



Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Nepal	SOUTH ASIA	P170798	
Project Name	Investing in Forests for Prosperity at a Time of Transformation		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Environment & Natural Resources	Investment Project Financing	10/31/2019	12/2/2019
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective(s)

The project development objective (PDO) is to improve sustainable forest management; and increase benefits from forests and to address climate change in selected landscapes in Nepal.

Financing (in USD Million)	Amount
Total Project Cost	24.00

B. Is the project 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 [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed investment project will build on the following three premises: (i) while community-based forest management is a proven concept for managing forests for conservation and subsistence it has also the potential to meet Nepal’s demand for timber and increase income through the promotion of sustainable forest management; (ii) to meet Nepal’s demand for quality timber (sawn log) and non-timber forest products (through value-addition), small and medium forest-based enterprises need to be developed; and (ii) to make informed decisions on (i)-(ii), the new structures and institutional arrangements emerging from the federalization process need to fully understand and be able to fulfill their new roles and responsibilities related to natural-resources management, including forests. The proposed project will have 4 components. The value of FIP financing against each component is indicative and subject to change during preparation as more information becomes available. During project preparation, other development



partners will be engaged to seek opportunities for co-financing the project. The four components are: 1) Policy and capacity building support for new federal structures on sustainable forest management 2) Community-based sustainable forest management 3) Forest enterprise development 4) Project management, monitoring and learning

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The investment components of the project, i.e. Component 2 and 3, will be located in the Terai and Chure Regions, which have several protected areas and national parks. The pilot areas for supporting development of forest-based SMEs will be located in selected Middle Hills Districts with extensive mature plantations, e.g. Dolakha, Sindhupalchowk and Kayrepalanchok, and in community forests with productive, mature, natural forests in the Terai Region and in the Middle Hills. Terai forests are highly disturbed by livestock grazing, tree cutting, sapling and pole cutting and forest fires, while forests in the Churia Hills seem less affected. The Terai and Chure Regions are known to be the ancestral home of indigenous peoples (such as the Tharu) and other vulnerable groups, e.g. Dalits, Madhesis, women and other forest-dependent poor, many of whom will be among the project's beneficiaries. For its part, Component 1 is all about supporting the new forest governance structure resulting from the federalization process, which is essential for the success of components 2 and 3. Component 4 covers project management, monitoring and learning and therefore is not expected to have any direct or indirect environmental or social implications.

D. 2. Borrower's Institutional Capacity

At the central/federal level, a Project Management Unit (PMU) will be set up for the project directly under the Joint Secretary and Chief of the Planning, Monitoring and Coordination Division in the Ministry of Forests and Environment. However, in support of the decentralization process currently taking place in Nepal, the sub-national level of government, i.e. State and Local/Municipal, will also play an active role in project implementation and the project's success is contingent on how well the decentralized system is supported and operationalized on the ground. To date, the environmental and social capacity of MoFE is weak and so is the capacity of the sub-national government units charged with environmental and social issues management. The Environment Sector Diagnostic for Nepal currently being undertaken by the World Bank is concluding about the critical need for capacity strengthening in the area of environmental management, especially in the context of devolution of powers introduced through the 2015 Constitution. There is a need to systematically diagnose the Borrower's capacity and track record in terms of managing environment, social and health risks and impacts in view of the country's program in the forest sector and the move to decentralize power in forest governance. An E&S capacity assessment for the implementing agencies will be undertaken during preparation and a capacity building program will be developed and implemented as part of this project--all aimed at supporting decentralization and building capacity at the federal and subnational levels.

Public Disclosure

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) Substantial

Environmental Risk Rating Substantial

The project supports community-based sustainable forest management, enterprise development for local small to medium scale timber utilization industries and implementation of new governance arrangements in the forest sector to support the shift to a federal form of government and to community groups in terms of sustainable forest management planning, implementation and harvesting. Specifically the project will support the updating and/or



development of community forest management plans, fencing and protection of community-managed forests, procurement of seedlings and materials to construct and establish tree nurseries, site preparation, tree planting, soil and water conservation measures, fire management measures, maintenance and monitoring. These are all done at the community level based on an approved community forest management plans, which the local communities themselves and other stakeholders such as indigenous peoples groups and NGOs will develop or have developed. The project also supports tailored capacity building program for federal, state and local governments and small and medium forest enterprises in terms of sustainable forest management and harvesting. The key environmental risks of the project would relate to unsustainable practices and activities such as overharvesting of trees and quotas, implementation of activities with adverse E&S impacts and those located in hotspot areas, critical habitats, strict protection zones and those that would involve significant use of chemical pesticides. In addition, project support to procuring harvesting equipment and sawmills may also lead to indiscriminate harvesting and cutting of trees. All these risks could potentially happen if there is deterioration in forest governance as a result of either (i) a failure or a delay in operationalizing decentralization policies in the sector and building capacity at the three tiers of government, or (ii) the decentralization of functions going too quickly with capacity and readiness of sub-national entities not keeping up with the speed of the decentralization process. Given the scale of investments and the nature of activities, which are mainly community-based and small to medium scale, and the uncertainty of how the ongoing decentralization process will proceed and turn out, environmental risk is assessed to be substantial. Some activities and those that are not compatible with sustainable forest management plan will be screened out and rendered ineligible under the project.

