



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 28-Apr-2021 | Report No: PIDA30991



BASIC INFORMATION

A. Basic Project Data

Country Nepal	Project ID P167531	Project Name Unlocking Human Capital for a Prosperous Nepal	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 22-Apr-2021	Estimated Board Date 14-Jun-2021	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Nepal	Implementing Agency National Planning Commission	

Proposed Development Objective(s)

The proposed development objective is to strengthen local capacity in integrated service delivery and increase equitable access to early childhood and adolescent interventions in selected disadvantaged areas of Nepal

Components

Improving capacity of the Local Governments for delivering human capital services
Accessing a stimulation package to encourage behavioral change and use of human capital services, particularly for poor and vulnerable households
Project Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	80.00
Total Financing	80.00
of which IBRD/IDA	80.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	80.00
IDA Credit	80.00



Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. Over the past decade, Nepal’s economy has performed reasonably well, though vulnerabilities have increased with COVID-19. Real gross domestic product (GDP) growth averaged 4.9 percent (at market prices) over FY2009–19. Although agriculture is declining as a share in the economy, it continues to play a large role, contributing around 21.6 percent of GDP in FY2019. The service sector has grown in importance, accounting for 52 percent of GDP in FY2019. Industry and manufacturing have grown more slowly, and their relative share in the economy has averaged 13.5 percent of GDP over FY2009–19. The proportion of households living in extreme poverty is estimated to have fallen consistently, from 46 percent in 1996 to 8 percent in 2019. The pandemic is likely to have increased poverty as about one-third of the population lived close to the poverty line (US\$3.20 a day) before the pandemic.

2. The recent COVID-19 pandemic is expected to derail the strong growth trajectory established over the past three years. GDP growth averaged 7.8 percent between FY2017 and FY2019. It is estimated to have contracted by 1.9 percent, the first economic contraction in 40 years, as prolonged nationwide mobility restrictions from March to July 2020—imposed to curtail the spread of the virus—significantly affected all sectors of the economy.

3. There are incipient signs of a moderate recovery in consumer sentiment and economic activity in the first half of FY2021. The economy is set for a gradual recovery, with GDP projected to rise by 2.7 percent in FY2021. Services are expected to lead the recovery, driven initially by the easing of domestic confinement measures. However, hard-hit sectors such as tourism and hospitality are expected to recover only in FY2022 when vaccination campaigns are completed and if the second wave of COVID-19 does not hit again.

4. Consumer price inflation was elevated in FY2020 but has decelerated since. Average inflation accelerated to 6.1 percent in FY2020 from 4.6 percent in the previous year. This was mostly due to an increase in food prices owing to India’s export ban on onions from September 2019 to March 2020 and COVID-19-related supply and trade disruptions in the agriculture sector since mid-March 2020. The Nepalese rupee is pegged to the Indian rupee at the rate of NPR 1.6 to INR 1. As a result, inflation follows the price movements in India with a lag.

Sectoral and Institutional Context

5. Human capital consists of the knowledge, skills, and health that people accumulate over their lives, and is considered a central driver of sustainable growth and poverty reduction. People’s health and education have undeniable intrinsic value and human capital also enables people to realize their potential as productive members of society. Human capital accumulation over the life cycle is associated with higher earnings and resilience of people as improved nutrition; healthier happier lives during childhood as children develop rapidly



during their early years; and positive or negative development in the areas of physical, cognitive, linguistic and socioemotional has implications for their well-being, school readiness, and later success in life; and greater cognitive, technical, and life skills obtained through education leads to higher adult productivity and resilience. National studies show that one additional year of schooling in Nepal can raise an individual's earnings by 8 to 10 percent. Consequently, human capital leads to economic growth through its effect on the productivity of citizens which drives competitiveness, technological change, and innovation; hence reducing poverty and inequality. Investments in human capital are key to unlocking a Nepali child's potential and improving economic growth.¹

6. Nepal's human capital has improved over the past 20 years but remains a constraint to its growth since Nepal has not unlocked its full human capital potential, which is represented by its low Human Capital Index (HCI). Nepal's HCI is 0.50, placing Nepal at 109 out of 174 countries assessed. This means that Nepali children born today can only expect to attain 50 percent of their full productive potential compared to if they experienced full health and education attainment. Core issues include malnutrition, access to reproductive health services, limited access to early childhood education development centers (ECEC), low secondary completion rates and low participation of women in tertiary education.

