



Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 27-Jan-2023 | Report No: PIDC35382



BASIC INFORMATION

A. Basic Project Data

Country Nepal	Project ID P178687	Project Name NEPAL GREEN, RESILIENT AND INCLUSIVE PROGRAMMATIC DPC 2 (P178687)	Parent Project ID (if any) P177776
Region SOUTH ASIA	Estimated Board Date Jul 08, 2024	Practice Area (Lead) Environment, Natural Resources & the Blue Economy	Financing Instrument Development Policy Financing
Borrower(s) Nepal	Implementing Agency Ministry of Finance		

Proposed Development Objective(s)

The development objective is to improve the enabling environment for Nepal's green, climate-resilient, inclusive development pathway.

Financing (in US\$, Millions)

SUMMARY

Total Financing	100.00
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DETAILS

Total World Bank Group Financing	100.00
World Bank Lending	100.00

Decision

B. Introduction and Context

Country Context

The Second Nepal Green, Resilient, and Inclusive (GRID) Programmatic Development Policy Credit (DPC-2) is part of a three-operation DPC series, which is a catalyst for Nepal’s on-going transition to a GRID path. The series is a key instrument for Nepal to operationalize GRID across the economy. This ambition is articulated in the 2021 *Kathmandu Declaration on GRID* and Nepal’s emerging *GRID Strategic Action Plan (SAP)*, which identifies US\$10 billion of on-going and pipeline investments for 10 key transitions over the next 10 years. Sixteen Development Partners (DPs) back this



effort and coordinate operationally via Nepal's GRID partnership platform on policy and investment. GRID DPC-2 builds on GRID DPC-1 to programmatically support Nepal's transition to a greener and more resilient growth path that leaves no one behind.

Nepal's political situation remains fluid. A new coalition government of the ten-party alliance was formed in March 2023. It followed a second vote of confidence by the Prime Minister. Local elections were conducted in May 2022 followed by federal and provincial elections in November 2022. At the sub-national level, a growing set of functions, funds, and staff continue to be managed by the seven provinces and 753 local governments for which legislation, policies, institutions, and administrative procedures are in the process of being formalized as per the 2015 Constitution. This process of federalization is supported by this DPC series.

Nepal's macroeconomic policy framework is adequate for development policy financing. The risk of debt distress remains low and the Government of Nepal remains committed to sustaining fiscal sustainability, as evidenced by relatively stable macro-economic and fiscal indicators during the pandemic and in the subsequent year.

Relationship to CPF

GRID DPC-2 helps to operationalize World Bank's overarching transition towards the GRID agenda to support Nepal's long-term development trajectory, as identified in the 2022 Performance and Learning Review (PLR) of the Nepal Country Partnership Framework (CPF) FY19-24. The operation is consistent with all three Pillars of the CPF—(a) public institutions, (b) private sector-led jobs and growth, and (c) inclusion and resilience. The CPF's first pillar, "Public institutions" targets to strengthen institutions for public sector management and service delivery. The second Pillar "Private sector-led jobs and growth" emphasizes the need to (i) improve regulatory environment for competitiveness, and (ii) improve income opportunities for farmers, women, and disadvantaged youth. The third Pillar "Inclusion and resilience" aims to (i) improve access to services and support for the well-being of the vulnerable groups including access to water and sanitation, (ii) increase resilience to health shocks, natural disasters, and climate change, and (iii) improve adaptation of sustainable natural resources, to enable more sustainable, efficient, resilient, and inclusive growth. The GRID DPC series will directly contribute to these CPF targeted outcomes.

C. Proposed Development Objective(s)

The development objective is to improve the enabling environment for Nepal's green, climate-resilient, inclusive development pathway. The objective is supported by two pillars: Pillar 1 aims to embed GRID principles in strategic development planning across sectors. Pillar 2 aims to support sectoral transitions to green, resilient, and inclusive development pathways.

Key Results

The results of Pillar 1 are: (a) increased percentage of electric passenger vehicles registered, (b) increased percentage of imported internal combustion engine vehicles that meet the new vehicle standards, (c) adoption of an effective, inclusive, and transparent land classification, mapping, and planning framework, (d) automatic hydrological monitoring stations and radar that are fully operational in additional locations, and (d) increased number of Strategic Environmental and Social Assessments carried out for public policies, programs, and strategic plans.

