

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Bhutan	Project Title:	Second Green Power Development Project
Lending/Financing Modality:	Project loan	Department:	South Asia Department
		Division:	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

Bhutan has achieved remarkable socioeconomic progress and poverty reduction. This is supported by robust economic growth and government efforts to improve living standards. 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. These gains are largely attributed to effective implementation of targeted poverty reduction programs such as the government's Rural Economy Advancement Program and the National Rehabilitation Program, in addition to broad-based national socioeconomic development programs. Despite the progress made in the reduction of overall poverty and income inequalities, significant challenges remain. Notably, poverty remains predominantly a rural phenomenon and considerable regional disparities exist—more than half of the 20 districts, which have poverty rates above the national average of 12%. Against this backdrop, the government's Eleventh Five Year Plan, (2013–2018) strives to reduce income poverty to less than 5% by 2018. The plan's underlying objective is to achieve self-reliance and inclusive green socioeconomic development. Self-reliance is defined as being able to meet all national development needs as articulated by the plan. Inclusive social development requires reducing poverty and inequality by enhancing the standard of living and quality of life of the most vulnerable sections of the society. Green development includes ensuring carbon neutral development at all times.

The energy sector is the backbone of the country's economy, accounting for about 30% of government revenues and about 20% of the gross domestic product (GDP). 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. However, if the country is to achieve the targeted poverty reduction, the real GDP will be need to grow at about 9%. The real GDP can grow at such a high rate only if it is pushed by hydropower.

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 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. As conditions of income and human poverty are inextricably linked to the prevalence of energy poverty, the development of hydropower resources and provisioning of affordable electricity for all will effectively contribute to removing an underlying cause of poverty. The project is in line with the country program strategy of the Asian Development Bank (ADB), 2014–2018 for Bhutan, which emphasizes support for renewable energy development in the country.

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

1. Key poverty and social issues. The energy sector's link to poverty reduction in Bhutan is apparent and unquestionable. Resources from hydropower exports have enabled the country to develop greater economic self-reliance and ability to fund imperative social programs such as free education and health services, rural connectivity, rural electrification support, access to drinking water, and overall poverty reduction activities.

2. Beneficiaries. The project has direct and indirect beneficiaries. Direct beneficiaries are people living in the project area. They will benefit from improved access to social services, commercial and economic activities, electricity supply improvements, and employment opportunities. Subsistence agriculture was the main household economic activity. Cash income from agricultural activities can be increased partly because the project brings more workers to the areas, which allows farmers to get higher prices for 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 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.

3. Impact channels. Direct impact channels through which poor and vulnerable groups will benefit from the project are (i) one member from each affected family will be provided employment in accordance with the resettlement plan; and (ii) improved accessibility to social services, transport, and electricity will enable productive economic activities and create opportunities that improve well-being of the population. Indirect impact channels through which the poor and vulnerable groups will benefit from the project are (i) influx of population into the project area 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 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); (iv) employment opportunities provided by local contractors; and (v) expectation that the value of land in and around the project area will increase due to the project and its physical infrastructure (increased value of assets, particularly land and structures, of local communities and affected people).

4. Other social and poverty issues. Poverty in rural areas is significantly higher than in urban areas and poverty can be characterized as a rural phenomenon. About 98% of the poor live in rural areas with most primarily engaged in subsistence farming as their primary occupation. While the poverty and social indicators report significant progress, disparities exist within regions and area of residence. The government's 11th plan is to ensure inclusiveness by targeting the disadvantaged and vulnerable to benefit from socioeconomic development.

5. Design features. The project is expected to have a positive impact across the country in general, and to local communities in particular through employment creation, increased economic activity, and growth from investment in the area. No significant adverse impacts have been identified. The project will have a significant impact on poverty especially within local communities through increased opportunities for income generation. The project is designed to make positive impacts on inclusive economic growth locally and regionally. The project site was chosen in the central region of Bhutan to respond to regional disparity; most existing hydropower projects are in the western region where the national capital, Thimphu, is situated.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities. Participation of beneficiaries and affected people has been promoted through meetings with stakeholders, including interviews and focus group discussions (e.g., women), local block (geog) administrations, local communities, and civil society organizations. A series of surveys of displaced people and beneficiaries in the project area were conducted. The executing agencies have carried out a many interactive consultations with affected people at different locations since 2010. In particular, they ensured one-to-one consultations with each affected household, and booklets in the local language were distributed. Illiterate persons received an explanation of the project information. The grievance redress committee was formed and explained to affected people. The affected households were thus 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. Consultations were carried out in a manner commensurate with the impacts on affected communities.