7. Significant disparities persist across socio-economic groups, geographic areas, and particular population groups.² First, in terms of socio-economic groups, for instance, only 60 percent of children ages 3-5 in the poorest quintile have achieved composite early childhood development milestones compared to 86 percent in the richest quintile. Stunting under 5-years-old is higher in poorer households (49 percent in the lowest quintile) than in richer households (17 percent in highest quintile). The rate of women giving birth at health institutions is three times higher in the highest wealth quintile (90 percent) than in the lowest wealth quintile (30 percent). Second, in terms of geography, for instance, 35 percent of women in Province 2 do not have skilled attendant at delivery (32 percent in Karnali Province, versus 20 percent average). In education, net enrollment rate at the secondary level is significantly higher in Kathmandu valley (49 percent) than other regions, especially Terai (27 percent). Third, certain population groups have more limited access to basic services.

8. Gender inequalities in accessing human capital services are present, leading to lower achievements with regards to education, labor market outcomes and nutrition for women. For every 100 employed men there are only 59 employed women. Women are largely excluded from paid work in Nepal. Moreover, there are still gender gaps in education outcomes among the most marginalized. A child's gender, in combination with location, and parental income and education, determine whether he or she is well-nourished, has clean water to drink, starts and finishes primary school on time and is protected from shocks. And adolescent girls ages 15-19 had low body mass index and almost has suffers from anemia.³ These are a cause of concern as most women have their first birth by age 20, and maternal malnutrition—particularly among adolescent mothers whose pregnancies are already at greater physiological risk-can lead to complications during pregnancy and birth, maternal mortality, low birth weight and infant death or cognitive impairments. More broadly, social and gender norms, coupled with limited knowledge about returns to education, prevent many adolescent girls from reaching their full potential. Moreover, women and girls experience high levels of intimate partner violence; as at least one fourth of women ages 15-29 report experiencing physical or sexual violence.⁴

¹ The constitution of Nepal 2015 incorporates many of the SDGs and the 15th Development Plan (2019/20-2023/24) sets human capital as one of the key foundations for economic prosperity. This is also reflected in sector specific plans, such as the Multi-Sector Nutrition Plan-II (2018-2022, MSNP-II) which highlights that malnutrition impedes people's potential and performance towards enhanced human capital and overall socioeconomic development.

² Nepal Human Development Report 2020, published by National Planning Commission

³ 2016 Demographic Household Survey.

⁴ Demographic Household Survey -DHS 2016.



9. Given its geographical location, topographical and geological conditions, Nepal is one of the most vulnerable countries in the world to the impact of adverse natural events, climate change and disease outbreaks, which threatens its sustainable growth and development. Nepal's vulnerability to shocks has devastating consequences to human capital accumulation. Shocks can have strong direct impacts on household welfare, especially among the poor and vulnerable, by forcing the population to engage in depletive coping strategies such as skipping meals, reducing intake of nutritious food, taking children out of school, early marriage, sale of assets, etc, and the COVID-19 pandemic highlights how Nepal's vulnerabilities to shocks can affect human capital.

10. The transition to federalism has not yet resulted in improvements, though it provides opportunities for the human capital agenda. Capacity deficits exist at all levels of Government. Local administration capacity with regards to the delivery of social protection, education and health services is limited, as LGs learn to manage new functions. The challenge is at times exacerbated by a lack of clarity on the allocation of some functions and weak governance structures. The recent transition to federalism provides opportunities for the human capital agenda in Nepal, as provincial and LG are expected to play a more important role in service delivery because the local provision of services can help implement the 'whole-of-government' approach adopted by the Government.

11. While efforts are underway to strengthen the delivery of core basic services, addressing inequity in access also requires promoting their use among the poorest and most vulnerable and coordinating across government levels. The delivery of core services is currently supported by a series of existing programs and projects. However, the success of these programs, projects and national strategies requires LG capacity to plan, budget and implement sectoral interventions and monitor the provision of services. The delivery of the national human capital agenda also calls for a coordinated approach across all levels and sectors. Leveraging technology and closing the digital gap will also help boost human capital and delivery of this human capital agenda and improve the implementation of coordinated approaches across the three levels of government. In addition, it is critical to eliminate the barriers that prevent poor and vulnerable groups from accessing services (linked to low income, gender and social status) and to stimulate the utilization of available services among these groups.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Proposed Development Objective (PDO) is to *strengthen local capacity in integrated service delivery and increase equitable access to early childhood and adolescent interventions in selected disadvantaged areas of Nepal.*

