

Nepal

**Sustainable and Inclusive Finance
Project (P508961)**

ENVIRONMENTAL and SOCIAL COMMITMENT PLAN (ESCP)

For Negotiations

November 14, 2025

ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN

1. Nepal (the Recipient) will implement the Sustainable and Inclusive Finance Project (the Project), through the Credit Information Centre Limited (CICL) and Deposit and Credit Guarantee Fund (DCGF), as set out in the Financing Agreement (the Agreement). The International Development Association (the Association) has agreed to provide financing for the Project, as set out in the Agreement.
2. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards (ESSs) and this Environmental and Social Commitment Plan (ESCP), in a manner acceptable to the Association. The ESCP is a part of the Agreement. Unless otherwise defined in this ESCP, capitalized terms used in this ESCP have the meanings ascribed to them in the Agreement.
3. Without limitation to the foregoing, this ESCP sets out material measures and actions that the Recipient shall carry out or cause to be carried out, including, as applicable, their respective timeframes; institutional, staffing, training, monitoring and reporting arrangements; and grievance management. The ESCP also sets out the environmental and social (E&S) documents that shall be prepared or updated, consulted, disclosed, and implemented under the Project, consistent with the ESSs, in form and substance acceptable to the Association. Said E&S documents may be revised from time to time with prior written agreement by the Association. As provided for under the referred Agreement, the Recipient shall ensure that there are sufficient funds available to cover the costs of implementing the ESCP.
4. As agreed by the Association and the Recipient, this ESCP will be revised from time to time, if necessary, to reflect adaptive management of the Project changes or unforeseen circumstances or in response to Project performance. In such circumstances, the Association and the Recipient agree to update the ESCP to reflect these changes through an exchange of letters signed between the Association and the Recipient's Representative specified in the Agreement (*i.e.*, its Secretary, Ministry of Finance; or its Joint Secretary of the International Economic Cooperation Coordination Division, Ministry of Finance). The Recipient shall promptly disclose the updated ESCP.
5. The subsection on "Indicators for Implementation Readiness" below identifies the actions and measures to be monitored to assess Project readiness to begin implementation in accordance with this ESCP. Nevertheless, all actions and measures in this ESCP shall be implemented as set out in the "Timeframe" column below irrespective of whether they are listed in the referred subsection.

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
IMPLEMENTATION ARRANGEMENTS AND CAPACITY SUPPORT			
A	ORGANIZATIONAL STRUCTURE a) DCGF will hire or appoint a part time environmental specialist and a social specialist to develop and implement an Environmental and Social Management System (ESMS) acceptable to the Association, strengthen grievance and stakeholder engagement reporting systems, conduct due diligence on guarantee claims to ensure compliance with the Environmental and Social Risk Management and exclusion list, develop monitoring checklist, coordinate E&S reports from participating BFIs and build DCGF staff capacity on E&S management. After establishing the ESMS and related systems, these specialists will support ESMS implementation and staff capacity building to ensure knowledge transfer and sustainable E&S management. b) DCGF will dedicate and institutionalize an E&S team consisting of one environmental specialist and one social specialist (which are in addition to those described in paragraph (a) above) with budget and resources for ongoing E&S management, ESMS compliance, monitoring, and reporting. The team will undertake relevant courses to deepen expertise. c) CICL will hire and maintain a short-term E&S consultant to conduct an E&S assessment and prepare an Environmental and Social Management Plan (ESMP) to address potential E&S risks associated with data management, security, and repository infrastructure.	a) Hire or appoint the part-time environmental specialist and social specialist prior to any disbursement under Category 1 or 2 for the activities described in Part 1.1 of the Project and thereafter maintain these positions for at least two years after the hiring process has been completed. b) Establish the E&S team at DCGF no later than one year after the Effective Date, and thereafter maintain the E&S team throughout Project implementation (and ensure they take the relevant courses in FY 2026 and FY 2027 and thereafter as needed throughout Project implementation). c) Hire the E&S consultant no later than ninety (90) days after the Effective Date, and thereafter maintain throughout the Project implementation.	a) DCGF b) DCGF c) CICL

