

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Power Transmission and Distribution Efficiency Enhancement Project
Lending/Financing Modality:	Project Loan	Department/Division:	SARD/SAEN

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

#### A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy

Approximately 25.2% of Nepalese live below the poverty line. Sustaining Nepal's recent strong growth trends requires addressing the infrastructure deficit plaguing the country, including the power deficit. In FY2015, per capita electricity consumption in Nepal was 132 kilowatt hours (kWh) per year which is one the lowest in South Asia.<sup>a</sup> Global average per capita electricity consumption is 2,971 kWh.<sup>b</sup> This low average usage reflects, in part, that only 58% of Nepal's households are connected to the national grid. The government plans to provide reliable and affordable energy supply to all of its population latest by 2030.

This project is aligned with the energy priorities in the Asian Development Bank's (ADB) Nepal country partnership strategy 2013–2017. The project will improve energy efficiency in the electricity distribution system. Since the majority of Nepalese still do not have access to reliable electricity supply, the project will result in reduced fossil fuel use, greenhouse gas emissions, and associated adverse health impacts. In addition to improved environmental sustainability, the project will reduce the financial losses incurred by the Nepal Electricity Authority (NEA). NEA is required to provide power at highly subsidized prices to some consumers, and collection efficiency among these consumers might also be low. The project targets reducing technical and commercial losses and improve the quality of services to the consumers, both of which will improve the financial position of NEA.

Improving the financial position of NEA supports the longer-term evolution of Nepal's power system into one that performs well and serves the needs of all. The generally weak position of NEA and greater focus on generation and transmission has been cited as a cause of deferred distribution system upgrades in addressing supply of quality and reliable power supply.

The project will also result in increased use of energy efficient smart grid technologies. Already, NEA has seen the price of efficient technologies such as smart meters come down with competitive procurement. Poor consumers will benefit through greater use of reliable grid electricity instead of using kerosene and other sources of energy. Raising consumer awareness and creating savings for consumers is critical because the project is being undertaken during a time when increasing attention is being paid to tariff rationalization. Successful project outcomes can be extended to other cities of Nepal.

#### B. Poverty Targeting

General Intervention  Individual or Household (TI-H)  Geographic (TI-G)  Non-Income MDGs (TI-M1, M2, etc.)

Though the project will have indirect social benefits to end-users, power sector interventions in general are not viewed as the single contributing factor for achieving generalized poverty reduction and alleviation. The classification therefore recognizes that while power itself will not explicitly decrease poverty, it will provide the foundation for concrete poverty reduction strategies in the future.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The expected beneficiaries are NEA and domestic and commercial consumers. NEA is expected to benefit the most via reducing peak power purchases, reducing commercial losses, and through reductions in usage by highly subsidized consumers. Lifeline domestic consumers may experience the greatest relief from the project, as lighting is likely to make up a significant share of their energy consumption, and so more efficient and higher-quality lighting could improve well-being and reduce household expenditure on energy. Urban citizens will benefit from the improved quality of lighting and associated enhanced safety and security through the lighting shift.

<sup>a</sup> Government of Nepal. 2016. National Energy Crisis Reduction and Electricity. [http://www.moen.gov.np/pdf\\_files/Rastriya-Urja-Sankat-Niwaran-2072.pdf](http://www.moen.gov.np/pdf_files/Rastriya-Urja-Sankat-Niwaran-2072.pdf)

<sup>b</sup> <http://www.iea.org/publications/freepublications/publication/KeyWorld2014.pdf>

2. Impact channels and expected systemic changes. The project focuses on improving electricity distribution system using advanced smart grid elements. The poor will benefit as beneficiaries with reliable supply of grid electricity. The poor may benefit indirectly from the strengthened position of NEA, which may be able to provide better quality of service and expand service areas as a result of this and other interventions.
3. Focus of (and resources allocated in) the PPTA or due diligence. No potential adverse impacts are anticipated for the poor. The project preparatory technical assistance will conduct due diligence to ensure there are no unintended adverse impacts and evaluate the potential to ensure benefits accrue to the poor and to women.
4. Specific analysis for policy-based lending. Not applicable.

