

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC2432

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I. BASIC INFORMATION

A. Basic Project Data

Country:	South Asia	Project ID:	P144335
Project Name:	Nepal-India Trade And Transport Facilitation Project (P144335)		
Task Team Leader:	Diep Nguyen-Van Houtte		
Estimated Appraisal Date:	00-undefined-0000	Estimated Board Date:	12-Dec-2013
Managing Unit:	SASDT	Lending Instrument:	Specific Investment Loan
Sector:	General transportation sector (40%), General industry and trade sector (15%), Other domestic and international trade (15%), Agro-industry, marketing, and trade (15%), Public administration- Industry and trade (15%)		
Theme:	Trade facilitation and market access (25%), Regional integration (25%), Export development and competitiveness (25%), Other trade and integration (25%)		
Financing (In USD Million)			
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			99.00
International Finance Corporation (IFC)			2.00
Total			101.00
Environmental Category:	A - Full Assessment		
Is this a Repeater project?	No		

B. Project Objectives

23. The proposed development objective is to facilitate efficient goods trade between Nepal and India. This will be done by removing key trade-related infrastructure constraints within Nepal, and by alleviating soft barriers to trade between Nepal and India including those related to policy, procedures, and systems for international trade transiting between the two countries.

C. Project Description

Enhancing trade competitiveness is one of six priorities of the Government of Nepal's development plan. For this, the Government of Nepal (GoN) has requested the World Bank to provide IDA financing, to support Nepal in addressing its commitments to enhancing regional trade including along the Kathmandu-Kolkata Corridor. The GoN's 2010 Trade Integration Strategy (NTIS) seeks to enable inclusive growth in Nepal through enhancing the competitiveness of Nepal's exports and reducing the cost of trade. The priorities of this strategy include: (i) reducing the time and cost of trade-related transactions through efforts at simplification, harmonization, and automation; (ii) building the capacity of domestic trade-related institutions including for sanitary and phytosanitary inspections, trade negotiations, trade facilitation and logistics, and monitoring and regulating trade-related sectors; and, (iii) enhancing the Government's ability to coordinate trade-related institutions and development partners.

Towards meeting the priorities identified in the NTIS, the World Bank is currently implementing the Nepal Regional Trade Non-Lending Technical Assistance Program (NLTA) designed to enhance the government's capacity to implement the NTIS by providing technical assistance to the key trade-related institutions to: (a) develop plans for trade facilitation and logistics; (b) put in place an effective monitoring system; (c) undertake key sector studies and receive just-in-time expertise (as needed) and; (d) draft capacity development plans (including for HR development, change management and coordination).

Institutions covered by this NLTA include the Ministry of Commerce and Supplies (and its agencies Nepal Intermodal Transport Development Board Secretariat and Trade and Export Promotion Council), Department of Customs, and Ministry of Physical Planning, Works and Transport Management. Key results expected include: (i) Enhanced capacity to monitor transport time and costs at Nepal's main trade corridor, the Kolkata-Raxaul-Birgunj-Kathmandu Corridor; (ii) Enhanced capacity to coordinate trade-related institutions and development partners; and (iii) Enhanced capacity/knowledge in trade facilitation and logistics.

To take forward the actions/activities identified by the NLTA, the Nepal India Trade and Transport Facilitation Project (NITTFP) is being designed. The main objective of the proposed project is to facilitate efficient goods trade between Nepal and India. Apart from improving road segments within Nepal in need of repair and expansion, reforms will be sought to address the fragmented supply chains arising from operational, organizational, procedural, regulatory issues and business practices, and to modernize the transit regime within Nepal and between Nepal and India.

The project will have three components. The proposed activities under each of these components have been briefly described below. The estimated total project cost is US\$101 million (m). IDA will finance US\$99 million, and the IFC will provide US\$2 million in support from its South Asia Regional Trade and Integration Program (SARTIP). The projected costs below may change when all feasibility studies are finalized.

Component 1: Modernize transport and transit arrangements between Nepal and India (US\$7 m: US \$2m IFC, US\$5m IDA)

Through this component, the project seeks to improve the efficiency of the systems used to manage and control the movement of Nepal and India's third country trade by providing technical assistance to: (a) Nepal to propose evidence based amendments to the Transit Treaty and Rail Services Agreement in order to expedite the movement of third country trade passing through the two countries; (b) Nepal and Indian Customs to simplify and harmonize customs and border management procedures, processes and systems, especially to provide for electronic interchange of data; (c) Road

Transport Regulatory Authority in Nepal to strengthen and modernize the regulation of international trucking services; and (d) Introduce a modern and effective transit regime between the two countries.