2. If civil society has a specific role in the project, summarize actions taken to ensure their participation. While Bhutan does not have many civil society organizations, a few nongovernment organizations (NGOs) participated in the consultation process. The project plans to collaborate with an NGO to provide commercial weaving training, which is identified as a community development plan.

3. Civil society organizations. Consultation will be continued with all stakeholders, including civil society organizations during project implementation.

4. 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 Information gathering and sharing M Consultation M Collaboration N Partnership

5. Participation plan.

Yes. No. Only the community development plan being prepared by NGOs is anticipated. The executing agencies will support continued consultation along with local block (geog) administrations and the grievance redress committee, with adequate representation from affected households including the poor and vulnerable. Communications with NGOs will be supported and developed under an attached TA.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Some gender elements.

A. Key issues. The project will provide skills training for women in commercial weaving. The executing agencies and construction contractors will create job opportunities during construction with equal wages for men and women.

B. Key actions. Focus group discussions were undertaken with women from different socioeconomic groups in the project influence area. Women stated that the project would benefit them, especially the skills development program for women weavers, as commercial weaving would supplement their household incomes. The training, to be imparted by an NGO, will target 25–30 women. Space will be provided in the community agriculture and dairy products sales outlet for women to display and sell their weaving to customers. This project will construct the sales outlet project for the benefit of the community as part of the community development plan. As part of social due diligence, focus group discussions with women's groups were to create awareness about the development activities and to seek their views on how the project would affect women and mitigation measures to address the impacts. Households headed by single women are considered vulnerable; additional assistance is provided in the resettlement plan. Additionally the project will ensure that the construction contractor follows proper health, safety, labour, and gender equality provisions.

Gender action plan Other actions or measures No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. Key impacts. The project will not entail any relocation of households, buildings, or facilities. It will have minimal impacts on private property, assets, or livelihoods. In total only 17 households and 1 community primary school will lose part of their landholding, 1.67%–9.70% of each total landholding (none of the displaced households will lose more than 10%). The 18 households displaced (including the school) comprise 84 displaced persons (i.e., household members). In total, the project will acquire only 1.69 hectares of private land. Apart from land, no other assets will be displaced. The project will not affect any physical structure (e.g., homesteads, shops, cattle sheds, outhouses, water resources and irrigation channels, or religious and cultural structures).

2. Strategy to address the impacts. The resettlement plan includes impacts and mitigation measures, a grievance redress mechanism, and compliance with ADB information disclosure and consultation requirements.

3. Plan or other actions.

- | | |
|---|--|
| <input checked="" type="checkbox"/> Resettlement plan | <input type="checkbox"/> Combined resettlement and indigenous peoples plan |
| <input type="checkbox"/> Resettlement framework | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input type="checkbox"/> Environmental and social management system arrangement | <input type="checkbox"/> Social impact matrix |
| <input type="checkbox"/> No action | |

B. Indigenous Peoples

Safeguard Category: A B C FI

1. Key impacts. The project does not have any impact on indigenous peoples as no Indigenous peoples live in the project area. Is broad community support triggered? Yes No

2. Strategy to address the impacts. None.

3. Plan or other actions.

- | | |
|---|--|
| <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 | |

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

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).

L unemployment L underemployment L retrenchment L core labor standards

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

B. Affordability No such issue is expected.

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):

L Communicable diseases L Human trafficking

Others (please specify) _____

2. Risks to people in project area. Measures have and will be taken to prevent and minimize impacts. All imported construction laborers must undergo a health checkup to ensure they do not bring any communicable disease. The project will take specific action to inform, educate, and prevent workers from contracting and spreading HIV/AIDs. A no tolerance policy on human trafficking and child labor is in place.

VI. MONITORING AND EVALUATION

1. Targets and indicators. Indicators to measure progress in resettlement plan implementation and in general, some key anticipated (positive and negative) social impacts of the project are proposed. Target indicators include the time framework, land acquisition, compensation, and complaints, in accordance with the resettlement plan.

2. Required human resources. The district land acquisition and allotment committee, and the executing agencies' internal monitoring committee are provisioned. The independent panel of experts and the ADB TA consultant will help ensure compliance.

3. Information in the project administration manual. The semiannual monitoring report will include progress of the identified indicators.

4. Monitoring tools. They include semiannual monitoring reports, quarterly progress reports, and ADB review missions.