## II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? There are no gender issues identified at this stage. However, increased and more reliable power supply have inherent gender benefits, such as job creation that benefits both men and women, and can contribute towards further electrification of households improving women's welfare and time-burden.
2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?  
 Yes  No Please explain. Women's self-help groups in Nepal have successfully championed the use of energy efficient lighting and appliances in Nepal and other neighboring countries such as India. . The project will explore means of promulgating similar programs in the project areas. This will include the establishment of 'energy clinics' which conduct user-awareness programs, led by women 'champions' promoting energy efficiency, targeting women consumers.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  
 Yes  No Please explain. The proposed project will make positive effects on women. There will be indirect benefits to women as a result of enhanced power supply.
4. Indicate the intended gender mainstreaming category:  
 GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

## III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.  
 The main stakeholders are NEA, and domestic, commercial, and municipal consumers and other utilities.
2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?  
 The stakeholders will be consulted throughout the design stage. The projects will ensure that targeted households and commercial and industrial consumers will receive quality and reliable electricity supply from the grid. Yet they will benefit from reduced expenditure on electricity from reduced expenditure on diesel for electricity generation and increase income due to availability of reliable electricity supply for other productive applications.
3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?  
 Information generation and sharing M  Consultation M  Collaboration M  Partnership M
4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed?  Yes  No  
 Consultations will be easily managed through a mix of formal and informal consultations with the affected communities – on an as needed basis.

## IV. SOCIAL SAFEGUARDS

### A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No Land acquisition will be required for new substations. The extent of land acquisition and involuntary resettlement impacts are not expected to be significant. Distribution lines are expected to be re-built in existing right-of-way. While impacts are not expected to be significant, the exact magnitude of impacts will be assessed during due diligence. Necessary measures will be taken to ensure any potential involuntary resettlement issues will be addressed.

<p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?</p> <p><input checked="" type="checkbox"/> Resettlement plan      <input type="checkbox"/> Resettlement framework      <input type="checkbox"/> Social impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement      <input type="checkbox"/> None</p>
<p><b>B. Indigenous Peoples Category</b>   <input type="checkbox"/> A   <input type="checkbox"/> B   <input checked="" type="checkbox"/> C   <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No The project will improve reliability of electricity supplies, which will improve livelihoods of all electricity consumers. Preliminary information, which will be verified, suggests that there are no IPs in project areas.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No Use of culturally significant resources is not anticipated.</p> <p>3. Will the project require broad community support of affected indigenous communities?   <input type="checkbox"/> Yes   <input checked="" type="checkbox"/> No There are no anticipated impacts on the way of life, customs, or religious traditions of communities through solar park development.</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?</p> <p><input type="checkbox"/> Indigenous peoples plan   <input type="checkbox"/> Indigenous peoples planning framework   <input type="checkbox"/> Social Impact matrix</p> <p><input type="checkbox"/> Environmental and social management system arrangement      <input checked="" type="checkbox"/> None</p>
<p style="text-align: center;"><b>V. OTHER SOCIAL ISSUES AND RISKS</b></p>
<p>1. What other social issues and risks should be considered in the project design?</p> <p><input checked="" type="checkbox"/> Creating decent jobs and employment   <input checked="" type="checkbox"/> Adhering to core labor standards   <input type="checkbox"/> Labor retrenchment</p> <p><input checked="" type="checkbox"/> Spread of communicable diseases, including HIV/AIDS   <input type="checkbox"/> Increase in human trafficking   <input type="checkbox"/> Affordability</p> <p><input type="checkbox"/> Increase in unplanned migration   <input type="checkbox"/> Increase in vulnerability to natural disasters   <input type="checkbox"/> Creating political instability</p> <p><input type="checkbox"/> Creating internal social conflicts   <input type="checkbox"/> Others, please specify_____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? Project preparation will include detailed discussion with the executing agency to ensure that compliance to core labor standards and/or national labor laws as requirement of ADB Social Protection Strategy and they will be assessed and monitored during project implementation. Limited employment opportunities will be available during construction period with some additional opportunities on an ongoing basis. Preventive measures to avoid spread of communicable diseases, including HIV/AIDS, will be stipulated in the construction contracts.</p>
<p style="text-align: center;"><b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b></p>
<p>1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?</p> <p><input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No PPTA consultants will confirm categorization, address any potential risks, and identify opportunities to maximize benefits to the poor and women.</p>
<p>2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? The TA has budgeted for the necessary consultants.</p>