THE WORLD BANK

DRAFT EXECUTIVE SUMMARY

OF THE

ENVIRONMENTAL AND SOCIAL SYSTEMS ASSESSMENT (ESSA)

FOR THE

SIKKIM: INTEGRATED SERVICE PROVISION AND INNOVATION FOR REVIVING ECONOMIES PROGRAM (INSPIRES)

Project ID: P180634

[SEPTEMBER 13, 2023]

Program Context: In the last decade, Sikkim's economic production has shown a shift out of agriculture into manufacturing and services which now contribute 51% of the state's GDP compared to 8% from agriculture. Particularly, sectors such as tourism, pharmaceuticals and hydropower have registered remarkable growth rates and offer considerable potential for non-farm wage employment and entrepreneurship opportunities. However, employment transformation in Sikkim significantly lags behind economic transformation, particularly for women and youth, with over 70% of the state's workforce still employed in agriculture. Sikkim has one of India's highest rates of female labor force participation (FLFP) at 58% but there are many challenges. Women in Sikkim continue to be employed in low paying jobs mostly in agriculture while only about 3% is employed in the manufacturing sector. Women's urban labor force participation is 34% which is much lower compared to the rural labor force participation which is 64%. Also, unemployment rate for young women in urban areas is considerably higher than for young men. Women-led enterprises in Sikkim face challenges in the areas of sustainability, autonomy, formalization, and employment generation. Less than one-fifth of enterprises in Sikkim are women-led, mostly in trade and services in low-return sub-sectors and remain at subsistence levels and lack growth-orientation. With regard to Sikkim's youth, despite high primary educational attainment, unemployment remains high. While access to basic education is nearly universal in Sikkim, it drops at the upper-secondary level. In 2022, the unemployment rate for youth (15-29 years) was about 13% and almost 41% of Sikkim's youth population were employed in agriculture, with limited opportunities to transition to gainful employment in non-farm sectors. Overall, Sikkim's economy is reflective of a clear mismatch between the aspirations of women and youth and creation of jobs, which is likely to impede sustainable growth for the state.

Government Program: The Government of Sikkim (GoS) has embarked on a mission to initiate policy, program and institutional reforms for inclusive growth and economic inclusion of women and youth across four pillars: (i) short-term skilling including socio-emotional and psychological skills in emerging sectors; (ii) entrepreneurship support in non-farm sectors; (iii) delivery of enabling services in care, mental health, financial and digital integration and (iv) state capabilities for integrated and intensified service delivery. The Government Program will include a multitude of multi-sectoral schemes providing employment opportunities for women and youth through skill building, enterprise support, infrastructure development and service delivery intervention.

The World Bank (WB) Program: The proposed Integrated Service Provision and Innovation for Reviving Economies Program (INSPIRES), which is a Program for Results (PforR), will support the GoS' efforts to boost economic inclusion of women and youth. The Program Development Objective (PDO) is to promote economic inclusion opportunities for women and youth in non-farm sectors. The Program proposes to address bottlenecks for economic inclusion through: (i) strengthening state-level and district-level planning capacities and mechanisms; (ii) promoting targeted skilling and entrepreneurship in emerging sectors; and (iii) enhancing delivery of support services for creating an enabling ecosystem for economic inclusion of women and youth in the state.

The WB Program will support three Result Areas (RAs) that will contribute towards the achievement of the PDO.

1. **Strengthened state systems to deliver inclusive growth:** RA1 will support strengthening of the state's strategic framework on inclusive growth and economic inclusion by incentivizing

coordination, evidence-based planning, partnerships with non-state actors and strengthening monitoring and evaluation (M&E) systems.

2. **Improved employment linkages for women and youth in priority sectors:** RA2 will complement existing state government initiatives on skills training and entrepreneurship support through: (i) targeted investments to expand short-term skills training offered in priority sectors (tourism, green jobs, IT/ITeS, hospitality & wellness, care and creative design); (ii) training to placement support; (iii) entrepreneurship development including OAE to SME linkages and (iv) enterprise support in non-farm sectors and priority sectors for women and youth.

3. **Enhanced delivery of enabling services for economic inclusion of women and youth:** RA3 will incentivize delivery of enabling services to promote economic inclusion outcomes for women and youth through 'Integrated Economic Inclusion Plans' (IEIPs) at the district level.