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
B	CAPACITY BUILDING PLAN/MEASURES Prepare and annually review and update a capacity building plan (Annual Capacity Building Plan) and implement E&S trainings to the relevant targeted groups, such as staff of DCGF, CICL, and BFIs, to strengthen E&S management capacity and Environmental and Social Risk Management (ESRM) compliance. The training topics will include, but are not limited to, the following: a) orientation training to staff of DCGF and CICL on the Environmental and Social Standards and their implementation modality (screening, scoping, etc.); b) ESMS and ESRM requirements; c) orientation training on E&S risk management, including labor management, community, occupational, health and safety (OHS), and stakeholder engagement. d) stakeholder mapping and engagement; e) prevention and mitigation of, and responding to, gender-Based Violence, sexual exploitation and abuse, and sexual harassment; and f) emergency preparedness and response.	Prepare Annual Capacity Building Plan no later than ninety (90) days after the Effective Date, thereafter review and update it within one month after the start of each financial year, and implement it throughout Project implementation.	DCGF, CICL
MONITORING AND REPORTING			
C	REGULAR REPORTING Prepare and submit to the Association regular monitoring reports on the E&S performance of the Project. The reports shall include but not be limited to: a) status of preparation and implementation of E&S documents required under the ESCP; b) summary of stakeholder engagement activities conducted; c) complaints submitted to the grievance mechanism, the grievance log, and progress made in resolving the grievances;	In the case of DCGF and CICL, submit reports to the Recipient no later than forty-five (45) days after the end of each calendar semester for inclusion in Project Report. In the case of the Recipient, submit reports to the Association through Project Report not later than ninety (90) days after the end of each calendar semester.	Recipient, DCGF, CICL

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	d) E&S performance of the Project activities of the responsible Project Implementing Entity's [such as (i) in the case of DCGF, with respect to its partial portfolio credit guarantees to BFIs and their respective lending portfolios to MSMEs under Part 1 of the Project and (ii) in the case of CSIL, Part 2 of the Project]; e) status of the implementation of the ESMS and compliance with the requirements of the ESMP; and f) number and status of resolution of incidents and accidents reported under Action E below.		
E	INCIDENTS AND ACCIDENTS Notify the Association of any incident or accident relating to the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, including those resulting in death or significant injury to workers or the public; acts of violence, discrimination or protest; unforeseen impacts to cultural heritage or biodiversity resources; pollution of the environment; dam failure; forced or child labor; displacement without due process (forced eviction); allegations of sexual exploitation or abuse (SEA), or sexual harassment (SH); or disease outbreaks. Provide available details of the incident or accident to the Association upon request. Arrange for an appropriate review of the incident or accident to establish its immediate, underlying and root causes. Prepare, agree with the Association, and implement a Corrective Action Plan that sets out the measures and actions to be taken to address the incident or accident and prevent its recurrence.	Notify the Association no later than 48 hours after learning of the incident or accident. Provide available details upon request. Provide review report and Corrective Action Plan to the Association no later than ten (10) days following the submission of the initial notice, unless a different timeframe is agreed to in writing by the Association.	Recipient, DCGF, CICL
ESS 1: ASSESSMENT AND MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS			
1.1	ENVIRONMENTAL AND SOCIAL ASSESSMENTS AND/OR PLANS a) DCGF to develop, operationalize, maintain, and implement an ESMS to support E&S due diligence on lending portfolios of BFIs guaranteed by DCGF, ensuring compliance with the Environmental and Social Risk Management and exclusion list and reporting, consistent with ESS9.	a) Develop and operationalize the ESMS prior to any disbursement under Category 1 or 2 (for the activities described in Part 1.1 of the Project), and thereafter maintain and implement the ESMS throughout Project implementation.	a) DCGF

