

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Nepal	Project Title:	South Asia Subregional Economic Cooperation Power System Expansion Project
Lending/Financing Modality:	Project loan	Department/Division:	South Asia Department / Energy Division

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention

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

During 2004–2011, Nepal reduced the percentage of people living below the international poverty line (defined as those earning less than \$1.25 per day) from 53.1% to 24.8%. It has aligned its development strategy and priorities with the Millennium Development Goals, and aims to further reduce poverty by 2015. Electricity is considered important for improving quality of life and is the most important contributing factor for economic development. About 56% of the population has an electricity connection, although regional and urban and/or rural disparities exist. Lack of generation capacity and grid connectivity, and network capacity shortfalls impede efficient energy consumption. Severe bottlenecks impinge on day-to-day operations, and energy losses in some parts of the network are large. Lack of transmission connectivity and capacity hinders development of hydropower generation across the country. Lack of regular maintenance of some hydropower plants has led to reduced overall generation capacity and available supply. The distribution network capacity constraints as well as outdated network planning, design, operation, and maintenance have led to inefficient supply of electricity to consumers. The project is consistent with government policy and the strategy of the Asian Development Bank (ADB), and included in the ADB's country operations business plan, 2013–2015 for Nepal<sup>a</sup> and regional cooperation business plan, 2013–2015.<sup>b</sup> Project benefits will include contributions to meeting daily energy requirements and to providing efficient services. This will result in enhanced economic activity and employment opportunities, including for poor and socially disadvantaged people during project implementation.

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

1. Key poverty and social issues. The benefits of improving the energy sector are manifold. Improved power supply and reliability contributes to improved social services, as hospitals, schools, and other social utilities are often hardest hit by inadequate power supply, load shedding, and poor power quality. For economic growth, power system development could support greater farm mechanization leading to greater agricultural yields, and could benefit commercial and industrial sectors by promoting access to markets, skills training, entrepreneurship, and an increase in employment opportunities. All these factors have a positive impact (indirect) on poverty reduction.
2. Beneficiaries. Project beneficiaries will directly benefit from an increased supply and access to electricity. The primary beneficiaries are existing and prospective electricity consumers, including rural households. They include the poor, women, and children. Women are severely affected by lack of electricity for housework. A social analysis in the subproject area used a sample socioeconomic baseline survey covering approximately 650 households in the mid-western, central, and eastern regions.
3. Impact channels. The project has the capacity to indirectly improve the quality of life and well-being of project beneficiaries by providing opportunities to increase incomes through employment and alternative livelihoods. It will ensure several direct benefits to targeted communities by providing new electricity connections to new households, enhancing the reliability of power supply, and supporting the use of renewable energy sources in rural Nepal.
4. Other social and poverty issues. The Nepal human development index is very low at 0.458; the country rank is 157 (the lowest in South Asia). The multidimensional poverty index is 0.350.<sup>e</sup> The Standards Survey (NLSS-III, 2010/11) assessed the poverty incidence (headcount rate) in 2010/11 as 25.16%. The poverty rate is much lower in urban areas (15.46%) than in rural areas (27.43%). Some subproject locations are situated in very remote hilly areas with inadequate infrastructure facilities such as roads, communication, electricity supply, and other social infrastructure. The project will have indirect positive social impacts.
5. Design features. The project is expected to have a positive impact on people accessing energy from the grid and from renewable sources, as well as people living in the direct area of influence of the project either through jobs or increased economic growth and investment in the area.

### II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. Consultations were carried out with various stakeholders, i.e., affected persons, village communities, local residents, women's groups, and representatives of government officials and executing and implementing agencies. Focus group discussions with 63 local communities involved a total of 1,014 participants in subproject locations, and consultations with women's group at 35 locations involved 447 women. Stakeholders were informed about the project; information will continue to be disseminated during project implementation.
2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. Civil society user groups have a specific role. They must organize and make the required efforts to be the part of subprojects.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Consultation will be continued with all stakeholders, including civil society, during project implementation. For AEPC components, civil society user groups will be created to act as primary stakeholders. The project requires strong participation of the CUGs, made up of community leaders and other active members of the community.

4. What forms of civil society organization participation is envisaged during project implementation?

M Information gathering and sharing  M Consultation  L Collaboration  L Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable?

Yes.  No. The executing and implementing agencies will continue consultation and participation with adequate representation from all stakeholders, including the poor and vulnerable.

### III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective gender elements

#### A. Key issues.

An analysis of the poverty and gender data reveals that women in the project area continue to suffer disproportionately due to minimal access to education, health, and electricity, as well as low participation in formal and informal decision-making processes, low land ownership, and other matters that affect their quality of life and well-being, relative to their male counterparts. Women are primarily engaged in household work and cultivation. Most focus group participants perceived that the project would improve access to electricity, leading to improved livelihood, improved trade and business, and improved children's education resulting in poverty reduction. At all locations, women expressed their willingness to participate in subproject-related activities and build their capacity.

**B. Key actions.** A gender action plan was prepared. The executing and implementing agencies will ensure that proper health, safety, labor, and gender equality provisions are followed by the construction contractor. The project outputs will have gender elements. The contractor will ensure at least 25% of total skilled and unskilled labors are women. At least 50% of the newly electrified households should be from BPL and headed by women. Contractors will ensure equal wages for women, and proper health safety measurements and awareness of HIV/AIDS. The strategy will include raising the awareness of newly electrified households (estimated: 80,000) on: (i) safe and efficient use of electricity, i.e., use of compact fluorescent lamps; (ii) energy-related livelihood opportunities; and (iii) energy consumption habits and patterns for household tasks. Additionally, AEP's renewable energy components will ensure electrification of 28,000 new households from mini-hydro and 2,500 households from solar-wind power hybrid mini-grid development, of which 33% will be below the poverty line and headed by women. The target is for at least 40% female participation in all technical training for the construction, operation, and maintenance of subprojects. The executing agency will ensure an effective social and gender GESI focal official is engaged at NEA and AEPC during project implementation. Training in GESI-based community participation and management of energy systems by 2018 will be ensured by promoting productive energy use activities focused on (i) reducing women's time spent on household tasks, and (ii) women-led microenterprise development.