Component 2: Strengthen Trade Related Institutional Capacity in Nepal (US\$20m)

a) Trade Portal and Single Window System Development: The project will finance the design and development of a Trade Information Portal and a Single Window system and related governance arrangements that will collectively allow traders to obtain all relevant information and undertake most regulatory requirements associated with clearing import, export and transit consignments via a single web-based gateway. Preparatory work for this component, including work planning and change management has already begun under the Bank-managed NLTA Program.

b) Institutional strengthening and Inter-agency Coordination including financing of PCO: Support human skills development and other strategic institutional strengthening measures for targeted trade-related agencies so that they can better support and promote international trade. Specific activities include: (i) Support the implementation of the Customs Human Resources Development Plan; (ii) Support capacity development and institutional strengthening for the Ministry of Commerce and Supplies; and, (iii) Establishment of the PCO including strengthening the M&E capacity of the NITDB.

Component 3: Improve Select Trade-Related Infrastructure (US\$74m)

a) Expand and upgrade the Narayanghat-Mugling road section: This road section is one of the most congested in Nepal with 90 percent of Nepal's international trade passing through this road. The Project will support upgrading 33km of this road to a two-lane Asian Highway Standard from an existing intermediate carriageway and finance road safety, axle load control and environmental management measures.

b) Build a distribution/warehousing/logistics center or ICD in Kathmandu. Currently there are no parking or warehouse facilities available for trucks carrying international goods trade from or to Kathmandu, placing significant burdens on traders, freight forwarders, transporters/truckers, and increasing further the time and cost of transport. With heavy traffic congestion in and around Kathmandu, truckers have nowhere to park to off-load imported goods or load goods for export.

c) Improve the infrastructure at Birgunj ICD through the extension of the warehouse shed and removal of unused rail tracks at the Birgunj ICD. Currently, the warehouse shed covers only half the length of a train shipment. During the rainy season, the remaining goods are exposed to the elements and perishables goods would rot or suffer damage. Removal of a set of unused tracks would create space for loading and unloading of Nepal's international goods trade, which would also speed up these processes.

d) Develop Multi-Functional Joint Analysis Laboratories (including for Customs and SPS inspections including food, plant, and animal quarantine): a) Finance the refurbishment or construction, provision of equipment, IT systems and connectivity, technical assistance, staffing and human resources capacity development to develop new multi-functional, multi-agency, joint analysis laboratories at the Central Laboratory in Kathmandu and at select border posts; and, b) Support the international accreditation of the laboratories with Indian expertise and technical assistance.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The proposed project is located in Nepal, a geographically small landlocked country. Nestled between China and India, the two most populous and among the world's most rapidly growing economies, Nepal's territory is mostly mountainous/hilly and its transport infrastructure is poor, leaving many communities with limited access to local and international markets. The country is located in the central part of the Himalayan arc and occupies nearly one third of the mountain range.

In terms of physiography, 83 percent of the country's geographical area is mountainous terrain and the remaining 17 percent lies in the northern edge of the alluvial plains of the great Gangetic Basin.

Transport costs are high and the country near-completely depends on India for transit routes. Sharing a 1,800 km long border and 22 border points, India is often considered Nepal's 'natural' trading partner. The port of Kolkata in India particularly has been serving as Nepal's access to the sea and is a major transit point for Nepal's third-country trade. India also provides a large market for Nepali goods and services, and is Nepal's largest trading partner, with about two-thirds of Nepal's trade going to or coming from India.

Despite its proximity and deep economic relations with India as well as China, Nepal's trade outcomes have been poor. Since 2007, exports have been stagnant (declined by about 5 percent), while imports have increased by more than 50 percent. Nepal is lacking key logistics or trade-related infrastructure including internationally-accredited laboratories for sanitary and phytosanitary (SPS) inspections, clearance/distribution centers in Kathmandu where most of Nepal's trade is on-loaded and off-loaded, and agro-processing facilities. Congestion at Custom Yards is also an impediment to Nepalese exports. The Customs system and related infrastructure need to be automated and modernized, with processes and procedures simplified and harmonized with that of India.

The transport sector in Nepal is dominated by road transport, which accounts for almost all domestic passenger and freight movements. Nepal does not have an operational domestic railway system, except for a short stretch at Birgunj that connects to the Indian system. Waterways and ropeways transport are also practically non-existent in Nepal. Road transport is therefore the only dominant mode of transport within the country and between the country and its neighbors. Road congestion is increasing at Nepal's borders because of higher traffic volumes and because transit is constrained by the poor condition of roads.

