

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Nepal	Project Title:	Power Transmission and Distribution Efficiency Enhancement Project
Lending/Financing Modality:	Project loan	Department/Division:	South Asia Department Energy Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: general intervention

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

The proposed project is consistent with the policies and strategies of the Government of Nepal. Reliable electricity service is a necessary requirement for accelerating the economic development of any country and is considered an important input in improving the quality of life. Nepal's overall electricity demand has far outgrown the supply during the last several years: peak demand in FY2015–2016 was around 1,385 megawatts (MW) versus installed capacity of 835 MW, resulting in a deficit of about 550 MW. Electricity supplies are expected to increase rapidly during the next several years. Therefore, existing transmission and distribution systems need to be immediately rehabilitated and upgraded for the network to be able to deliver the additional electricity supplies to consumers.

Given this, electricity network enhancement has been a priority and is included in the government's action plan to end the power crisis and provide reliable and affordable electricity, and universal access for all by 2030. This is a fundamental effort consistent with achieving Sustainable Development Goal (SDG) #7 (Sustainable Energy for All) as well as Nepal's Nationally Determined Contributions to the United Nations Framework Convention on Climate Change. Nepal's Three Year Plan (FY2014–FY2016) is consistent with the country partnership strategy, 2013–2017 of the Asian Development Bank (ADB) for Nepal.

The project is consistent with the National Poverty Reduction Strategy and ADB's country partnership strategy. The project's contribution to poverty reduction and social inclusion will primarily be indirect. Project beneficiaries are widespread across the Kathmandu Valley. They will include commercial, industrial, and household consumers in all regions of the valley. People will benefit from (i) temporary and permanent jobs; (ii) economic investment and growth; (iii) improvements to basic infrastructure such as roads, water, and power supplies; (iv) livelihood restoration schemes (where applicable); and (v) continued community support.

B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence

1. **Key poverty and social issues.** The project is classified as general intervention because of the indirect and unquantifiable contribution it will have on poverty reduction and alleviation. Nepal, a largely rural country, where only 17% of the population lives in urban areas, is urbanizing rapidly. With a population of 2.5 million people, the Kathmandu Valley is growing at 4% per year, one of the fastest-growing metropolitan areas in South Asia, and the first region in Nepal to face the unprecedented challenges of rapid urbanization and modernization at a metropolitan scale.^a As per the latest National Accounts Statistics,^b the gross domestic product per capita rose from \$704 in 2012 to \$766 in 2015. The government, through the SDG #1, aims to end poverty and hunger by the end of 2030. It has targeted several goals to achieve the objective of poverty reduction: (i) secured free life to all with dignity; (ii) secured income for reasonably healthy living; (iii) secured savings for households; (iv) provided access to vocational education; and (v) supplied energy from domestic resources and improved the distribution systems.

2. **Beneficiaries.** The proposed investment will support power distribution system improvements in the Kathmandu Valley. The project will help remove bottlenecks in the distribution network. It will provide benefits by reducing distribution losses through system improvement and efficient metering. In addition to the benefits mentioned above, benefits will also trickle down to a sizable number of domestic, industrial, and commercial consumers.

3. **Impact channels.** The project is expected to result in regional economic growth and development propelled by investment in industry and commerce; creation of new and diverse employment opportunities; improved living conditions for local people, including the poor; and investment in basic infrastructure and social services for the poor.

4. **Other social and poverty issues.** The Kathmandu Valley witnessed growth of 103.96% in residential areas and of 106.35% in mixed residential and commercial areas within the decade since 2000. Rural settlement has expanded by 64.35% from 1.13 square kilometers (km²) in 2000 to 1.86 km² in 2013.^c Rapid urbanization was witnessed especially in urban fringes. The project is designed to assist the government in achieving more reliable electricity supply in the region. This will be directed to the growing urban areas, where electricity is needed for household use, income generation, and decentralized industries and businesses.