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	b) DCGF to cause each BFI to develop, operationalize, maintain, and implement an ESMS appropriate to its risk profile, apply know-your-customer (KYC), anti-money laundering (AML), and grievance systems and screen MSME borrowers for E&S risks to identify, assess, manage, and monitor the environmental and social risks and impacts of its portfolio of lending to MSMEs under general purpose with exclusion list. c) CICL to prepare and implement an ESMP, consistent with the relevant ESSs.	b) Cause each BFI to develop and operationalize the ESMS prior to renewing (in the case of existing credit guarantee agreements) or entering into new credit guarantee agreements with BFIs and thereafter maintain and implement the ESMS throughout Project implementation. c) Prepare and disclose the ESMP no later than one hundred eighty (180) days after the Effective Date, and thereafter implement the ESMP throughout Project implementation.	b) DCGF and BFIs c) CICL
ESS 2: LABOR AND WORKING CONDITIONS			
2.1	USE OF RECIPIENT'S LABOR FRAMEWORK		
	a) Ensure that the labor management and working conditions of staff at DCGF, CICL and third parties engaged in tasks essential to the Project's core functions are consistent with this ESCP, any applicable ESMs, and the Recipient's labor framework, which includes, <i>inter alia</i>, its relevant policy, legal and institutional framework, including its national, departmental, or local implementing institutions, and its applicable laws, regulations, procedures, and implementation capacity (Recipient's Labor Framework). b) Prepare and implement a SEA/SH code of conduct and comply with Recipient's laws on Child Labour (Prohibition and Regulation) Act (2000) and Sexual Harassment at Workplace (Prevention) Act (2014).	a) Throughout Project implementation. b) Prepare the SEA/SH Code of Conduct no later than ninety (90) days after the Effective Date, and thereafter implement it throughout Project implementation.	Recipient, DCGF, CICL

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	c) Notify the Association of any changes to the Borrower's E&S Framework that may materially adversely affect the Recipient's, DCGF's, or CICL's ability to manage the E&S risks and impacts of the Project in line with the ESSs and the immediate measures taken or that are planned to be taken to address said changes and their material adverse effects on managing E&S risk and impacts of the Project. If, in the opinion of the Association, such changes adversely affect relevant ESHS risk management aspects of the Project, then, at the Association's request, the Recipient shall agree to implement measures and actions to address such changes and adverse effects in a manner acceptable to the Association. The ESCP shall be updated to reflect such agreed actions.	c) Notify the Association immediately after becoming aware of any relevant change to the Recipient's Labor Framework. Subsequent measures and actions requested by the Association shall be reflected in an updated ESCP as indicated in paragraph 4 of the initial section of this ESCP.	
2.2	OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT PLAN Prepare and implement an OHS Management Plan, on working conditions, management of workers relationships, occupational health, and safety (including personal protective equipment).	Prepare the OHS Management Plan no later than ninety (90) days after the Effective Date and, thereafter, implement the plan throughout Project implementation.	DCGF, CICL
2.3	GRIEVANCE MECHANISM FOR PROJECT WORKERS Establish, maintain, and operate a grievance mechanism for Project workers to express their concerns and protect their rights related to labor and working conditions consistent with ESS2.	Establish the mechanism no later than ninety (90) days after the Effective Date, and thereafter maintain and operate it throughout Project implementation.	DCGF, CICL
ESS 3: RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT			
3.1	WASTE MANAGEMENT PLAN (WMP) Prepare and implement Standard Operating Procedures (SOPs) and the respective Implementation Plan for E-Waste Management, adopting Good International Industry Practice (GIIP), which is the exercise of professional skill, diligence, prudence, and foresight that would reasonably be expected from skilled and experienced professionals engaged in the same type of undertaking under the same or similar circumstances globally or regionally) for the collection, storage, and safe disposal of e-waste generated by the Project during its lifetime that are primarily associated with the end-of-life management and disposal of the IT equipment, consistent with ESS3.	Same timeframe as for the preparation and implementation of the respective ESMS and ESMP (Actions 1.1(a) and (c))	DCGF, CICL
3.2	RESOURCE EFFICIENCY AND POLLUTION PREVENTION AND MANAGEMENT Implement resource efficiency and pollution prevention and management measures, such as re-use of waste, plastic, etc. consistent with ESS3, in the ESMS and ESMP to be prepared under Actions 1.1(a) and (c) above, to mitigate adverse impacts.	Same timeframe as for the preparation and implementation of the respective ESMS and ESMP (Actions 1.1(a) and (c)).	DCGF, CICL