Program Implementation: The Sikkim INSPIRES Program will be anchored with the Planning and Development Department (PDD), Government of Sikkim. The program management structure will include a (i) Program Governing Committee, consisting of high-level representation from key departments to govern and steer activities of the INSPIRES program for timely achievement of desired outcomes, (ii) Program Co-ordinating Committee, consisting of representatives of the directorates of the various department, to provide overarching guidance to the Project Management Unit and monitor progress and (iii) Program Management Unit (PMU) headed by a Project Director and key staff, including a nodal officer for environmental and social (E&S) risk management, to ensure timely co-ordination and implement of the INSPRES program. The E&S nodal office will be responsible for coordinating E&S activities as well as capacity enhancement of relevant stakeholders for social inclusion, stakeholder engagement and grievance redressal.

Environment and Social System Assessment: An Environmental and Social Systems Assessment (ESSA) of INSPIRES was undertaken by the World Bank, with inputs from GoS representatives at various levels, to review capacity of the existing national/state systems in complying with the core E&S principles of the Bank's PforR policy, identify gaps and propose measures to address gaps to ensure sustainability of Program investments. The key findings of this assessment are based on desk review of relevant systems documents and meetings with GoS officials at the state and district levels, along with focus group discussions (FGDs), Key Informant Interviews (KIIs) with relevant stakeholders (f.i. contractors, homestay owners, and trainees), questionnaire-based surveys with priority departments, and consultations carried out in Sikkim. Field visits and discussions with stakeholders were carried out in three out of the six districts in the state and included site visits to potential last-mile connectivity roads, a livelihood school and an ongoing rural road construction by the Rural Development Department. A consultation on preliminary findings of the ESSA was held with the PMU staff and the nodal officials from priority departments in July 2023. A final ESSA consultation workshop with a broad cross section of stakeholders will be held on September 20, 2023, where the ESSA findings will be disseminated and discussed. The final ESSA will be disclosed, with all comments incorporated, on the WB's external website and on PDD website.

Risk Assessment: The key activities which may have E&S implications include: a) Upgradation and Operation and Maintenance (O&M) of last-mile connectivity roads; b) Upgradation/ refurbishments of the State Institute of Capacity Building (SICB) and livelihood schools; c) Upgradation of Common Facility Centres (CFCs) and common facilities for entrepreneurs; and d) IT connectivity/OFC (optical-fiber cable) in one district.[1] Based on the ESSA analysis and the anticipated scale and nature of E&S effects, INSPIRES has been categorized as 'moderate' E&S risk. Overall, INSPIRES will have a net positive environmental outcome and will lead to (i) reduced dependence on natural resources by poor and vulnerable as their financial security improves with increased opportunity for economic inclusion, (ii) facilitating transition to a green economy by making the required skills available in the labor market (iii) fostering change towards eco-friendly approaches to economic production and thereby help mitigate climate change and (iv) increased environmental awareness among the rural masses. The Program will not have significant or irreversible environmental impacts and the most prevalent environmental issues will be (i) dust, noise, vibration, construction debris & wastewater disposal, vegetation removal etc. related to renovation of training centers, rehabilitation of feeder roads and expansion fiber optic network for digital connectivity (ii) disposal of e-waste (iii) occupational health and safety of jobs/livelihoods in emerging sectors (iv) expansion of eco-tourism footprint and practices that could potentially impact Sikkim's unique natural resources, all of which can be managed with mechanisms in place for sound environmental planning and monitoring.

The overall social impacts of the Program are likely to be positive through improved access to economic growth opportunities for vulnerable and disadvantaged groups (such as scheduled tribes (STs), scheduled castes (SCs), Persons with Disabilities (PwDs), youth at childcare institutions, and remote communities, among others); improved awareness and participation leading to enhanced planning capacity at the district-level; improved employability for women and youth in more remunerative jobs through better monitoring systems; and improved access to community-based mental health services. Potential social risks related to the Program include: (a) worker and public safety risks in case of non-compliance by contractors for the proposed civil works, particularly given the hilly areas/terrain; (b) intra-district variations in land management practices; (c) potential SEA/SH risks for female construction workers and female trainees in case of interface with laborers (both local and migrant) and other communities in the vicinity; (d) likelihood of community members facing temporarily restricted access to areas under civil works; (e) low participation rate and high dropout rates of trainees/students from vulnerable groups in certain remote districts, such as Gyalshing; (f) lack of clear two-way information flows/ communication pathways for sustained beneficiary/ citizen engagement; and (g) high prevalence of substance abuse leading to dropouts in schools and difficulty in employee retention. For construction of last-mile connectivity roads, the proposed interventions would be limited to upgradation and O&M of existing