Key Results

12. The progress toward achieving the PDO will be measured by the following key indicators:
- a. Enhancing the capacity of LG for delivering human capital services
 - i. Number of LG with costed multi-sector plans
 - ii. Number of LG with digital records of poor and vulnerable households with children under 19 years, disaggregated by age groups (0-5; 6-10, 11-19) and gender of the child
 - b. Accessing a stimulation package to encourage behavioral change and use of human capital services, particularly for poor and vulnerable households
 - i. Percentage of families with children ages 0–5 receiving the pre-defined package of information on health, nutrition, education, and social protection
 - ii. Percentage of families with adolescent girls (ages 11-19) receiving the pre-defined package of information on nutrition, reproductive health, education, empowerment, and GBV (disaggregated by ages 11-14 and 15-19)
 - iii. Increased tracer for Reproductive, Maternal, Newborn and Child Health service coverage



D. Project Description

13. **The proposed project will support the achievement of the PDO through a two-pronged approach.** First, it will improve the capacity of LGs to plan, manage, and monitor the delivery of human capital services to ensure existing services are able to respond to increased demand and to continue delivering essential services in times of shocks. To facilitate LG administration, transparency and efficiency, the project will leverage digital technology. Second, it will stimulate the demand for core services available at the LG by the poor and vulnerable, with special attention to those at higher risk and in areas with large probability of being affected by shocks in the selected areas. It will do so by engaging with households and communities to promote behavioral changes that improve human capital, including through greater use of services. The project will focus particularly on poor and vulnerable households, in selected areas. It will focus on households with children under the age of 5 years and adolescents, with special focus on girls, ages 11 to 19, to address core issues around health, nutrition, and early childhood stimulation; early childhood care and development and education; services critical to adolescent girls' empowerment; and resilience to climate-related and other shocks. Particular attention will be paid to gender equity across all areas of engagement.

Component 1: Improving capacity of the Local Governments for delivering human capital services (US\$ 47.5m)

14. **This component will enhance the capacity of LGs to deliver human capital services by improving their ability to better understand the needs of their population, including their climate vulnerability to access and to use services, and the existing resilience⁵ of services; and to design and adopt procedures and planning in line with sector policies and priorities at the federal level.** This will be done partly by promoting the adoption of climate-smart technology and information management systems by LG administrators and service providers. With improved processes, instruments and capacity for planning and budgeting, including for example, planning for climate-resilient health and education infrastructures and land-management, and development of multi sectoral nutrition plans which address nutrition in emergencies including shocks.

15. **This component will finance activities to strengthen human resources (for example, recruitment and knowledge management activities to improve planning and budgeting, and skills needed to implement these activities including improving awareness on climate change) and physical resources (for example, minor upgrading of human capital service units including ward offices, health and ECEC,** which include waste management and sanitation facilities (WASH) for infection prevention and control, to ensure that services uses green energy and smart technologies and climate friendly materials to improve infrastructure resilience to be available at all times and in the aftermath of shocks). It will also finance data and management systems, including for instance the deployment of systems to facilitate the identification and digital registration of households that will receive attention as part of Component 2 or women and children who receive Reproductive, Maternal, Newborn and Child Health (RMNCH) services. In addition, this component will finance activities of the federal-level implementing agency in preparing the tools and guidelines which LG will use, as well as the relevant national strategies, guidelines for climate-responsive approach for human capital services, as well as manual and safeguards procedures for the basic infrastructure upgrades⁶ financed by this project. LGs will also be able to better ensure the delivery of coordinated and wholistic services for GBV survivors through stronger referral pathways and improved systems for case management.

Component 2: Accessing a stimulation package to encourage behavioral change and use of human capital services, particularly for poor and vulnerable households (US\$ 24.1m)

16. This component will support an innovative approach to stimulate the use of services by poor and vulnerable households ("the stimulation package"), with special attention to those at higher risk and in areas with large probability of being affected by shocks. The component's main objective is to boost demand for existing services and promote the



adoption of good practices, including activities at the level of localities (mass information campaigns⁷), as well as community sessions and home visits targeting poor and vulnerable groups. The stimulation package will also use disruptive technologies and media to encourage behavioral change and address challenges related to access to human capital services, particularly in remote and climate vulnerable regions that are increasingly prone to disasters because the use of these disruptive technologies can provide access to services for remote and climate vulnerable population.

