



Initial Poverty and Social Analysis

Project Number: 54107-001
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Nepal: Electricity Grid Modernization Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 14 May 2020)

Currency unit	–	Nepali rupee/s (Rs)
Rs1.00	=	\$0.00828
\$1.00	=	Rs120.81000

ABBREVIATIONS

ADB	–	Asian Development Bank
kWh	–	kilowatt hour
NEA	–	Nepal Electricity Authority

NOTES

- (iii) The fiscal year (FY) of the Government of Nepal and its agencies ends on 15 July. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 15 July 2019.
- (iv) In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Electricity Grid Modernization 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

This project is aligned with the energy priorities in the Asian Development Bank's (ADB) Nepal country partnership strategy 2020–2024^a and is in line with national objectives of providing reliable and affordable energy supply to all by 2030. Since the majority of Nepalese still do not have access to reliable electricity supply, the project is expected to result in reduced use of fossil fuel use, greenhouse gas emissions, and associated adverse health impacts. Cleaner energy has further downstream benefits, such as to urban and rural air quality, people's health, living conditions, and the quality of life. The project will also help improve the financial position of Nepal Electricity Authority (NEA) by reducing technical and commercial losses, which supports the longer-term evolution of Nepal's power system and serves the needs of all.

Nepalese living below the poverty line fell from 25.2% in fiscal year (FY) 2011 to 18.7% in FY2018.^b The COVID-19 pandemic has disproportionate impacts on the poor, informal sector workers, migrant workers, households depending on remittances, and women. With the economic disruption caused by the pandemic, vulnerable individuals, including those who are just above the poverty line, are likely to be pushed below the poverty line. Sustaining Nepal's recent strong growth trends requires addressing the infrastructure deficit plaguing the country, including the reliable power supply throughout the year to all customers and making the electricity supply pandemic resilient. In FY2018, per capita electricity consumption in Nepal was 198 kilowatt hours (kWh) per year, which is one the lowest in South Asia.^c This low average usage reflects, in part, that only 78% of Nepal's households are connected to the national grid. The proposed project will reduce the deficit of household access to reliable power supply by extending power transmission and distribution.

The project promotes energy efficient smart grid technologies. 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.)

The project will have indirect social benefits to end-users. The classification recognizes that while power itself will not explicitly decrease poverty - access to electricity provides the enabling environment for many poverty reduction strategies.

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 from reduced peak power purchases, reduced commercial losses, and reduction 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. More efficient and higher-quality lighting will reduce their burden for collection of fuel for lighting, as well as cooking, and enable them to undertake productive activities and reduce household expenditure on energy. It is anticipated that this benefit will accrue particularly favorable to women. Urban citizens will benefit from the improved quality of lighting and associated enhanced safety and security through lighting.

2. **Impact channels and expected systemic changes.** The project focuses on improving electricity distribution system using advanced smart grid elements. The poor will benefit from access to reliable supply of grid electricity. The poor may benefit indirectly from the strengthened position of NEA, as it will be able to provide better quality of service, expand service areas, and offer other developmental interventions.

3. **Focus of (and resources allocated in) the transaction TA 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? Increased and more reliable power supply provide gender benefits, such as creation of energy-based livelihoods that are beneficial for both women and men, Access to electricity also facilitates purchase and use of time-saving electrical devices for households, which is anticipated as having proportionally greater benefits for women in terms of reducing time poverty and improving women's welfare. Reduction in fossil fuels after reliable electricity will have positive effects for women's health; at present 80% household energy is used for cooking with fossil fuel sources in Nepal, which has adverse impacts on women's health.

2. Does the proposed project or program have the potential to contribute 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. The project will explore promulgating of livelihood support programs in connection with electrification and time poverty. Women and poor marginalized will be economically empowered through energy-based livelihood opportunities from improved energy supply and distribution, bringing further improvement through access to resources. Awareness raising on electrical safety, smart grid and hazards will enhance knowledge of both men and women.

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 have positive effects on the women. There will be direct and indirect benefits to women because of enhanced power supply including improvement in livelihoods and security and safety.

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. ADB is supporting NEA in internalizing social development design considerations and in identifying and engaging contractors that are sensitive to, and compliant with, social safeguards. Most domestic commercial and municipal consumers and other utilities are indirect beneficiaries. Directly affected local stakeholders will be consulted throughout the design stage and will participate in determining project mitigation measures, among which is the design of targeted livelihood improvements trainings.

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?

Project design requires participation from the poor and excluded primarily in the context of setting appropriate impact avoidance and mitigation measures for involuntary resettlement, which will be addressed in the project Resettlement Plan. Systematic engagement comes in the form of the criteria applied in proving subsidized access to electricity. By making electrical supply more commonly available, poor and vulnerable groups are expected to reduce other expenditures in energy generation, including women's time as well as household costs such as diesel that is more common for electricity generation at present. Increase time and income are expected to support other productive applications.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? Relevant CSOs will be identified and consulted during further processing of the project.

Information generation and sharing M Consultation M Collaboration Partnership

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 held with poor and vulnerable to ensure they benefit from project interventions. It is expected that numbers of poor or women-headed households can benefit from new electricity connection through distribution lines.

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 some substations. The transmission lines will follow the existing right-of-way. Distribution lines mostly have minimal and temporary impacts. As the impacts are not expected to be significant, and the number of the affected persons are currently anticipated to be less than 200, the project categorization is proposed as B. The exact magnitude of impacts will be assessed during due

diligence, the categorization form will be prepared and submitted after due diligence. Necessary measures will be taken to ensure any potential involuntary resettlement issues are addressed in compliance with ADB's Safeguard Policy Statement (2009).
2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None
B. Indigenous Peoples Category <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI
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 inhabitants in Kathmandu valley are mostly middle or advance caste group and no adverse indigenous people's impact is expected from the activities in the area. The project areas in the south are inhabited primarily by Madheshi (51.8%). Populations living in this area are comprised of various cultural groups, most of which share mainstream cultural characteristics and speak Hindi and Nepali. The construction of transmission and distribution lines has minimal and marginal impacts on affected communities overall, and is unlikely that activities will affect the dignity, human rights and livelihood systems or cultures of affected indigenous peoples. However, considering that there are low caste Dalit, Muslims and other groups in Terai and hills of the project areas, the indigenous peoples categorization is proposed as B. The exact magnitude of impacts will be assessed during due diligence; project categorization will be determined as either B or C subject to the impacts. The categorization form will be prepared and submitted after the due diligence.
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 It is not expected that the project area falls under ancestral domain.
3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input checked="" type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None
V. OTHER SOCIAL ISSUES AND RISKS
1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> Creating decent jobs and employment <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input checked="" type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____
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 and COVID-19, will be stipulated in the construction contracts.
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No TA consultants will help collect necessary information to confirm categorization, address any potential risks, and identify opportunities to maximize benefits to the poor and women.
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.

^a ADB. 2019. *Country Partnership Strategy: Nepal, 2020-2024 – Promoting Connectivity, Developed Services and Resilience*. Manila.

^b FY2018 estimates. Government of Nepal, National Planning Commission. 2019. [Fifteenth Plan \(FY2020-FY2024\): Approach Paper](#). Kathmandu (in Nepali).

^c Government of Nepal, Ministry of Energy, Water and Irrigation. 2018. *White Paper on Energy, Water Resources and Irrigation's Current Status and Roadmap for Future*. Kathmandu.

Source: Asian Development Bank.