All of these constraints and the country's difficult terrain conspire to make Nepal's transport costs among the highest in the world and second highest in South Asia after Afghanistan. If GoN does not address the constraints within Nepal, GoI's investments both on the Indian side and on the Nepali side would not realize their intended benefits of increasing bilateral and international trade.

In terms of road infrastructure for trade, the 276 km stretch of road from Birgunj to Kathmandu, which forms part of the SAARC Regional Road Network (SAARC Road Corridor 2), is the most important trade route in Nepal. Yet, sections of this road, including the 33 km of the Narayanghat-Mugling section and the 50 km Birgunj-ICD-Pathlaiya-Ratomate-Hetauda section, are too narrow to accommodate existing (and projected) traffic passing through them. Moreover, once construction of the Integrated Check Posts (ICPs) is completed by India, more traffic is expected to pass through the Raxaul-Birgunj border post at a faster rate, causing even greater congestion than at present along the Birgunj to Kathmandu route.

The heaviest traffic load is on the Narayanghat-Mugling-Kathmandu road section, parts of which are neither in good condition, nor safe. Traffic from Birgunj, Biratnagar and Siddharthnagar converges near Narayanghat. The approximately 144 km stretch of road between Narayanghat and Kathmandu therefore carries the heaviest traffic load in Nepal dominated by trucks carrying domestic and international trade traffic, and has been identified by the private sector as the most important stretch of road for trade traffic in Nepal.

Another important road link is the Birgunj-Pathlaiya-Hetauda road section connecting to Nepal's busiest border post (handling 60 percent of Nepal's trade) at Birgunj-Raxaul and is also very congested. While the project will not finance upgrading of the Birgunj-Hetauda road section, the road

between Narayanghat and Mugling has been proposed for improvement under Component 3 of the project and an appreciation of its characteristics/ issues remains the most relevant from a safeguard analysis perspective for this project.

The Narayanghat –Mugling (N-M) road starts at Narayanghat (km. 0+000). However, the proposed improvements under the project will start from Aptari (km 2+425) (junction where bypass road to Bharatpur meets the N-M road) and end at Mugling (km 35+677). The road lies in Chitwan district of Central Development Region of Nepal. The road was constructed initially as a single lane road. Later, it was widened to intermediate lane with additional structures. Traffic movement is around 6000 vehicles per day. The road traverses along the left bank of the Trishuli River. The project road has bridge crossings over 18 tributaries of this River. Major settlements along the road alignment are Aptari, Ramnagar, Jugedi, Dasdhunga, Ghumaune, Simaltar, Khahare, Syauli Bazar and Mugling. The road passes through forest area, settlements and cultivated land. Presently, the width of the road is 6 to 10 mts. The width of the road is intended to be widened to 11 mts. up to km 16 and from there to Mugling to 9 mts.

The topographical setting of the road alignment corridor is characterized by hill and river basin. It is largely a rugged terrain consisting of northwest to southeast and north to south trending ridges. The traffic movement on the road also gets constrained by landslides/land slips, particularly during the monsoons. As a result, culverts get blocked and the debris flows cause extensive damage downhill by overtopping the road bench and/or or cause ways.

A small section of the Narayanghat-Mugling road (about 6 km, from chainage 2+425 to 8+ 500) falls within the Barandabhar Forest Corridor (BFC) that has been gazetted as a Protected Forest by GoN in February 2012. Within this zone, a stretch of about 4 km or less remains free from human habitation.

Barandabhar Protected Forest is a 29 km long forest patch, extending from Mahabharata range in the north to Chitwan National Park to the south. Major tree species are Sal at the Terai and mixed Sissoo-khair forest at the hill side. It is rich in biological diversity both in terms of the plant and animal species found here. This forest is also an important corridor for the one-horned rhinoceros, a globally threatened species. The rich biological diversity of BFC has witnessed severe pressure from human interferences, leading to forest clearance and adverse impact on wildlife. The forest is bisected by many roads, including the east-west Mahendra Highway, which has fragmented the natural habitat creating a barrier to the free movement of wildlife.