Social Risk Rating

Substantial

Many of the risks already described above relate to social dynamics that will both provide the setting for and result from the project at the state and local levels. The approval and implementation of community forest management plans that local communities and other stakeholders such as indigenous peoples and NGOs will develop themselves will help to build community-level ownership and contribute to overall sustainability. At the same time, in areas where community members are not used to entering into more collaborative modes of forest management (and to the restrictions on natural resources use that come along with that), or there is otherwise a legacy of conflict or mistrust between locals and government officials, the proposed shift to community-based SFM could slow down considerably or not take hold at all. The high degree of socio-cultural diversity in the project area provides another layer of risk. Over the past few decades, the Terai Region in particular has become a major agricultural frontier, drawing large numbers of migrants from the Middle Hills and Mountains Regions of Nepal. This has led to a rich intermixture of cultures and influences in the Terai and Chure Regions, together with a certain amount of socio-political ferment both during and after the country's civil war (such as the successive "Madhesi movements"). In certain areas such historical factors may conspire to increase the chance that disadvantaged or otherwise vulnerable groups, such as indigenous peoples or female-headed households, will be excluded from participating in or benefiting from the project, either because of lack of community capacity to form CFUGS or participate in forest enterprise development; limitations in local governments' ability to engage in proper social risk assessment and follow up; resistance from community members for ideological reasons; or a combination of these. All of this could be complicated even further by snags in the decentralization process, as mentioned above, and the associated deterioration in forest governance. For all these reasons, social risk is assessed to be substantial.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment



ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant as project activities, while largely consisting of community-based sustainable forest management (SFM), capacity building and technical assistance, have potential to cause environmental and social risks and impacts depending on how quickly or slowly the decentralization process unfolds, how successfully the process is operationalized and how effectively the capacity of sub-national entities is built. The potential risks and impacts are presented above under Environmental and Social Risk Classification. To address these risks and impacts the subproject eligibility criteria will be explicit in screening out activities that are not compatible with the SFM plan and to mainstream preventive and mitigatory measures in the SFMPs developed by the communities and other stakeholders. Specifically, an Environmental and Social Assessment (ESA) focusing especially on the new areas not covered by the Terai Arc Landscape Emission Reduction Program will be undertaken to establish the E&S baseline of the new areas and to scope out the issues to inform the updating of the ESMF, IVCDF and RPF. Additional assessments and/or plans required under the ESF, including the E&S capacity assessment at the different levels of forest governance, Labor Management Procedures, the Stakeholder Engagement Plan and the Environmental and Social Commitment Plan, will also be conducted and prepared.

Areas where reliance on the Borrower's E&S Framework may be considered:

The use of the Borrower Framework will not be considered for this project although the project will meet both the requirements of the GoN and the relevant World Bank ESSs.

ESS10 Stakeholder Engagement and Information Disclosure

Nepal has a long history of engaging stakeholders in forests through the promotion of community-based forest management (CBFM), both to achieve conservation outcomes and meet household forest subsistence requirements. However, CBFM is practiced much more widely in the Middle Hills, which accounts for the project's objective of expanding this proven approach to the Terai lowlands and the Churia Hills. The existing operations that have been sowing the seeds of this transition, in particular the FCPF-supported REDD+ Readiness Project and the TAL REDD+ Emission Reductions Program, have been consulting with a wide range of stakeholders at multiple levels around the need to pursue socially and culturally compatible approaches to forest conservation and use. For example, while preparing the ER-P, MoFE officials and consultants supporting them conducted no less than 17 consultation events (12 at the district level and 5 at the state and national levels). They also made considerable progress in the integration of gender concerns into both ER Program activities and MoFE policies and procedures, as a result of analytical work highlighting the role of women in community-level forest resources management. As most of the consultations were focused in the Terai Region, during the preparation of this project an extra effort will need to be made to reach the Districts in the Churia Hills where Component 2 investments are expected to take place. There will also be a need to reach out to owners, employees and customers of forest-based enterprises in the Middle Hills. An SEP will be prepared prior to appraisal. Project-related information will be made to potential beneficiaries in a timely manner and in a form and manner they can understand, including through translation to indigenous languages where necessary.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.



ESS2 Labor and Working Conditions

The project may employ different types of workers, including direct workers, contracted workers, community workers and primary supply workers. However, given the nature of the project, the majority of workers are likely to be community workers involved in Component 2. Appropriate Labor Management Procedures (LMP) will be developed and a standalone worker-specific GRM (for direct and contracted workers) established. In addition, an appropriate GRM arrangement will be made for community workers. In developing LMP, an assessment is also required if there is a risk of child or forced labor within community labor. The LMP will identify main labor requirements (how different categories of workers will be managed, in accordance with the requirements of national laws and ESS2) and risks associated with the project and determine the resources necessary to address labor issues. For direct, community, or SME workers, the ESMF will provide guidelines on the use of PPEs (helmets, etc.) during the implementation of sustainable forest management plans.