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. Transmission and distribution components will have permanent and temporary impacts. Total land requirements for these transmission sub stations is 62.30 hectares (ha) of which 35.00 ha are government land and 27.30 ha private land. This will impact approximately 326 households as economic displacement by loss of land. The 24 proposed new 33/11 kilovolt (kV) distribution substations will require a total of 12.10 ha of private land and will impact approximately 24 households. The transmission lines will have permanent impacts such as loss of small pieces of land for tower footings in transmission lines, and temporary impacts on loss of trees and crops along the right-of-way. Transmission towers on private land will be acquired. Similarly distribution lines, especially 33 kV lines will have temporary impacts on loss of trees and crops along the right-of-way.

2. Strategy to address the impacts. A combined resettlement plan and indigenous peoples plan (draft) was prepared for NEA's transmission and distribution components; and a resettlement framework for AEPC's components to address future subprojects.

3. Plan or other actions.

Resettlement plan  Combined resettlement and indigenous peoples plan  
 Resettlement framework  Combined resettlement framework and indigenous peoples planning framework  
 Environmental and social management system arrangement  Social impact matrix  
 No action

#### B. Indigenous Peoples

Safeguard Category:  A  B  C  FI

1. Key impacts. The subprojects' small-scale land acquisition will impact indigenous peoples as the subprojects are scattered across Nepal, and require permanent land acquisition for transmission GSS and distribution substations. Some land will be lost for tower footings, and crops and trees along the right-of-way may be temporarily affected. However, land acquisition for the subprojects will not lead to any physical displacement. The magnitude of impacts on indigenous peoples is not significant for (i) customary rights of use and access to land and natural resources; (ii) socioeconomic status; (iii) cultural and communal integrity; (iv) health, education, livelihood, and social security status; (v) recognition of indigenous knowledge; and (vi) vulnerability of the affected indigenous peoples community. Land will be compensated at replacement cost. Is broad community support triggered?  Yes  No

2. Strategy to address the impacts. Since the impacts are limited to compensation, a combined resettlement plan and indigenous peoples plan was prepared for NEA's transmission and distribution components. Additionally, a resettlement framework and indigenous peoples planning framework were prepared for AEPC components to address future subprojects.

3. Plan or other actions.

- |   |  |
|---|--|
| <input type="checkbox"/> Indigenous peoples plan                                | <input checked="" type="checkbox"/> Combined resettlement plan and indigenous peoples plan         |
| <input checked="" type="checkbox"/> Indigenous peoples planning framework       | <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework |
| <input checked="" type="checkbox"/> Resettlement framework                      | <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary     |
| <input type="checkbox"/> Environmental and social management system arrangement |  |
| <input type="checkbox"/> Social impact matrix                                   |  |
| <input 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.

unemployment  underemployment  retrenchment  core labor standards

2. Labor market impact. The project will create job opportunities for skilled and unskilled laborers during construction. The executing and implanting agencies will include specific provisions in contract agreements with construction contractors to ensure gender equality and compliance with labor standards.

##### B. Affordability

No particular issue is expected.

##### C. Communicable Diseases and Other Social Risks

1. Indicate the respective risks, if any

Communicable diseases  Human trafficking  NA Others (please specify) \_\_\_\_\_

2. Describe the related risks of the project on people in project area. Provisions will be taken to prevent or minimize impacts. Where and if necessary, the project will be expected to take specific action to inform, educate, and prevent workers from contracting and spreading HIV/AIDs. A no-tolerance policy on human trafficking, child labor, among other issues, is expected.

#### VI. MONITORING AND EVALUATION

1. Targets and indicators. The project includes social and gender-based targets and indicators relating to activities identified under process, output, and impact indicators. Other target indicators are (i) number of employment or jobs generated during project construction for unskilled, semi-skilled, and skilled labor; (ii) disbursement of compensation and assistance, i.e., on time prior to the start of construction; and (iii) rehabilitation and restoration of livelihood of affected persons.

2. Required human resources. Project management directorate staff, project implementation unit staff, and project implementation and management consultant staff

3. Information in PAM. Safeguards, gender, health, labor, and other relevant information.

4. Monitoring tools. Safeguards (land acquisition, involuntary resettlement, indigenous peoples) and gender. The project management directorate, project implementation unit, and project supervision consultant will conduct semi-annual monitoring.

<sup>a</sup> ADB. 2012. *Nepal Country Operations Business Plan, 2013–2015*. Manila.

<sup>b</sup> ADB. 2011. *South Asia Regional Cooperation Operations Business Plan, 2013–2015*. Manila

<sup>c</sup> Government of Nepal. 2008. *Three Year Interim Plan, 2008–2010*. Kathmandu

<sup>d</sup> ADB. 2009. *Nepal Country Partnership Strategy 2010-2012*. Manila.

<sup>e</sup> ADB. 2011. *South Asia Regional Cooperation Strategy, 2011–2015*. Manila.

<sup>f</sup> United Nations Development Programme. 2011. *Human Development Report 2011*. New York

Source: Asian Development Bank