The Narayanghat-Mugling road traverses in a north-south direction through the BFC's western fringe. While a part of the BFC lies within the buffer zone of Chitwan National Park, the proposed project road is entirely located outside this ecologically sensitive buffer zone of CNP. Wildlife such as Bandel (*Sus scrofa cristatus*), Syal (*Canis aureus*), Hanuman Langur (*Semenopithecus*), Rato Bandar (*Macaca mulatta*), Chituwa (*Panthera pardus*), Jarayo (*Cervus unicolor*), Chital (*Axis axis*), Harin (*Muntiacus muntjac*), Ghoral (*Naemorhedus goral*), Nilgai (*Boselapus tragacamelus*), Monkey (*Macaca mulatta*) and Ban Biralo (*Felis chaus*), are known to move across the road, particularly in the night. Other environmental concerns on this road include slope stability (landslides, erosion, toe cutting by river), disposal of debris, traffic safety and management during construction.

The Narayanghat-Mugling road links Bharatpur Municipality with Kabilash, Dahakhani, Chandibhanjyang and Darechock VDCs of Chitwan district. The right of way (RoW) for this road was declared in 1977 and deemed to be acquired and owned by the government. All the road improvement work is confined within the existing RoW and therefore additional land acquisition is not required for the proposed upgrading works of this sub-project. The present detailed design

requires 11 meters widening up to km 5+500 (Jugedi/ Bhateri) where the road passes through flat land. After Bhateri, the rocky hill area begins where widening is proposed to be limited to 9 meters. In both sections, the existing Right of Way is 25 meters on either side of the road and so there is no need for additional land acquisition requirement.

E. Borrowers Institutional Capacity for Safeguard Policies

The most significant issues with regard to safeguards are associated with Component 3 of the proposed project, namely expansion and upgrade of the Narayanghat-Mugling road section. The Department of Roads (DoR), which will be the implementing agency for this component, is familiar with the Bank's safeguard requirements, through its involvement in two other Bank funded projects, namely Road Sector Development Project and Rural Access Improvement and Decentralization Project. On the social and environmental management aspects, the department has gained basic familiarity and experiences with regard to the Bank's safeguard requirements through the said on-going projects.

The staff in Department of Roads is generally aware of environmental issues and management requirements. Staff in the Geo Environment and Social Unit (GESU) of the DoR has basic knowledge and experience in environmental and social fields gained through other projects financed by the Bank and other donors. GESU's knowledge regarding environmental and social aspects has been enhanced by their role in preparing and implementing ESMFs, EMPs and RAPs. There are some examples of good environmental practices such as bio-engineering and various guidance documents. However, the extent of their use is limited. Works of the GESU in the past have been hampered by frequent transfer of staff, lack of financial and logistical resources, and deficiency in coordination with other units/agencies. However, given the overall past experiences in preparing and implementing externally-funded projects, GESU has the potential to strengthen its knowledge base and capacity and put them together into practice in the proposed project.

Specific capacity strengthening support will be necessary, as assessed during the Environmental and Social Assessment study of the proposed project, particularly on issues pertaining to biodiversity management. In this regard, early in project implementation, suitable orientation and training programs will be conducted for GESU and DoR staff. The Project will also hire Social Mobilizers and there will be full time environment and social staff working with Project Supervision Consultants.

F. Environmental and Social Safeguards Specialists on the Team

Neha Pravash Kumar Mishra (SASDI)

Parthapriya Ghosh (SASDS)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	Specific interventions envisaged under the project such as widening and upgrade of the Narayanghat-Mugling road may have some potential adverse environmental impacts in its area of influence. Even though this is an existing road with considerable traffic, planning and construction of this road corridor would

		<p>require avoidance/ mitigation measures to ensure that adverse environmental impacts are minimized and properly managed. Impacts pertaining to road design (landslides/slips; drainage); work site safety management, including occupational health and safety of construction workers; soil erosion would require attention.</p> <p>On other project interventions such as (a) development of multi-functional joint analysis laboratories; (b) construction of selected Inland Container/Clearance Depots (ICDs); (c) strengthening the Department of Transport Management to better manage or regulate the road transport sector, the anticipated environmental impacts are not likely to cause any significant or serious damage to the natural and physical environment. However, the information about nature, scale and magnitude of environmental impacts from such activities/ interventions will emerge once the on-going feasibility and other studies are concluded and screening exercises are completed.</p> <p>OP 4.01 has been triggered to ensure that all major (like road) and minor (other trade-related infrastructure) investments are planned and designed to be environmentally sound by integrating appropriate principles and approaches into the overall decision making process.</p>
Natural Habitats OP/BP 4.04	Yes	<p>A small section of the Narayanghat-Mugling road (about 6 km) from Aaptari (chainage 2 +400) to Jugedi (chainage 8+500) falls within the Barandabhar Forest Corridor (BFC) that has been gazetted as a Protected Forest in February 2012. Within this zone (of about 6 km), a stretch of about 4 km or less remains free from human habitation and has forest cover on both sides of the road, necessary for wildlife connectivity. Even though there is continuous high volume traffic flow causing congestion on the road in addition to presence of a small town (Rampur), institutions, sites of religious importance, fuel stations and other factors of anthropogenic disturbance along and close to the road, recognizing the importance of BFC, it is necessary to reduce impingement to the</p>

