

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Bhutan	Project Title:	South Asia Subregional Economic Cooperation Green Power Investment Program
Lending/Financing Modality:	Multitranche Financing Facility	Department/ Division:	South Asia Department Energy Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Bhutan has achieved remarkable socioeconomic progress and poverty reduction over the decade. Poverty incidence declined from 31.7% in 2003 to 23.2% in 2007 and 12.0% in 2012. The reduction was particularly significant during 2007–2012, when the poverty rate was almost halved. The government’s Eleventh Five Year Plan (2013–2018) strives to reduce income poverty to less than 5% by 2018. As in past government plans, the major stimulus for inclusive economic growth will come from energy and related construction, coinciding with hydropower projects and their construction and commissioning. Therefore, accelerated hydropower development constitutes one of the government’s core strategies and set of subobjectives through which poverty reduction will be addressed. In the social context, hydropower development has contributed to various spin-off benefits in improving the quality of lives and reducing poverty. In Bhutan, it comes with other infrastructure including social service facilities, electricity, and roads, which confer immense and immediate socioeconomic benefits and opportunities for local and regional communities. The program is in line with the country program strategy of the Asian Development Bank (ADB), 2014–2018 for Bhutan, which emphasizes support for renewable and hydropower energy development with three strategic pillars: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration.

#### B. Poverty Targeting:

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

Power generation and transmission interventions provide indirect rather than direct benefits for poverty reduction. Hydropower development will be designed to have a community development plan. Further opportunities for pro-poor design will be explored during the PPTA.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

The program has direct and indirect beneficiaries. Direct beneficiaries are people living in the hydropower project area. Their main household economic activity is subsistence agriculture. They will benefit from improved access to social services, commercial and economic activities, electricity supply improvements, and employment opportunities. Cash income from agricultural activities can be increased partly because the hydropower project brings more workers to the areas, which allows farmers to increase sales of their agricultural and dairy products. The source of nonagriculture income will be diversified and increased through direct employment created by project construction works; income created from small shops serving project workers, leasing land, house rentals, subcontracting, and the hiring out of vehicles. Indirect beneficiaries include those who will benefit from (i) affordable electricity prices and more stable power supply throughout Bhutan, subsidized in part by the plant production royalty payments and power export revenues; and (ii) more reliable power supply in India as a result of the plant’s power exports.

##### 2. Impact channels and expected systemic changes.

The impact channels through which the poor and vulnerable groups will benefit from the program are (i) influx of population into the project area that will create demand for agricultural and dairy produce of local communities thereby creating a ready market for their produce; (ii) construction of access roads to project sites that will improve accessibility of local communities to the main road and other markets; (iii) development of health clinics for construction employees (the health clinics can be used by local people to avail of health care, thereby leading to improved health); and (iv) employment opportunities provided by local contractors.

##### 3. Focus of (and resources allocated in) the PPTA or due diligence.

The local communities in the project area have limited accessibility to markets, social services, and employment. The proposed hydropower project is expected to develop access roads and build social service facilities associated with the power plant. Employment opportunities will also be created for construction and maintenance works. The PPTA will further identify suitable activities and programs to improve their accessibility based on the in-depth social analysis.

##### 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?

Women play significant roles in rural economy where the project sites are located. In rural areas, labor force participation rates are higher for women than men, and women outnumber men among the employed, particularly in agriculture. Agriculture is a sector in which productivity and earnings remain low. The PPTA will further assess specific gender issues in the project areas.

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.

The PPTA will be designed to enhance benefits to women (e.g., provision of equal pay for equal work, information campaigns on HIV/AIDS risk, and adherence to core labor standards), and where resettlement is involved includes attention to women in any community development plan related to livelihood initiatives for women.

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

Yes  No Please explain

The PPTA will identify actions such as gender-responsive information campaign on sexually transmitted infections and human trafficking, safety and security needed measures such as information campaign on HIV/AIDS risks, provision of safety and security during construction and special assistance to vulnerable women under the resettlement plan or other social development plans.

4. Indicate the intended gender mainstreaming category (particularly for the first tranche project):

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 local people in the project areas. They will include affected people who may lose partial land due to access roads and other project facilities. The public consultations will focus on various targets and locations through interviews and focus group discussions (e.g., women), local block administrations, local communities, and civil society organizations. To do so, the PPTA will conduct a series of surveys of the stakeholders in the project areas.

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?

Through a series of public consultations, the affected households will be informed about the project's components, impacts, entitlement, and mitigation measures to address positive and negative impacts of the project. Information about the project will be shared with stakeholders and beneficiaries on a continuing basis as the project develops. For the hydropower development, some booklets in the local language will be prepared, and illiterate persons will verbally have explanation of the project information. The grievance redress committee will be formed and explained to affected people.

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?

M Information generation and sharing M Consultation  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

In the ADB financed past hydropower projects, the executing agencies conducted satisfactory consultations and mitigation plans for the poor and excluded. The PPTA will support the executing and implementing agencies in conduct continued consultations along with local block administrations and the grievance redress committee, with adequate representation from affected households including the poor and vulnerable. It will also facilitate consultation and participation with any civil society organizations, particularly for a community development plan.

**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 exact number of affected people will be determined only after detailed site infrastructure development plans. In the past, ADB financed hydropower projects for Bhutan the resettlement category B with no relocations of houses and buildings in spite of partial land acquisition due to access road construction. These projects adopted access road's design to minimize affected people. The same approach will be taken under the program.

2. What action plan is required to address involuntary resettlement as part of the PPTA 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 PPTA 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  Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS  Increase in human trafficking  Affordability  
 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?

Employment opportunities will be created for skilled and unskilled laborers during construction. The executing and implementing agencies will include specific provisions in contracts with construction contractors to ensure gender equality and compliance with labor standards.

**VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT**

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?

- Yes  No

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 PPTA includes the budgets of consultants, social surveys, and public consultations.