



Initial Poverty and Social Analysis

Project Number: 55202-001
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Nepal: Integrated Water Supply and Sewerage Management (Sector) Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 2 November 2022)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
NRe1.00	=	\$0.01
\$1.00	=	NRs132.33

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
CWIS	–	city-wide inclusive sanitation
DWSSM	–	Department of Water Supply and Sewerage Management
GESI	–	gender equity and social inclusion
O&M	–	operation and maintenance
SDG	–	Sustainable Development Goals
TDF	–	Town Development Fund
UWSSP	–	Urban Water Supply and Sanitation (Sector) Project
WASH	–	water, sanitation, and hygiene
WSS	–	water supply and sanitation

NOTES

- (i) 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., FY2022 ends on 15 July 2022.
- (ii) In this report, “\$” refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Integrated Water Supply and Sewerage Management (Sector) Project
Lending/Financing Modality:	Sector Project	Department/ Division	South Asia Regional Department Urban Development and Water Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will address limited access to urban services (specifically water supply, sanitation, stormwater and solid waste management in secondary cities and small towns of Nepal). The project will leverage from Asian Development Bank's (ADB) ongoing support to Nepal to realize its goals as outlined in the Fifteenth Plan and is consistent with Nepal's Water, Sanitation, and Hygiene (WASH) Sector Development Plan (2016–2030) which outlines the vision of improved public health and living standards of people of Nepal through safe, sufficient, accessible, acceptable, and affordable water, sanitation, and hygiene services—any time, everyone and everywhere. The project is included in the Nepal Country Operations Business Plan (COBP) 2021–2023 and is aligned with ADB's Country Partnership Strategy for Nepal (2020–2024), Strategy 2030 (particularly Operational Priority [OP] 2, OP3, OP 4 and 6) and Sustainable Development Goal (SDG) 6 (clean water and sanitation), SDG 5 (gender equality) and SDG 13 (climate change).

B. Poverty Targeting

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

The project contributes to the achievement of SDG Goal 6: “Ensure access to water and sanitation for all” by 2030, which has the specific targets of achieving “universal and equitable access to safe and affordable drinking water for all” and “access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.”

C. Poverty and Social Analysis

1. **Key issues and potential beneficiaries.** In recent years, poverty and unemployment have been reduced in Nepal, because of a high economic growth rate, employment policies to involve citizens in work, effective social protection programs, concessional loan programs, and remittance income from foreign employment. Absolute poverty was estimated to be around 16.7% in the fiscal year (FY) 2019–2020, reduced from around 18.9% in FY2017–2018.^a However, the coronavirus disease (COVID-19) pandemic has posed a setback, exacerbating vulnerability of the poorest, while disparities based on location and social background have persisted. Around 42% Dalits (Hill Dalits 44% and Madhesi Dalits 38%) and 10% Newars (historical ethnic group inhabitants of the Kathmandu Valley) were below the poverty line in 2011 with about 16% poverty incidence in urban and 27% in rural areas.^b Nepal's Human Development Index is 0.602.^c The long-term vision of Fifteenth Plan has targeted to drop the population living below the poverty line to 5% by 2030, and to zero by 2043, by reducing income inequality. As the poverty alleviation has been recognized as a national strategy in the Fifteenth Plan, targeted programs have been carried out by the federal, state, and local levels.^d The expected beneficiaries include households, urban local bodies, and citizens of the towns targeted for interventions through the project. The project will also promote the engagement of local workers for project-related work and involve local communities in targeting beneficiaries.

2. **Impact channels and expected systemic changes.** To strengthen its impact on reducing poverty and deprivation, the project will assist the government to improve access to urban services among the urban poor in selected secondary cities and small towns. Expected spin-offs associated with improved urban services include (i) improved hygiene and lower rates of waterborne disease; (ii) reduced time poverty, especially for women, associated with fetching and boiling water and taking care of sick household members; (iii) improved school attendance, especially for girls and female teachers; (iv) creation of employment opportunities during civil works and greater opportunities for creation of small businesses in the towns; and (v) improved environment and health outcomes with improved waste management. Community leaders will be empowered in decision-making with respect to the management model eventually employed for urban services.

3. **Focus of (and resources allocated in) the transaction technical assistance (TA) or due diligence.** Due diligence will be undertaken by consultants recruited by the government, with the support of ADB's safeguards, social development, and GESI experts, and through ADB TA support. The due diligence will identify the impact, and special features to be considered in project design to maximize project benefits flowing to target groups such as low-income households and women.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? According to the Annual Household Survey 2016, 63.4% of the richest quintile households have access to piped water

supply compared to 28.5% of the poorest households.^e Likewise, 99% of the richest quintile have access to toilets while 43.5% of the poorest group have no toilet facilities. There are income, gender, caste, ethnicity, and locational disparities in access to WASH services by people from different social groups, including in urban areas. With piped water only intermittently available in most areas of the country, safe drinking water is extremely inadequate. Sewer drains and sludge are directly discharged into rivers and public drains and water conservation has not been a priority. Waterborne disease is widespread, disproportionately affecting women who have the primary role of managing water for household needs and caregiving.^b WASH facilities and services design do not consider the GESI differentiated requirement of women, men, children, persons with disabilities (PWDs) and people with diverse SOGIESC increasing their difficulty in using these services and facilities. Excluded and vulnerable communities, particularly women have limited to access to information and time to participate in meetings related to WASH.