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
ESS 9: FINANCIAL INTERMEDIARIES			
9.1	a. DCGF shall develop and maintain an ESMS acceptable to the Association, including procedures to identify, assess, manage, and monitor the environmental and social risks and impacts of its lending portfolios of BFIs guaranteed by DCGF. The ESMS shall include, <i>inter alia</i>, the following elements: • clearly defined procedures for the identification, assessment, and management of the environmental and social risks and impacts of lending portfolios of BFIs guaranteed by DCGF, including, <i>inter alia</i>, stakeholder engagement and disclosure requirements applicable to lending portfolios of BFIs guaranteed by DCGF; • exclusion list with the loan portfolios of BFIs secured by lending portfolios of BFIs guaranteed by DCGF that are not eligible for financing; • organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities; • monitoring and reporting of environmental and social performance of lending portfolios of BFIs guaranteed by DCGF and the effectiveness of the ESMS; • incidents and accidents notification and subsequent reporting requirements; and • an external communications mechanism, including measures to respond to public enquiries and concerns in a timely manner. b. Disclose a summary of each of the elements of the ESMS through the DCGF website, including the exclusion list. c. Establish and maintain organizational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities. d. Designate a senior management representative to have overall accountability for environmental and social performance of lending portfolios of BFIs guaranteed by DCGF. e. DCGF to cause each BFI to develop, operationalize, maintain, and implement an ESMS consistent with ESS9, and comply with the ESRM standards to ensure proper identification, screening, categorization, exclusions, assessments, management, and monitoring of E&S risks and impacts of lending portfolios of BFIs guaranteed by DCGF and stakeholder engagement.	a. Same timeline as Action 1.1(a) above. b. Same timeline as Action 1.1(a) above. c. Throughout Project implementation. d. Throughout Project implementation. e. Same timeline as Action 1.1(b) above.	DCGF
ESS 10: STAKEHOLDER ENGAGEMENT AND INFORMATION DISCLOSURE			
10.1	STAKEHOLDER ENGAGEMENT PLAN Update and implement a Stakeholder Engagement Plan (SEP) for the Project, consistent with ESS10, which shall include measures to, inter alia, provide stakeholders with timely, relevant, understandable and accessible information with reach to marginalized and excluded groups, and	Update the SEP no later than one month after the Effective Date, and thereafter implement the SEP throughout Project implementation	DCGF, CICL

MATERIAL MEASURES AND ACTIONS		TIMEFRAME	RESPONSIBLE ENTITY
	consult with them in a culturally appropriate manner, which is free of manipulation, interference, coercion, discrimination and intimidation.		
10.2	PROJECT GRIEVANCE MECHANISM Establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances in relation to the Project, promptly and effectively, in a transparent manner that is culturally appropriate and readily accessible to all Project-affected parties including marginalized groups, at no cost and without retribution, including concerns and grievances filed anonymously, in a manner consistent with ESS10. The grievance mechanism shall be equipped to receive, register, and facilitate the resolution of SEA/SH complaints, including through the referral of survivors to relevant gender-based violence service providers, all in a safe, confidential, and survivor-centered manner.	Establish the grievance mechanism no later than four (4) months after the Effective Date, and thereafter maintain and operate the mechanism throughout Project implementation.	DCGF, CICL

INDICATORS FOR IMPLEMENTATION READINESS

The following actions are indicators for implementation readiness:

- a) Preparation of ESMS by DCGF
- b) Preparation of ESMP by CICL
- c) Preparation of SEP