5. **Design features.** The project will also support implementation of other system efficiency upgrades and efficiency measures, such as advanced grid operation software, distribution system automation, and smart metering (which will provide consumers with more information about their own electricity use and greater flexibility in managing their own accounts). System efficiency improvements and loss reductions will improve the financial health of the Nepal Electricity Authority (NEA), while customers will benefit from more reliable and better-quality electricity supply and less dependence on diesel generators. Operational upgrades will also facilitate integration of new generation capacity scheduled to come on line in the next 3–4 years. This project can be easily replicated in other cities in the country.

II. PARTICIPATION AND EMPOWERING THE POOR			
<p>1. Participatory approaches and project activities. Consultations were carried out with officials in NEA, the Project Management Office, various departments involved in the supply of electricity, and the Environment and Social Studies Department (ESSD) of NEA. Similarly, NEA offices and project offices, user groups, and local people were consulted in different project districts and locations. The local stakeholders, mainly consumers, were consulted to collect information and suggestions relevant to the project.</p> <p>2. Civil society organizations. The nature of the project precludes any significant role for civil society organizations during implementation, except to raise awareness of the project and its benefits. Distribution enhancement projects are usually welcomed by the people and the community in general. Local democratically elected bodies (such as unions) do have a specific role in the planning of right-of-ways for the underground distribution line through surveys during implementation.</p> <p>3. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): M <input type="checkbox"/> Information gathering and sharing M <input type="checkbox"/> Consultation NA <input type="checkbox"/> Collaboration NA <input type="checkbox"/> Partnership</p> <p>4. Participation plan. <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. – Land acquisition and compensation for losses will be covered in the resettlement plan, so a participation plan is not required for the project as a whole.</p>			
III. GENDER AND DEVELOPMENT			
Gender mainstreaming category: effective gender mainstreaming			
<p>A. Key issues. With a Gender Inequality Index of 0.497, Nepali women continue to lag behind men, both socioeconomically and in terms of empowerment.^d While women play an important role in the management of household needs, including energy, their contributions continue to remain undervalued. Thus, while gender equality considerations have taken a foothold in many other sectors in Nepal, and are beginning to have an impact,^e they have not yet been prioritized in the energy sector. Similarly, people of marginalized social groups experience lower human development indicators and have poorer access to energy sources.</p> <p>B. Key actions. NEA has recently formed a gender equality and social inclusion (GESI) unit in the ESSD to support GESI mainstreaming in its operation. However, neither the Ministry of Energy nor NEA has an overarching GESI strategy in place to guide the energy sector. NEA intends to develop a GESI strategy for its operations and build the capacity of its staff. Senior officials of NEA and the ESSD have been engaged in a policy dialogue with ADB in mainstreaming GESI over the past few years, and showed commitment to the agenda. To strengthen the capacity of public sector energy organizations and the National Association of Community Electricity Users Nepal (NACEUN) in promoting GESI in clean energy technologies and services, a \$2 million capacity development technical assistance project was approved and will be funded by the Japan Fund for Poverty Reduction (JFPR). <input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p>			
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES			
A. Involuntary Resettlement	Safeguard Category: <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI		
<p>1. Key impacts. The project has been categorized as A because six substations require a total of 22.62 hectares of land acquisition, affecting an estimated 174 households with 997 people. Further, eight permanent and four temporary structures need to be relocated. Among the affected households, 142 are losing more than 10% of their land. Low- and medium-voltage lines covering 2,100 kilometers will be rehabilitated, but this does not have any permanent impacts. Surface disturbance during the construction of underground distribution lines and the restringing of overhead lines will have temporary impacts. Due diligence was conducted and a resettlement plan was prepared for the project in accordance with ADB's Safeguard Policy Statement (2009). NEA has implemented ADB projects and the ESSD has worked as a core unit to undertake land acquisition, resettlement and rehabilitation activities. Their capacity will be further enhanced through capacity development technical assistance, supervision consultants, and implementation consultants.