ESS3 Resource Efficiency and Pollution Prevention and Management

The project will help improve the management, productivity and harvesting of forests in Terai and Churia Regions, in accordance with the SFMPs developed by the communities. It is envisaged that the improved forest productivity and management will result in a net gain in carbon sequestration and less GHG emissions. The project might involve minimal use of chemical pesticides for producing and raising saplings and seedlings in nurseries as well as in plantations. Specific plans may need to be prepared to manage and prevent pollution from the wood processing industries, if the results of the E&S screening as per the ESMF require the preparation of those plans. The requirement for preparation of specific plans will be spelled out in the ESMF.

ESS4 Community Health and Safety

Given the nature of the project, construction-related community health and safety issues will not be an issue. If "Forests for Prosperity" is carried out properly and unfolds within a decentralized structure that is successfully supported and implemented, the project may result in improved ecosystem services that would have beneficial impacts on the livelihoods of communities. Just the same, the spread of community-based forest management or forest-based SMEs to new areas may have some community health and safety implications that weren't there before. As many of these are expected to stem from labor deployment or management issues, they will be dealt with through the development of the LMP required as part of ESS2.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The project is not expected to involve any involuntary land acquisition leading to physical and/or economic displacement, much less the forcible displacement of people who have encroached on forest lands covered by project activities. Nevertheless, it is distinctly possible that economic displacement could occur as a result of restrictions of access by local communities to natural resources in the national parks and protected areas that end up being included in the project. Members of affected communities will be able to compensate for such restrictions by participating directly in decision-making around natural resources, particularly through the design and implementation of forest management plans, as provided for under Component 2. While it is expected that the expected risks, impacts and compensatory measures involved will be detailed in the ESIA Report for the project, the



Process Framework (PF) that was prepared for the TAL ER-P will be updated prior to Appraisal. As a precautionary measure, the Resettlement Policy Framework prepared for the TAL ER-P will also be updated prior to Appraisal.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

The project is proposed to be located in Terai and Chure Regions as well as in three Districts of the Middle Hills, all of which feature protected areas and national parks. Environmental impacts, however, are expected to be positive as management of these areas is expected to improve with support from the project. However, if the nationwide transition to a decentralized governance structure fails, gets delayed or goes too quickly sans capacity at the sub-national level, management of protected areas and national forests might suffer, which could result to detrimental impacts on biodiversity and living natural resources. These issues will be assessed in the ESMF, including review of biodiversity issues in the project areas.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

The Terai Region is the ancestral home to indigenous peoples (known as "Adivasi/Janajati") such as the Tharu, who have been living there for generations, as well as to numerous IP groups that have in-migrated from the Hills or Mountains. All told, it is estimated that at least nine indigenous peoples are living in the Terai, making up 31% of the population. On the other hand, Magar and Tamang IPs figure prominently in the Chure Region, and multiple ethnicities (including Magar, Tamang, Sherpa, Newar and Kaami) figure in the Middle Hills Districts proposed for inclusion in the project. While it is not certain that the proposed project will have *adverse* impacts on land and natural resources subject to traditional ownership or under customary use or occupation by IPs in these Regions and Districts, or that the project will have significant impacts on the IPs' cultural heritage, during preparation the project will be consulted on with the affected indigenous peoples' representative institutions at multiple levels, to reconfirm that it enjoys their broad support. As part of this process, the Indigenous and Vulnerable Communities Development Framework (IVCDF) prepared for the REDD+ TAL ER Program will be updated and expanded, as needed. This shall include the specification of a free, prior and informed consent (FPIC) process to be followed during project implementation for any activity involving the adverse impacts mentioned above, e.g. should their access to natural resources be restricted as a result of the project.

ESS8 Cultural Heritage

Some areas within the project area may be considered sacred by participating local communities while others may have presence of tangible and intangible cultural heritage. This will be further studied during preparation and any potential negative impacts will be addressed through the ESMF, the IVCDF and potentially also specific plans. The ESMF will also include Chance Find Procedures.

ESS9 Financial Intermediaries

As it is slightly possible that one or more banks will be used to channel finance for the establishment or scaling up of forest enterprises, the relevance of this standard will be further assessed during project preparation.



C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Documents/Actions to be prepared and completed prior to Appraisal

- Environmental and Social Assessment with more focus on the regions to be covered by the project;
- Updated ESMF with expanded negative list of subprojects;
- Updated Indigenous and Vulnerable Communities Development Framework;
- Updated Process Framework;
- Updated Resettlement Policy Framework;
- Institutional Capacity Assessment and Capacity Building Program;
- Stakeholder Engagement Plan;
- Environmental and Social Commitment Plan.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Labor Management Procedures
- Specific plans (ESMP, RAP, VCDP, SEP, LMP) for some subprojects;
- Screening reports showing the results of E&S screening of subprojects;
- Implementation of specific plans;
- Implementation of the Capacity Building Program;
- Implementation of the FPIC process.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 30-Sep-2019

IV. CONTACT POINTS

Public Disclosure



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V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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