

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Third Small Towns Water Supply and Sanitation Sector Project
Lending/Financing Modality:	Sector	Department/Division:	SARD/SAUW

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Nepal has achieved significant gains in poverty reduction – from a poverty incidence of 42% in 1996 to 31% in 2004 and is on track to achieve its Millennium Development Goal (MDG) of reducing the poverty incidence to 21% by 2015. However, distinct structural disparities between urban, semi-urban and rural areas; and between geographical sub-divisions lie underneath the aggregated positive achievements. Whilst the Central Development Region had a poverty incidence of 22%, the Mid-western Development Region's poverty incidence reached 37.4%, according to the 2011 National Census. Rural and semi-rural areas, Mid-western region, Far-western region and Eastern region lag significantly behind the urban areas, the western development region, and the central development region. Severe deficiencies in basic infrastructure and service delivery are common in small towns and pose serious hindrance to further economic and social development. The legacy from the past due to lack of planning and haphazard development weighs heavily on small towns. Only 45% of the population in small towns had access to piped water supply and the average service coverage for sanitation services was even lower

The project will indirectly contribute to poverty reduction through improved economic and social development due to increased access to water supply and sanitation services. Improved water supply and sanitation services will lead to improved living conditions and hygiene benefits in small towns where incidence of poverty is high and current service level is low. Improved water supply and sanitation service coverage will benefit poor households and disadvantaged social groups who are more vulnerable due to limitation of available resources to cope with lack of water supply and sanitation and are burdened with high procurement costs and health expenditures.

The project is in line with two of the four pillars of ADB's Country Partnership Strategy (CPS) for Nepal (2010-2012) by promoting (i) broad-based and inclusive economic growth, and (ii) inclusive social development. ADB's CPS puts water supply and other municipal infrastructure and services as one of the six focus sectors that contribute to the pillars of the CPS.

B. Targeting Classification

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

The proposed project will improve the living conditions and health that directly benefit individuals and households. The proposed project will also improve the economic and social development in small towns that indirectly benefit individual and households due to increased economic opportunities. At least 30% of project costs will be allocated to directly benefit poor, women-headed and minority households. The project is expected to contribute to MDG7 (environmental sustainability) by improving access to safe drinking water and basic sanitation.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The people and business in the subproject towns will be the potential beneficiaries. The project will provide much needed water supply and sanitation services that are currently not available or inadequate. According to UNICEF, 55% of the national population lives under the international poverty line of \$1.25/day.

2. Impact channels and expected systemic changes.

The project will increase the access to better and more affordable water supply and sanitation services and promote more inclusive and equitable service provision through the decentralized participatory approach in decision making. Through the users' committee, representation of women, poor households and disadvantaged social groups is improved in decision making on service provision and service pricing.

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

National gender specialist and resettlement specialist, and national and international social development specialists are required through PPTA resources. Implementation of house connection for subproject area may face difficulty in accessing households, especially minority and informal settlement, if any. The PPTA will assess such situation and design public communication plan through consultation with government and review of previous projects.

4. Specific analysis for policy-based lending. NA.

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?
Key gender issues include: (i) participation and decision making through female representation in users' committees; (ii) participation of female staff in training opportunities; (iii) female representation in project implementation activities; (iv) participation by women in awareness campaign. The PPTA will explore other issues.
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 project will aim for more inclusive service provision to women headed, poor and disadvantaged households. PPTA will also prepare a GESI action plan.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?ⁱ
 Yes No Please explain. There is no adverse impact. Women and girls being the essential force to improve results from awareness campaign and the execution of hygiene standards will be targeted to receive total sanitation training and other professional training.
4. Indicate the intended gender mainstreaming category:
 GEN (gender equity theme) 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 of the project are small town residents, local business communities, users' committees, government officials, civil society organizations and development partners. The project design is finalized through a process that involves continuous consultation between government and development partners, socio-economic surveys for the residents and business communities and communications with users' committees to determine feasibility of project design.
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?
Stakeholder participation and communication plan and strategy will be formulated at the initial design stage. The national social safeguard and resettlement specialists under the PPTA will be based in the field office for the sample subproject towns to ensure timely attention to issues concerning participation. For the remaining subproject towns, loan consultant will ensure the compliance with the stakeholder participation and communication plan and strategy by providing quarterly updates to ADB in the progress report.
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?
 Information generation and sharing Consultation Collaboration Partnership
The PPTA will verify the key civil society organizations in the project area and the level of participation. Information dissemination is envisaged at the town level through billboards, posters and newsletters, where applicable. General orientation and targeted consultation seminars will be held. The beneficiaries will collaborate through the WUSCs to make contributions to establishing the infrastructure through a demand-driven participatory approach.
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
The project is to provide water supply services in the subproject area. Therefore, determination of the subproject area is important as not to exclude the poor, women-headed and minority households from access to improved services. Consultation with the poor and excluded can be engaged through focus group discussion, interviews, and local meetings and can be separately arranged for separate focus groups to maintain appropriate level of sensitivity.

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 have no IR impact but this will be verified during the PPTA.
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 (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?
Sample subproject towns will be carefully selected to ensure representation of small towns of different level of development status so that generalization can be applied to remaining subproject towns by comparative analysis. Socio-economic survey will be conducted during PPTA to assess the affordability of establishing and operating water supply and sanitation infrastructure at the sample subproject towns. Financing as well as operating mechanism will be discussed with the government, the local governments, as well as users' committees to ensure affordability.

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?
International as well as national consultants will be engaged by PPTA resources in project preparation stage. Loan consultants will be engaged during implementation stage. Socio-economic survey and information interviews will be conducted by the PPTA. Workshops will be included during the implementation stage.