17. For early years development, activities will be implemented by LG trained social workers, community-based organizations (CBOs) or non-governmental organizations (NGOs). Community sessions are also expected to involve local health workers, to bring the services closer to the community. Particular attention will be paid to ensure a focus on young girls in the activities, to deploy gender-sensitive messages that promote equity, and to organize the activities in a way that is cognizant of social and gender norms and that limits risks for women. These activities will complement the existing child grant scheme financed by GoN as part of their social security allowances program.⁸

18. For adolescent, the activities will focus on social, education, economic and psychosocial empowerment. More specifically, for the adolescent girls they will aim at improving awareness about pre-pregnancy nutrition, adolescent reproductive health, harmful cultural practices and GBV (such as early marriage and taboos surrounding foods during menstruating that perpetuate undernutrition, intimate partner violence and violence against woman), while promoting the value of education.

19. Finally, for all households, activities will also include information on GBV services and on strategies to build resilience to climate change. In terms of GBV, the focus will be on sharing information on existing services and on strategies to reduce violence against women and children, and will build on the inventory of services available in the locality/districts supported under Component 1. In addition, all households are to receive tailored messages to improve awareness about climate change and its impacts. These messages will aim to build knowledge regarding climate change impacts.

Component 3: Project Management (US\$ 8.4m)

20. This component will support (a) the establishment and maintenance of effective implementation and coordination arrangements at the federal, provincial and LGs and (b) the setup of a Monitoring and Evaluation (M&E) mechanism to track the progress (spot checks, citizen engagement and feedback, and policy reviews) and conduct evaluations (including a process and robust impact evaluation).

⁵ Resilience of services to climate shocks are essential to ensure that services remain operation in the aftermath of shocks.

⁶ Development of operational manual and safeguards procedures for basic upgrading will promote use of renewable energy and other strategies to improve access to potable water and to reduce GHG emission.

⁷ Outreach and communications on topics as importance of vaccination, social distancing, preventive health care, children stimulation, education, sanitation, climate change, climate-responsive approach, girls' education, GBV, and gender economic empowerment.

⁸ To support vulnerable children, Nepal introduced the Child Grant programme in 2009. Every four months, mothers of eligible children, under the age of five, receive an unconditional cash transfer to cover some of their most basic needs. The program covers few districts and all children from families belonging to a marginalized group called Dalits. The program is managed and implemented by the Department of National ID and Civil Registration under the Ministry of Home Affairs. As of April 2021, 928 thousand children from all 7 provinces in selected districts are receiving regular transfers.



Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

21. Environmental and social risk is substantial. The substantial risk particularly due to the limited capacity of local governments to manage environmental and social risks in this multi-sectoral and diverse project. This is particularly as activities are predominantly located with the new LGs together with project oversight by the NPC which does not have previous experience as an implementing agency for World Bank-supported projects. The project will have potential site-specific impacts associated with the minor civil works for the upgrading of existing human capital service units including ward offices, ECECs, school facilities, refurbishment of WASH facilities and medical stores. During construction, the anticipated environmental risks are occupational health and safety (OH&S) of workers, the generation of construction waste including possible asbestos waste from the demolition of some old structures, dust and noise pollution, and the risk of CoVID-19 transmission among workers and with the community. Further, effluent issues with the wastewater generated from the rehabilitation of WASH facilities and sanitary wastes may be expected. Additional environmental risks include generation of waste from WASH facilities and pollution from WASH wastewater. These anticipated risks and impacts are typical in construction of such small-scale projects and can be readily mitigated and managed.

22. During the operational stage of the medical and health care facilities the use of disinfectant, chemicals and disposal of medical waste may be expected. Solid waste and e-waste generation are also anticipated from the ECE centers and school facilities. Solid waste such as food waste and unused utensils from school and ECE centers cafeteria, and papers and learning materials as cardboard, white board, marker, toy, flex print etc are also expected. Given that the project will support the purchase of IT equipment for ECECs and school facilities, such as computers, servers and data drivers, electronic waste is also anticipated. However, the quantity of waste is expected to be limited, given that scale of activities is small. These identified impacts are site specific and can be assessed and managed through the established protocols and mitigation measures as guided in the ESMF and by adopting site specific ESMPs. The project is not expected to have a large labor influx, however the targeting of poor and vulnerable communities does bring additional risks. Laborers coming from outside the region may trigger social risks to the host community related to sexual abuse and exploitation and sexual harassment (SEA/SH).The Environmental and Social Standards (ESSs) which apply are ESS1, ESS2, ESS3, ESS4, ESS5, ESS7, ESS8 and ESS10.