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[1] The Tourism department will undertake only maintenance of existing feeder roads leading to homestays by metaling them. This work will not entail widening from the typical width of 3.75 meters. The typical length of the feeder roads is expected to be between 1 and 2 kilometers. The rural development department will undertake upgradation of existing footpaths/rural roads for connecting remote villages to the road network. This upgradation work will be undertaken in convergence with the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) scheme. The upgradation work would involve widening of existing rural roads of average length 4 feet by 2 to 3 feet. Both departments have in-house engineers who will be responsible for designing the roads and monitoring the work awarded to the contractors. For OFC, the IT department would contract works for erection of poles and the cables would be strung from those poles. This would be undertaken along the national highway in one district of the state. No trenching will be done to lay the cables. The minor civil works for upgradation/refurbishments of SICB, livelihood schools and common facility centres will be undertaken by the Public Works Department (PWD).

roads on Government lands and/or land-taking only through voluntary land donation of lands free from any encumbrances. No new road construction will be undertaken. Therefore, the ESSA does not identify any risks related to land-taking and resettlement. It also includes clear E&S exclusion criteria for the scale and nature of civil works, including exclusion of activities in high mountainous areas.

Systems Assessment: The ESSA found that the overall policy, legislative and regulatory framework and the available technical guideline of the borrower is comprehensive and contribute to environmental and social sustainability with respect to the Program. The EIA notification 2006 mandates a system of national/state level environmental clearance for a list of development projects depending on factors such as size, location and capacity. However, all types of civil works supported by the Program will be limited to rehabilitation works within existing footprint, and therefore the requirement to obtain formal environmental clearance from the State Environmental Impact Assessment Authority (SEIAA) or the State Pollution Control Board will not arise. There are government rules and guidelines for ensuring occupation health and worker/public safety. The Public Works Department (PWD), who will be contracted to carry out some of the civil works under the Program will cover basic site-level environmental management and occupational safety as per their Works Manual and general conditions of the work contracts. Further, national building codes and Sikkim building construction regulations 2022 cover several environmental aspects and integrates constructional safety from a number of risks including landslide risks. However, there are instances of inconsistent application of these provisions resulting from lack of awareness, variations in capacities of sub-district officials, monitoring, etc. resulting in site-level issues. The country has a very comprehensive policy and regulatory framework for a coordinated and structured approach to skill development that covers integration of EHS aspects into training curricula. The E-Waste (Management) Rules 2016, plastic waste management rules 2016 and solid waste management rules 2016 comprehensively cover waste management issues arising from the implementation of the program. For E-waste, the Government of Sikkim has a collection routine from all government departments. Sikkim has a comprehensive policy framework for sustainable tourism development, focused on the conservation of its unique biodiversity and culture, supported by various guidelines for community-based tourism. These policies are supported by several laws and regulations that are aimed at conserving and protecting sensitive ecosystems such as the biological rules (2006). Some of the key regulatory and institutional measures recommended by the Eco-Tourism policy (2011) are yet to happen, which presents a gap in enforcing rules in sustainably expanding the eco-tourism footprint.

The Program implementing departments demonstrate a good understanding of sustainability concerns and process around it. However, other than the Department of Forest and Environment, the other priority departments have limited in-house capacity to plan, assess and manage environmental risks from development investments. Given the nature and scale of program activities (carrying a moderate environment and social risk), national and state level regulations and processes will not be adequate to ensure environment and social risk management. Further, overlapping mandates and weak inter-agency co-ordination could pose a challenge to a collaborative approach to addressing issues in a holistic manner. As such, the assessment has revealed in order to meet requirements of core principle 1 (World Bank PforR Guidance) E&S risk mitigation would be ensured through integrating E&S checklists for better monitoring of land management, worker and public safety, etc. within program activities.

The assessment revealed that to meet the requirements of core principle 4 on land acquisition and resettlement, a robust screening mechanism will be required to identify any potential adverse social impacts, which is currently lacking. In terms of labor, standard clauses on labor management are integrated in the contractors' contracts/ bid documents. As per current practice, the implementing departments are also required to obtain a clearance from the labor department before any payments are made to the contractor. However, there is currently limited provisioning for site-specific E&S risk management nor are Occupational Health and Safety (OHS) of workers and public safety monitored effectively at the sites. The priority departments have systems for stakeholder/beneficiary engagement, grievance redressal, and social inclusion. These would need to be further strengthened across departments, including through preparation of a state-wide communication strategy accounting for the differentiated needs of vulnerable groups and ensuring extensive consultations and engagement of relevant stakeholders during planning, implementation, and monitoring of Program activities.