The results for Pillar 2 are: (a) Tourism concession contracts issued under the National Parks and Wildlife Conservation Regulation (b) increased land covered by an approved forest management plan in line with the Forest Regulation, (c) increased percentage of forest users' groups annual income spent on women empowerment and female entrepreneurship activities, (d) usage of at least one social protection program's delivery system to provide relief and recovery in response to a shock, (e) increased proportion of sectoral spending at the federal and provincial levels for



climate smart agriculture investments, (f) River Basin Offices established at the river basin level to promote integrated management of water resources, (vii) improved collection of WASH data using the National WASH Management Information System at the Palika level to improve service quality, and (g) increased investment flows to Solid Waste Management at federal and local levels, from both public and private sources.

D. Concept Description

The Government of Nepal (GoN), recognizing the need for an enhanced development model to adequately address the overlapping and interrelated crises, adopted the GRID agenda. Since the 2021 *Kathmandu Declaration on GRID*, the GoN has taken significant steps to transition to a GRID development pathway, as evidenced by the Second Nationally Determined Contribution (NDC), several budgets, and the GRID SAP. The DPC series anchors Nepal's shift to GRID through an integrated reform program for 10 key multi-sectoral transitions. Under its two pillars, the DPC supports measures to decrease in net greenhouse gas (GHG) emissions through sustainable forest management, climate-smart agriculture, better land use, biodiversity conservation, cleaner transport, green buildings, and solid waste management. Each of these actions also deliver a double dividend of greater climate adaptation and resilience. The DPC also addresses exclusion by strengthening decision-making by local people on benefit sharing, access to resources, assets, and services, and encourages private sector investment across the reform program. The DPC is a substantive step to implement GRID by building partnerships to develop and align policy and leverage associated new public and private investment. It is backed by recommendations from the *Nepal Climate Change Development Report* (CCDR).

Under DPC-2 Pillar 1, Prior Actions by the GoN include: (a) adoption of stronger emission standards for new vehicles, (b) approval of the Land Use Implementation Directive (Nirdeshika) to implement the land use planning framework of the 2022 Land Use Regulation, (c) approval of the Hydromet Policy to provide hydro-meteorological services to support the delivery of sector-specific weather, water, and climate data, and improve decision making, and (d) amendment to and adoption of the amendment of the Environmental Protection Rules 2020 to specify stronger parameters for conducting Strategic Environmental and Social Assessment and Environmental Impact Assessment including public disclosure and consultation requirements.

Under DPC-2 Pillar 2, Prior Actions by the GoN include: (a) approval of National Parks and Wildlife Conservation Regulation that would enable conservation partnerships with private sector entities by regulating the operation of tourism concessions in protected areas, (b) approval of Provincial Forest Regulations that promote training, employment, and economic opportunities for women and Indigenous People and Local Communities through equitable benefit sharing mechanisms in two provinces, (c) approval of legally binding guidelines for shock-responsive social protection, (d) adoption of the National Irrigation Policy that defines roles and responsibilities among three tiers of the government, strengthens capacity to ensure participation by women and marginalized farmers and boosts the sustainability of the irrigation systems. (e) approval of (i) National Drinking Water, Sanitation, and Hygiene Policy 2023, (ii) Drinking Water and Sanitation Act 2022, and (iii) the Water Supply and Sanitation Regulation 2023, and (f) enactment of the Solid Waste Management Act.

E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

The GRID DPC series aims to contribute to reduce poverty and improve inclusion. DPC-2 is expected to support delivery of several benefits for poor and marginalized communities, including enhanced resilience to climate shocks, improved environmental health, natural resource health, strengthened social protection, and improved land use planning. However, there may also be detriments associated with these GRID transitions. The detailed poverty and social impact assessment now underway will analyze these tradeoffs and assess the likely impacts.



Environmental, Forests, and Other Natural Resource Aspects

The policy measures supported by this operation aim to, and would likely, have significant beneficial effects on environmental health, forests, natural resources, and climate. The environmental analysis now underway will include institutional capacity aspects as well as an analysis of potential negative effects.

CONTACT POINT

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APPROVAL

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