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Opinion on the Investigation Report of
the Examiner for the JICA Guidelines for Environmental and Social Considerations
on the Nagdhunga Tunnel Construction Project in Nepal¹

1. Background

The Nagdhunga Tunnel Construction Project (hereinafter referred to as “the Project”) aims to improve the road condition around Nagdhunga pass by constructing a tunnel, thereby contributing to the smooth transportation network between Kathmandu and other principal cities/areas in Nepal. The Loan Agreement for the Project was signed in December 2016.

In accordance with the JICA Guidelines for Environmental and Social Considerations (April 2010) (hereinafter referred to as “the JICA Guidelines”), JICA has supported environmental and social considerations to be undertaken by the Government of Nepal and relevant stakeholders throughout the entire project cycle—from the planning stage through the implementation stage. This support includes monitoring and consulting with the Government of Nepal and relevant stakeholders to ensure the avoidance and minimization of environmental and social impacts associated with the Project as well as their fulfilment of the requirements stipulated in the JICA Guidelines.

On August 7, 2025, the Requesters submitted requests to raise objections regarding the Project (hereinafter referred to as “the Requests”) to the Examiners for the JICA Guidelines (hereinafter referred to as “the Examiners”). Following the receipt of this submission, the Examiners conducted a preliminary investigation (August 22 – October 24, 2025) and an investigation of the facts concerning JICA’s Compliance with the JICA Guidelines (October 25, 2025 – February 24, 2026). During these periods, the South Asia Department and the Nepal Office (hereinafter collectively referred to as “the Operational Departments”) as well as the Credit Risk Analysis and Environmental Review Department provided explanations to the Examiners regarding their

¹ This English translation is provided solely for reference purposes. In the event of any discrepancy between the English and Japanese versions, the Japanese version shall prevail

understandings of, and responses, to the issues raised in the Request.

On February 24, 2026, the Examiners submitted to the President of JICA the Investigation Report, the Nagdhunga Tunnel Construction Project in Nepal (hereinafter referred to as the “Investigation Report”). The Investigation Report concluded that, in the Project, there was a period during the planning stage of the water supply program that constituted non-compliance with the JICA Guidelines. It was determined that, with respect to other points, the Examiners were unable to conclude that there was a clear non-compliance with the JICA Guidelines, while also presenting recommendations to JICA for improvement.

2. Opinions of the Operational Departments (Responses under the water supply program and the implementation of alternative water supply measures)

The Environmental Impact Assessment (EIA) for the Project was conducted in 2015, and it identified the potential for impacts such as declines in groundwater levels and reductions in spring water associated with tunnel construction. Based on these findings, an inventory survey was conducted during the detailed design phase (2017-2018) on water sources and local residents likely to be affected, and a water supply program—intended to establish new water supply facilities considering future population growth—was examined. The components of the water supply program were finalized in consultations with local residents, and a Memorandum of Understanding was concluded between the Department of Roads under the Ministry of Physical Infrastructure and Transport (hereinafter referred to as “DOR”), and Chandragiri Municipality, which constitutes the affected area in the Request. The program was then implemented with support under the Japanese ODA Loan.

The civil works contract for the Project was concluded in November 2019, and implementation of the water supply program commenced concurrently. Although the program was initially scheduled for completion in November 2020, it was unavoidably delayed until November 2021 due to prolonged movement restrictions in Nepal in response to the global spread of COVID-19 from early 2020. In addition, unforeseen circumstances arose, including declines in groundwater levels at the deep well drilled under the program after it commenced operation.

In anticipation of the possibility that problems might arise due to such unforeseen circumstances, DOR had pre-planned water supply by water tankers as an alternative measure for water provision to local residents. Water supply by water tankers was deemed as the most rapid and immediately effective means of providing water, and, from May 2021 onward—when impacts on existing water sources first became apparent—the water tankers circulated according to the water needs of individual households to supply water to local residents. During periods of heightened demand, additional water tankers

were deployed. By May 2024, a cumulative total of 3,425 water tanker deliveries, amounting to 23.975 million liters of water, had been provided. Furthermore, in response to the decline in the groundwater level of the deep well, DOR consulted with local residents regarding the site for a new deep well and proceeded with the development of a permanent water supply system through additional drilling works. All such works have now been completed.

As described above, although unforeseeable events such as prolonged movement restrictions due to the COVID-19 pandemic and the declines in groundwater level at the deep well arose after the commencement of the Project, DOR promptly activated the pre-planned alternative measure of supplying water by tanker when problems in water supply emerged, and sought to minimize adverse impacts while ensuring continued project implementation. JICA has consistently monitored these measures, including the alternative water supply arrangements, and has continued, to the extent possible, to urge DOR and relevant agencies of the Government of Nepal (hereinafter collectively referred to as “the Project Proponents”) to maintain appropriate dialogue with residents, ensure adequate implementation of alternative water supply measures, and expedite the completion of a permanent water supply system.

Nevertheless, given the critical importance of drinking water, which is directly linked to lives and livelihoods of affected local residents, the Operational Departments take the findings from the Examiners’ investigation with utmost seriousness. In response to the recommendations of the Examiners, the Operational Departments will implement actions in accordance with the course of action set out in Section 3 below.