		integrity of the said forest corridor on account of proposed project activities. While the proposed project interventions are not likely to cause significant conversion or damage to BFC, OP 4.04 is being triggered as the forest corridor is a declared protected area and qualifies the definition of a critical natural habitat under the policy. Management measures would be required for avoiding/minimizing disturbances, particularly during the construction stage.
Forests OP/BP 4.36	Yes	The Narayanghat-Mugling road traverses through a small part of the Barandabhar Forest Corridor's western fringe. To ensure that the health and quality of the forest is not adversely impacted by the proposed works of the said road, the required measures will be made a part of the sub-project specific environment management plan.
Pest Management OP 4.09	No	OP 4.09 is not being triggered for this project as biological/environmental control methods or reliance on synthetic chemical pesticides is not envisaged.
Physical Cultural Resources OP/BP 4.11	Yes	Since some civil works are involved, 'chance finds' at work sites is a likely impact that would have to be managed. Adverse impacts on any locally important cultural property would be examined, if any, for appropriate mitigation during planning and implementation stages.
Indigenous Peoples OP/BP 4.10	Yes	There are indigenous and other vulnerable groups in the project area. Consultations are being carried out with them for information dissemination of the proposed project, impact identification, design of mitigation measures and the positive impacts of the project.
Involuntary Resettlement OP/BP 4.12	Yes	The right of way (RoW) for the Narayanghat-Mugling road was declared in 1977 and deemed to be acquired and owned by the government. All the road improvement works are confined within the existing RoW and therefore additional land acquisition is not required for the up-grading works. However, the project will displace a number of squatters and encroachers and that would lead to loss of shelter, livelihood or sources of livelihood.
Safety of Dams OP/BP 4.37	No	OP 4.37 is not being triggered for this project as there is no construction of new dams or

		activities that are concerned with safe functioning of existing dams.
Projects on International Waterways OP/BP 7.50	No	OP 7.50 will not be triggered for this project as there are no interventions planned/proposed over or around an international waterway that could cause a potential conflict. There are also no activities that may affect the use or pollute such a waterway.
Projects in Disputed Areas OP/BP 7.60	No	OP 7.60 will not be triggered for this project.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 02-Apr-2013

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

For the project as a whole, an Environment and Social Management Framework, including a screening tool (to help in identifying appropriate locations for sub-projects, wherever applicable); identification of likely impacts; a management plan, including elements that have to be integrated during the planning and design of specific activities and; monitoring mechanism to manage the issues pertaining to environment and social safeguards will be available by appraisal.

For the Narayanghat-Mugling road, an Initial Environment Examination (IEE) report is being revised (prepared by DoR in 2010) to the level of an EA in line with the requirements of the Bank's operational policies, with specific attention to concerns related to biodiversity management. The field work and the consultations with key stakeholders have been completed. Both the draft EA and EMP will be ready before appraisal. The social assessment for the Narayanghat Mungling Road has been completed and the project is in the process of finalizing the Social Impact Assessment, Resettlement Action Plan and Vulnerable Community Development Plan.

To better appreciate environmental concerns at the regional level, particularly for those road links/trade corridors that have fragmented natural habitats/wildlife areas in the past (such as the Mahendra Highway and the Birgunj-Hetauda road section), a study with a focus on biodiversity management issues will be carried out. These existing road sections are not being funded for improvement under the project but form a crucial part of the trade and transport corridor between Kolkata and Kathmandu. The study will inform the decision-making process about the need, approach and interventions required to balance out the trade and transport infrastructure demands in the near future on the one hand and the environmental/wildlife protection requirements on the other. The findings/outcomes of this study would be available for the use of GoN irrespective of the source of funding used for road widening/improvement/maintenance of the trade corridor in future.

IV. APPROVALS

Task Team Leader:	Name: Diep Nguyen-Van Houtte
<i>Approved By:</i>	

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

Regional Safeguards Coordinator:	Name: Sanjay Srivastava (RSA)	Date: 15-Feb-2013
Sector Manager:	Name: Karla Gonzalez Carvajal (SM)	Date: 11-Feb-2013