Grievance Redressal Mechanism (GRM): Currently, the priority departments have an existing statutory GRM. A grievance redressal officer has been designated by all departments. In the case of SICB, a private company has been contracted for addressing grievances received from trainees. However, there is currently a lack of multiple channels to register grievances; procedures to log/record/acknowledge complaints, clear communication on response process and expected time; and clearly defined escalation and appeals procedure.

Key Gaps: The ESSA analysis has identified the following key areas of gaps in the borrower's system for action to ensure the Program is aligned with the core principles applicable to the Program: (i) lack of in-house capacity for environmental planning among a majority of the Program implementing agencies; (ii) lack of enforceable regulations, standards and rules of operation for eco-tourism expansion; (iii) lack of adequate monitoring mechanisms to ensure contractors' compliance with OHS measures for workers and public safety; (iv) lack of screening mechanisms for effective land management; and (v) limited coordination across grievance redressal mechanisms across priority departments and implementing agencies.

Implementation of program actions - The following key measures are recommended to mitigate some of the gaps highlighted by the ESSA:
1. Exclusion of high-risk activities/major civil works that pose risks to areas of ecological and cultural heritage significance; activities in high mountainous areas; activities/major civil works which would require land acquisition and/or resettlement; activities that would result in large-scale changes in land use or access to land and/or natural resources; construction where private land acquisition is required or any land for which clear title is not available with the government; activities leading to marginalization or social conflict; activities that would have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation; or cause relocation of Indigenous People or have significant impact on them.
2. Development of environmental management and monitoring guidelines to enable uniform management of anticipated environmental impacts and OHS issues. The guideline will include an environmental and social screening checklist (including SEA/SH risk screening), environmental and social codes of practice for minor civil works and standard formats for monitoring. The Guideline will be a part of the Program Operational Manual.

3. Undertake a study to evaluate the impacts of eco-tourism in Sikkim thus far to identify gaps/measures to ensure sustainability of the industry. It is also necessary to recommend a monitoring system to collect data and evidence on eco-tourism related trends for planning purposes that will enable zoning, estimation of natural and social carrying capacity of zones and establish ecotourism regulations, guidelines and standard operating procedures for eco-tourism operators.
4. Strengthening the grievance management systems related to Program activities and ensuring awareness generation on GRM for community through a dedicated behavior change and communication strategy.

Inputs to the Program Action Plan (PAP)

The Program will ensure adequate resources are provided for timely and effective implementation of E&S measures and the key recommendations will be made a part of the Program Action Plan (PAP).

PAP action	Nodal agency	Timeline	Description/Means of verification
Integrating E&S checklists for better monitoring of land management, public and worker safety, at the site level for all civil works.	PDD/PMU	Within three month of project effectiveness. Before Program implementation involving civil works.	1.　　　Establishment of a program specific E&S management guideline which will include a E&S Checklist, Environment and Social Codes of Practice and Monitoring formats which will be part of the Program Operations Manual to ensure management of environmental and social impacts in project financed civil works. 2.　　　The checklists will include screening for land management, OHS compliance for workers and public, etc. Nodal departments to monitor compliance by all implementing agencies/ contracted services/ other entities under them
Strengthen Grievance Redressal Mechanisms across nodal departments and implementing agencies	PDD/PMU	Within 6 months of project effectiveness	SOPs would be developed for grievance redressal by all priority departments with support from the World Bank team.
Commission a study to assess current Eco-tourism practices and outline a framework for sustainable Eco-tourism.	DEC in collaboration with PDD and TCAD[2]	In the first six months of Program effectiveness	Commission a study to review the practices of the eco-tourism industry thus far, its environment and social impacts, and define a way forward with necessary checks and balances that will ensure the growth of the industry in a well understood and regulated manner. Means of verification – Eco-

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[2] Directorate of Ecotourism (DEC) under the Forest, Environment and Wildlife Management Department; Tourism and Civil Aviation Department (TCAD), GoS

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			tourism study launch confirmed by IVA and reported to World Bank