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 access to and use of opportunities, services, resources, assets, and participation in decision-making? Yes No Improved water supplies will reduce time poverty of women by saving their time managing household water needs. Also, safe drinking water services and adequate sanitation will lower cases of waterborne diseases, reducing women's time spent taking care of sick family members. The project will ensure gender equality and social inclusion (GESI) sensitive water supply and sanitation infrastructure design and capacity building and awareness for improved hygiene behaviors. Based on GESI analysis from due diligence, the GESI action plan will be prepared with interventions targeting excluded and vulnerable communities, particularly women.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? No
4. Indicate the intended gender mainstreaming category: EGM (effective gender mainstreaming)

III. PARTICIPATION AND EMPOWERING THE POOR

1. Who are the main stakeholders of the project, including beneficiaries and affected people? Explain how they will each participate in the project's design. The main stakeholders of the project include the local communities including disadvantaged women and girls, PWDs, people with diverse SOGIESC, and the poor from different social groups by virtue of castes and ethnicities, project affected persons facing involuntary resettlement or indigenous peoples impacts, WUSCs, locally elected governments, government officials, civil society organizations and development partners. Stakeholder analysis at due diligence stage will identify civil society organizations (CSOs) with urban sector experience as well as experience in disabilities, poverty and gender issues, and concerned local community groups. The project design will be finalized through a process that involves continuous consultation with the identified stakeholders and their participation in project planning workshops, meetings, and training and awareness programs.
2. Who are the key, active, and relevant CSOs in the project area? CSOs will be identified through stakeholder analysis. Relevant CSOs could be user committees, ward citizens forum, interest groups in WASH sector, local and national nongovernment organizations. CSO participation will be sought in the project design and pre-implementation consultations to help obtain support from all stakeholders during project implementation.
3. Are there issues during project design for which participation of the poor and vulnerable is important? Yes No
The community's strength and participation in decision-making will be assessed during the due diligence. Based on past project experience in Nepal, affordability constraints of the poor will need to be addressed to ensure their inclusion in project benefits. Consultations with the main stakeholders from both government and civil society as well as project beneficiaries will be integral to project design, to be continued during implementation. A consultation and participation plan with clear activities and responsibilities of stakeholders will be prepared to ensure participation and inclusion and its implementation will be monitored by ADB.
4. How will the project ensure the participation of beneficiaries and affected people, particularly the poor and vulnerable and/or CSOs, during project design to address these issues? Stakeholder consultations will start during the initial stages of project design to gauge beneficiaries' understanding, expectations, and scope for participation in project implementation, operation, and monitoring. The project will use participatory methods to identify key women's associations and disadvantaged groups, with an emphasis on location and design, constraints to access WSS services and their needs and aspirations.
5. What level of CSO participation is planned during the project design?
 Information generation and sharing (M) Consultation (M) Collaboration (H) Partnership (NA) CSOs will be identified through stakeholder analysis. Relevant CSOs could be user committees, ward citizens forum, interest groups in WASH sector, local and national nongovernment organizations. CSO participation will be sought in the project design and pre-implementation consultations to help obtain support from all stakeholders during project implementation.

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 The project is likely to involve only limited involuntary resettlement impacts related to water and sanitation infrastructures and other civil works. The extent of the involuntary resettlement and land acquisition impacts will be determined and validated during the project preparation stage, and safeguards categorization will be reviewed once the project requirements have been confirmed.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? Resettlement plan Resettlement framework

B. Indigenous Peoples Category A B C 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? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No Infrastructures will be proposed mostly within the urban area in government lands. Due diligence will assess and confirm the actual indigenous peoples impacts. If such impact is identified, an indigenous peoples plan or combined resettlement and indigenous peoples plan will be developed.

3. Will the project require broad community support of affected indigenous communities? Yes No The project is not assessed to involve commercial development of cultural resources, physical displacement, and commercial development of natural resources of indigenous people. This will be verified during due diligence.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? Indigenous peoples plan Indigenous peoples planning framework

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

- Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS (L) Increase in human trafficking Affordability (L)
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? Contracts and safeguards documents will specify the requirements related to core labor standards. Contractors and construction workers will be made aware of communicable diseases, including HIV/AIDS and COVID-19 risks.

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? Yes Government is funding detailed engineering design consultants. The consultant terms of reference includes GESI and safeguards outputs, and requirements for the relevant expertise to be included in the consultant team. The consultants are supported by consultants engaged by ADB, and ADB's social and GESI experts. Disaggregated data (sex, and relevant social dimensions on disadvantage) will be collected.

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis; and the participation plan during the transaction TA or due diligence? See above. The government has engaged two consultant firms to undertake due diligence for secondary towns. Each firm is required to engage a Sociologist/Social Safeguards/GESI Specialist with 8 person-month inputs. For small towns, the government's consultants under the ongoing Urban Water Supply and Sanitation Sector Project will undertake due diligence, which will be reviewed by consultants engaged by ADB, and ADB staff. Resources for GESI, including the baseline survey requirements, will be sufficiently allocated.

^a Government of Nepal, Ministry of Finance. 2020. *Economic Survey 2019*. Kathmandu.

^b ADB. 2020. *Gender Equality and Social Inclusion Diagnostic of Selected Sectors in Nepal*. Manila.

^c UNDP. 2020. *Human Development Report 2020: The Next Frontier: Human Development and Anthropocene*.

^d Government of Nepal, National Planning Commission. 2020. *The Fifteenth-Year Plan*. Kathmandu.

^e Government of Nepal, Ministry of Health and Population. 2016. *Nepal Demographic Health Survey*. Kathmandu.