



Initial Poverty and Social Analysis

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Federated States of Micronesia: Chuuk Water Supply and Sanitation Project

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CPUC	–	Chuuk Public Utility Corporation
FSM	–	Federated States of Micronesia
NRW	–	nonrevenue water
PRF	–	project readiness financing

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Federated States of Micronesia	Project Title:	Chuuk Water Supply and Sanitation Project
Lending/Financing Modality:	Grant	Department/ Division:	Pacific Department

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will help the Federated States of Micronesia (FSM) expand access to efficient, uninterrupted, and sustainable water supply and sewerage services that are resilient to climate change and disasters, promoting the sustainable development of social and economic infrastructure through the provision and utilization of cost-effective, safe, reliable, and sustainable infrastructure. The project supports the government's development priorities, as articulated in the Strategic Development Plan 2004–2023 of FSM, particularly in its objective for improved education and health status through the provision and improvement of basic services and infrastructure. The project is in line with the FSM Infrastructure Development Plan, 2016–2025 and Chuuk State Strategic Development Plan, 2018–2023. The project is consistent with Asian Development Bank's (ADB) Pacific Approach 2016–2020, which serves as the country partnership strategy for FSM, and with ADB's Strategy 2030, particularly with operational priorities 1 (address remaining poverty and reducing inequalities), 2 (accelerating progress in gender equality), 3 (tackle climate change, building climate and disaster resilience, and enhance environmental sustainability), 4 (make cities more livable) and 6 (strengthen governance and institutional capacity). The project is included in the indicative lending pipeline for FSM in ADB's country operations business plan for the 11 small Pacific island countries 2020–2022.

B. Poverty Targeting:

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

The project will provide more reliable, resilient and safe water supply and sewerage services in Chuuk State by financing the construction and renovation of water supply and sewage infrastructure, providing educational activities that promote good sanitation and hygiene practices that help prevent water and sanitation related diseases, implementing institutional reforms and improving operations and the service provision, benefiting all residents but particularly the poorest households, which are the ones with less access to water supply and sewerage services. Improved water and sewerage services and infrastructure contribute directly and indirectly to poverty reduction by improving health and living conditions as well as potentially increasing productivity and job creation in the project sites.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

Access to public water supplies in Chuuk State is limited and only 8% of households obtain drinking water from the public water supply systems which are provided by the Chuuk Public Utility Corporation (CPUC). The majority of the households rely on rainwater tanks (69%) as the source of drinking water, and the rest rely on wells and springs (19%), and bottled water and streams (5%). Rainwater harvesting is not secure due to the seasonal rainfall patterns and more frequent and severe dry periods as a result of climate change. 95% of CPUC water production comes from deep wells and 5% from the Pou River treatment plant, which is dilapidated and requires rehabilitation. It is necessary to expand water supply to a larger amount of the population and reduce the reliance on groundwater.

Chuuk State public sanitation service is also limited. The current Weno sewerage system serves only about 400 households and parts of the sewerage network and pumping stations are dilapidated and require rehabilitation. Beyond the island's sewerage network area, septic tanks and pit toilets are widely used, particularly among poor communities. Septic tank and pit toilets discharge effluent directly into the shallow aquifers that underlie the island, becoming a major contributor to groundwater contamination and individual household wells and causing endemic health disorders such as diarrhea, particularly among infants.

CPUC's water supply and sewerage services are relatively underperforming and are dependent on cross-subsidies from CPUC electricity sales. Such underperformance on water supply and sewerage services is largely due to the high rate (90%) of nonrevenue water (NRW). Reduction of NRW is essential to enable CPUC to collect water supply and sewerage revenue, which will then allow them to expand its water supply and sewerage customer base.

Direct beneficiaries of the project are households in Chuuk State, and particularly poorest households lacking access to water supply and sewerage services. The total number of the project's direct and indirect beneficiaries will be confirmed during project processing.

2. Impact channels and expected systemic changes.

The main channel for project benefits is the improved water and sewage service provided by CPUC. The project will undertake priority water supply and sanitation investments in order to increase and improve service coverage and reduce water supply insecurity, largely influenced by rainfall patterns and climate change, particularly among low-income households. Poor and socially excluded groups will directly benefit from the project.

3. Focus of (and resources allocated in) the transaction TA or due diligence.

A project readiness financing grant (PRF) of \$ 5 million was approved in December 2019 to prepare the project and facilitate a smooth transition to project implementation. The PRF will finance consulting firms and individual consultants, as well as the equipment, to achieve three outputs: (i) creating an enabling environment for the ensuing investment project of CWSSP; (ii) identifying the investment scope, preparing the project readiness, and procuring key project components; and (iii) developing a smooth transition to implementation by strengthening CPUC's water supply operations.

4. Specific analysis for policy-based lending. Not applicable.

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?

Women play an important role in promoting good health and sanitation practices in households in FSM, with children learning important lessons on hygiene from their mothers. As primary caregivers, productivity of women may be adversely affected by time taken away from productive activities such as paid employment, to care for sick family members affected by water-borne diseases. Public hygiene awareness and education activities targeted at women are likely to improve children's health and behavior such as encouraging the use of handwashing. Adequate sanitation facilities at the home will ease the burden of women on tasks related to sanitation, health, and hygiene and will likewise reduce medical costs on waterborne and other infectious diseases.

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

Employment opportunities for women will potentially be created and gender specific elements will be incorporated into the hygiene awareness and education program and in the design of sewerage infrastructure. Women will benefit from improved water supply and sanitation services that will result from the project. A gender action plan will be prepared as part of PRF activities.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

☐ Yes ☒ No

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.

Stakeholders include households in Chuuk State, local civil society organizations that will be involved in community consultation activities, development partners, the Department of Finance and Administration, CPUC, local businesses.

The local populations will be engaged in the identification of suitable locations for infrastructure, including pipelines, household connections and on-site sanitation projects piloted on Chuuk's outer islands, and participation will continue to be undertaken in all phases of the project from planning, implementation and monitoring and evaluation. The households of Chuuk State will benefit from the Hygiene Awareness and Education Program.

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?

During the PRF implementation, public consultations will be held to design the project components with active participation of women, low income population and communities. The project will ensure that low income households will participate also in consultations on the PRF tariff reform to ensure service charges are at affordable levels.

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?

☒ Information generation and sharing (H) ☒ 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 should they be addressed? ☒ Yes ☐ No

The urban poor are the ones generally most affected by lack of access to water supply and sewage services, hence, understanding their constraints and devising possible solutions will be a key aspect of the social analysis and stakeholder consultation

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

Limited permanent and temporary land acquisition could be required. The extent of potential resettlement impacts will become apparent during project preparation and resettlement plans and/or resettlement framework will be prepared to guide land acquisition.

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

☒ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix

☐ Environmental and social management system arrangement ☐ None

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

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No

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 ☐ Social impact matrix

☐ Environmental and social management system arrangement ☒ None

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 M ☐ Labor retrenchment
☐ Spread of communicable diseases, including HIV/AIDS ☐ Increase in human trafficking ☒ Affordability H
☐ 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? Tariff review during PRF will be pro-poor and bid documents will require contractors to adhere to core labor standards.

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 ☐ No

Note: Due diligence for the project will be conducted under the ongoing PRF through an output-based contract.

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 transaction TA or due diligence?

The PRF consulting team will undertake social surveys and conduct due diligence. Budget for conducting surveys and workshops related to conducting poverty, social and/or gender analysis is included in the PRF consultancy budget.