3. Course of Action of the Operational Departments

1) Promoting Cooperation in a Manner that Fully Considers the Lives and Livelihoods of Local Residents and is Attentive to Affected Residents

Impacts on drinking water and irrigation were anticipated at an early stage and have, in fact, materialized in this Project. The countermeasure of establishing a water supply system was determined from the outset and was implemented, but it was delayed. With respect to a water supply project for drinking water as a compensation measure –which directly affects people’s lives and health– the system should first be completed before the problems such as decreases in groundwater or drying up of well water arise, and only thereafter should the Project activities be commenced. For this Project, it is recommended that JICA request the implementing agency to continue monitoring and also to ensure there are no issues on the water supply system for affected residents for a certain period after the handover of the Project, and to confirm that such monitoring is being carried out.

JICA will continue to make efforts to ensure that the Project Proponents take

mitigation measures for the Project at appropriate times.

It has been confirmed that the development of the water supply system in the affected area of the Project has now been completed, and the system is being operated under the Water Management Committee, which is composed of representatives of the local residents. Going forward, for a certain period after the handover of the Project, JICA will continue to encourage DOR to appropriately monitor whether there are any problems with the water supply system and confirm the results of such monitoring.

2) Restoring Access to Groundwater and Water Sources for Drinking Water and Irrigation, and Water Use Charges

Access to the groundwater and water sources for drinking water and irrigation should, to the extent possible, be restored to the same level as before the construction of the Project. It is recommended that JICA continue confirming the progress and to engage, through dialogues, and provide necessary support, so that the “Water Lifting Project” planned by the implementing agency proceeds without delay.

In addition, regarding the introduction of the water fees related to the “Water Lifting Project”, and the Water Supply Project implemented pursuant to the MOU between the Department of Roads and Chandragiri Municipality, taking into account the background that these water supply projects were required due to the Tunnel Construction Project, it is recommended that JICA confirm the progress of the consultation process both in “Water Lifting Project” and Water Supply Project, based on the continuing dialogues between the relevant government agencies and the residents concerned in order to realize them as sustainably operating water supply projects respectively with the consent of all the stakeholders concerned, and provide necessary advice to the relevant government agencies.

DOR has indicated that implementation of the “Water Lifting Project” will require coordination with the relevant ministries, as well as obtaining the agreement of neighboring municipalities and local residents, in addition to conducting technical examinations regarding its feasibility. Furthermore, the water supply facilities newly introduced through the water supply program will be transferred to the municipalities for operation and maintenance upon the completion of the Project. As in other areas, the costs for operating and maintaining these facilities are to be shared and borne by the local residents in accordance with relevant laws and regulations of Nepal.

Accordingly, with regard to the implementation of the “Water Lifting Project” and any consideration of providing free water supply after completion of the Project, JICA recognizes that careful consideration is required to prevent the emergence of additional

disputes among local residents and to ensure fairness by taking into account not only the affected areas of the Request but also the neighboring municipalities and local residents.

JICA will continue to monitor the progress of the consultation process and, as necessary, provide appropriate encouragement to the Project Proponents to ensure that careful and inclusive dialogue is maintained with all stakeholders, including neighboring municipalities and local residents, and that any measures are examined and decided upon on the basis of consensus among all concerned stakeholders.

3) Impacts on Irrigation and Compensation for Crop Losses (Including Compensation for Losses even on “Non-Farmland”)

The Department of Roads and the Department of Irrigation have stated that they have accepted and already addressed the compensation claims where losses occurred on the land where officially declared and registered as farmland. On the other hand, agricultural activities conducted on land where officially not declared, nor registered as farmland are included in the scope which the Guidelines need to consider if any adverse impacts on employment and means of livelihood occurred by the Project. Therefore, it is recommended that JICA request the implementing agency and other relevant agencies to consider measures to take care of these impacts, and also to confirm such measures to be taken by them. In addition, it is recommended that JICA request the implementing agency and other relevant agencies to ensure that such measures will be duly implemented.

JICA will continue to confirm that DOR appropriately assesses whether agricultural activities on “Non-Farmland” have been affected by the implementation of the Project with respect to local residents’ livelihoods. Where such impacts are identified, JICA will encourage the Project Proponents to consider and implement suitable measures, with due regard to the underlying circumstances that may preclude local residents from formally declaring the use of their land as farmland.

4) Review and Revision of Monitoring Items based on the Needs, and Improvement of Format of Monitoring Report

It is strongly recommended that JICA review and revise the monitoring items (i.e. any added items for monitoring) as needed with the special attention to the socio-economic aspect of the project-affected residents through the regular monitoring although the scope and items for monitoring were agreed between JICA and relevant government agencies in the Minutes of Discussions. As the monitoring to be continued for the approximately next two years after the handover of the Project, it is strongly recommended that JICA discuss with the implementing agency the reporting format which draws an attention more easily

from JICA staff who check the monitoring report to the risks in addition to the reporting of the data being monitored. In particular, regarding the monitoring items, for instance, some revisions in adding the headings such as “items/ activities which were different from the workplan”, or “items/issues which the Project urgently dealt with (or “items/issues which required urgent measures””) are likely to draw more attention from JICA staff who are in charge of the Project management. Therefore, it is strongly recommended that JICA discuss the format and appropriate ways of reporting with the implementing agency.

JICA has carried out environmental and social consideration monitoring under the Project, covering the socio-economic aspects of affected residents, based not only on the monitoring forms agreed upon at the time of project appraisal but also on information obtained from the Project Proponents, as well as project progress reports. While JICA has recognized that no impediments to monitoring have arisen from the current format or manner of reporting, efforts will continue to be made, as necessary and in view of the implementation status of the Project, to consider the addition of monitoring items or the revision of the monitoring format.

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