23. Given that the exact activities and site locations have not yet been determined, the project has prepared a draft Environmental and Social Management Framework (ESMF) which provides guidance on assessing and managing environmental and social risks and impacts and includes Labour Management Procedures and a Resettlement Framework (RF). Given that civil works will be undertaken on existing premises, it is not expected that land will need to be acquired for the project. However, in the case that future activities related to upgrading of service units require some land taking, an RF has been prepared. The draft ESMF will be disclosed in the NPC web portal by April 29, 2021, and will be finalized, after the consultation with stakeholders before the project effectiveness date.



24. Vulnerability and access to services for marginalized and indigenous communities will be addressed as key components of the overall project, however guidelines for ensuring inclusion has been included in the ESMF to ensure key principles of the ESF are covered. Where technically and financially feasible, the project will apply the concept of universal access to the design and construction of new buildings and structures to enable the unimpeded access for people of all ages and abilities in different situations and under various circumstances. An Environmental and Social Commitment Plan (ESCP) has been prepared to outline measures and actions for the borrower to implement, as well as a Stakeholder Engagement Plan (SEP) which outlines measures to ensure the meaningful consultation with stakeholder including poor and vulnerable groups, and including communications tailored to cultural norms and for accessibility. Further, the SEP includes details of the project’s grievance redress mechanism (GRM). As the SEP represents a “living document” it will be revised as the project evolves to account for emerging needs of stakeholders, identification of new stakeholder groups, and to reflect any changes in the project.

25. E&S Capacity: The limited capacity of the implementing agency also adds challenges for environmental and social risk management. The NPC has committed to providing adequate staffing resources at national and local levels to support effective implementation of the project, including implementation of environmental and social management plans and managing environmental and social risks and impacts. The Project Operations Manual which will be developed for the project will also include and elaborate on the capacity buildings measures and activities for the project. Capacity building activities will be revisited every year as part of the annual program review and revisions will be made as needed.

E. Implementation

Institutional and Implementation Arrangements

26. To expedite implementation, the project will be managed by a PMU, established under the NPC. The NPC is the apex advisory body of the GoN for formulating a national vision, periodic plans and policies for development, serving as well as central agency for monitoring and evaluating development plans, policies and programs, more specifically at the Good Governance and Social Development Division.

27. In addition, an intersectoral National Steering Committee (NSC) is to be established before to effectiveness, and co-chaired by the Ministry of Finance (MOF) and by a member of the NPC. The NSC would also have representatives from the province level. The objective of this steering committee is to provide policy orientation and supervise the implementation of the proposed project given its importance for enhancing human capital service delivery systems in the country and given the multisectoral aspects of the human capital agenda.

28. At the province level, the PMU is expected to hire or have staff appointed by the Ministry of Social Development (MSD) to work as a province-level coordination unit. The unit will include two staff—a project coordinator and a project monitoring agent—who will be working at the MSD. These units at the province level will not be cost centers, meaning that activities and expenditures at this level are to be approved, financed, and accounted directly by the PMU.

29. At the LG, existing entities are to provide program staff to work closely with the PMU staff to implement the program. A LG Project Management Unit (LG-PMU) with a minimal composition of at a project manager, accountant, procurement, and social/environmental staff will oversee project implementation. LG-PMU must be in place before transmission of funds from project to LGs, and LG-PMU manager must sign the Memorandum of Understanding (MOU), which shall be renewed annually in accordance with the Project Operations Manual, and be aware of the provisions of Financing Agreement and Project Operations Manual of the project. Staffing will be



informed about their roles and responsibilities through tailored knowledge and management activities offered by the PMU, and described in the POM. The LG-PMU are to be supported and monitored by the central and province staff. The PMU will provide technical assistance support across all key thematic areas and project activities.

30. The LG-PMU is expected to implement the project in close collaboration with wards and other partners. In each LG-PMU a local committee including representatives of civil society, NGOs, and civil servants of technical services can support implementation of the program and of selected activities such as the identification of poor and vulnerable households and the delivery of the stimulation package. Proposed plans and activities requested by the LG are to be prepared and approved by the PMU. A consultative process must support this based on the proposed activities. The PMU will make the conditional grant available to LG that will specify the activities that this grant can finance (for example, recruitment of education and health personal, rehabilitation of basic infrastructure, implementation of LGs communication plan, delivery of home stimulation sessions, and so on). Hence, LG-PMU is to be treated as an additional cost center for the project.

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