</p> <p>2. Strategy to manage the impacts. A draft resettlement plan was prepared in line with the Land Acquisition Act of 1977; Land Acquisition, Resettlement and Rehabilitation Policy for Infrastructure Development, 2015; Electricity Act 1992; and the Safeguard Policy Statement. The resettlement plan will guide the land acquisition and consultation process and will determine people's eligibility for fair and legitimate entitlements, compensation, and other assistance, depending on the severity and nature of impacts. The resettlement plan includes a process for dealing with grievances, monitoring activities, and allocating budgets and costs for carrying out relevant activities.</p> <p>3. Plan or other Actions.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> No action </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix </td> </tr> </table>		<input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> No action	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix
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B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI										
<p>1. Key impacts. No indigenous peoples or groups are expected to be directly or indirectly affected by the project. Thus it is categorized as C according to the Safeguard Policy Statement.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to manage the impacts. If impacts to sensitive indigenous peoples occur, the executing agency will develop an indigenous peoples plan to ensure that they are fairly compensated and rehabilitated, in line with host country laws and regulations, and Safeguard Policy Statement requirements.</p> <p>3. Plan or other actions.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"><input type="checkbox"/> Indigenous peoples plan</td> <td style="width: 50%; border: none;"><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Indigenous peoples planning framework</td> <td style="border: none;"><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Environmental and social management system arrangement</td> <td style="border: none;"><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Social impact matrix</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;"><input checked="" type="checkbox"/> No action</td> <td style="border: none;"></td> </tr> </table>		<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan	<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	<input type="checkbox"/> Social impact matrix		<input checked="" type="checkbox"/> No action	
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V. ADDRESSING OTHER SOCIAL RISKS											
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input type="checkbox"/> L unemployment <input type="checkbox"/> L underemployment <input type="checkbox"/> L retrenchment <input type="checkbox"/> M core labor standards</p> <p>2. Labor market impact. The project will provide short- and long-term employment to people directly and indirectly affected by the project. Contractors will be asked to give preference to local laborers and women as much as possible. The loan agreement includes specific assurances (i) requiring the enforcement of relevant labor standards at the sites of its contractors; and (ii) ensuring that workers are protected in terms of occupational health, safety, and security risks.</p>											
<p>B. Affordability</p> <p>Not applicable because the project will not be funding household or community connections.</p>											
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> L Communicable diseases <input type="checkbox"/> L Human trafficking <input checked="" type="checkbox"/> NA Others (please specify) _____</p> <p>2. Risks to people in project area. Provisions will be taken to prevent or minimize impacts. Where and if necessary, the project will take specific action to inform, educate, and prevent workers from contracting and spreading HIV/AIDs. There is a no-tolerance policy on human trafficking, child labor, and other such issues.</p>											
VI. MONITORING AND EVALUATION											
<p>1. Targets and indicators. Payment of compensation and assistance to people affected by land acquisition and temporary impacts during construction.</p> <p>2. Required human resources. NEA's project management unit will establish a monitoring mechanism with qualified staff to engage in monitoring.</p> <p>3. Information in the project administration manual. Semiannual monitoring reports from the project management unit.</p> <p>4. Monitoring tools. Internal monitoring reports will be submitted by the project management unit and reviewed by ADB to ensure that the project is implemented in accordance with the Safeguard Policy Statement.</p>											

^a World Bank. 2013. Managing Nepal's Urban Transition. Washington D.C.

^b Central Bureau of Statistics. 2016. National Accounts Statistics. Kathmandu.

^c Kathmandu Valley Development Authority. 2014. *Haphazard Urbanization Engulfs the Valley*. Kathmandu.

^d United Nations Development Program. 2016 Human Development Reports: Gender Inequality Index. New York.

^e Such as the adoption of the GESI strategy by the Ministry of Health and Population in 2010 and the subsequent drafting of GESI guidelines in 2013. <http://www.nhssp.org.np/gesi/GESI%20guidelines.pdf>

^f The land for two of the five substations, Changunarayan and Laphsiphedi, will be acquired under the ADB loan and grants (Loan 2808, Grant 0270, and Grant 0271).

Source: Asian Development Bank.