involvement with the project.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant



The project may 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 such IT equipment, which could contribute to increase and mismanagement of e-waste. The existing e-waste management guidelines for World Bank-financed projects in Nepal will be revised and adapted as necessary to ensure that the project effectively manage both hazardous and non-hazardous electronic wastes, as specified in the ESCP. These revised guidelines will include storage and end disposal of e-waste in accordance with international practices, and monitoring of e-waste disposed.

ESS4 - Community Health and Safety Not Currently Relevant

N/A

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

N/A

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

N/A

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

N/A

ESS8 - Cultural Heritage Not Currently Relevant

N/A

ESS9 - Financial Intermediaries Not Currently Relevant

N/A

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 Part

The project will use the Recipient's ES Framework partially to manage the environmental and social risks and impacts. The project will rely on Nepal's environmental policies, legal regulations, and institutional frameworks on updating/adapting e-waste management guidelines including its monitoring and reporting mechanisms. However, on



e-waste management and stakeholder engagement where gaps exist in Recipient's framework, WB standards will apply. The project will enhance stakeholder engagement and information disclosure, including the use of existing grievance mechanism of the government institutions to make it more transparent and equipped to receive grievances including those related to SEA/SH. The e-waste management guidelines for World Bank-financed projects in Nepal will be revised and adapted as necessary to ensure that the project effectively manage both hazardous and non-hazardous electronic wastes, as specified in the ESCP. These revised guidelines will include storage, and end disposal of e-waste in accordance with international practices, and monitoring of e-waste disposed. Additional training and capacity-building initiatives will be provided to ensure alignment with ESS1 and ESS 3 and ESS 10 requirements and gaps that have been outlined 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?

- Stakeholder engagement actions
- Revised E-waste management guidelines
- SEA/SH mitigation and response actions

III. CONTACT POINT

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IV. FOR MORE INFORMATION CONTACT



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