



# Initial Poverty and Social Analysis

---

April 2018

## NEP: Urban Water Supply and Sanitation (Sector) Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011.

**Asian Development Bank**

## **CURRENCY EQUIVALENTS**

(as of 30 March 2018)

Currency unit	–	Nepalese rupee/s (NRe/NRs)
NRe 1.00	=	\$0.010
\$1.00	=	NRs 104.395

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CPS	–	Country Partnership Strategy
WASH	–	Water, Sanitation, and Hygiene
WSS	–	water supply and sanitation
WUSC	–	Water Users and Sanitation Committee

## **NOTES**

- (i) The fiscal year (FY) of the Government of Nepal ends on 15 July. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 15 July 2018.
- (ii) In this report, "\$" refers to United States dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Nepal	Project Title:	Urban 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

Urban poverty in Nepal is increasing due to migration, while poverty incidence fell to 25% in 2011 from 42% in 1996 and 31% in 2004. Despite the decline in overall poverty levels, severe deficiencies in basic infrastructure and service delivery are common in urban areas, posing serious hindrance to further economic and social development. In 2015, 58% of the urban population had access to piped water supply (Department of Water Supply and Sewerage), and 62% had access to basic sanitation (access to toilets) facilities. Disparity in sanitation exists within Tarai districts with eight having less than 30% coverage to basic sanitation while people in 29 districts have more than 62% coverage.

The project will indirectly contribute to poverty reduction through improved economic and social development due to increased access to water supply and sanitation (WSS) services, including drainage. Improved WSS services will lead to better living conditions and hygiene benefits. It will benefit women, poor households, and disadvantaged social groups who experience social discrimination and inequality, superstition, and taboos preventing them from addressing their water, sanitation, and hygiene (WASH) needs and reducing their mobility and life opportunities. It will enhance the participation of women and the marginalized in planning and decision-making processes regarding water supply and sanitation issues.

The project is aligned with sector objectives laid out by the government's Fourteenth Plan, National Urban Development Strategy, and updated 15-year Development Plan for Water Supply and Sanitation in Small Towns. The project is in line with two of the four pillars of ADB's Country Partnership Strategy (CPS) for Nepal (2013–2019) 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. Poverty Targeting:

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

The project will improve the WSS infrastructure, and access to and level of service, thereby directly benefiting individuals and households. The project will also indirectly benefit individuals and households through increased economic opportunities. At least 30% of project costs will be allocated to directly benefit poor, minority households and households headed by women. The project is expected to contribute to Sustainable Development Goal 6 (availability and sustainable management of water and sanitation) by improving access to safe drinking water and basic sanitation and SDG 5 on gender equality and women's empowerment. The project's framework for inclusion will provide strategies for achieving 100% connectivity for the poor and vulnerable as an integral part of project design.

#### C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The people and business in the project municipalities will be the potential beneficiaries. The project will provide much-needed WSS services to households and businesses that are currently not available or inadequate.

2. Impact channels and expected systemic changes.

The project will increase the access to better and more affordable WSS services and promote more inclusive and equitable service provision through the decentralized participatory approach in decision making. Women, poor households, and disadvantaged social groups representatives will be part of the Water Users and Sanitation Committee (WUSC) and participate in decision making on service provision and service pricing.

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

Implementation of house connection for subproject area may face difficulty in accessing households, especially minority and informal settlements. The due diligence will assess such situation and design a public communication plan through consultation with government and review of previous projects.

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? Key gender issues include: (i) social exclusion and discrimination, which is linked to the caste system, regional identity, and geographical location; (ii) high gender disparity in rural areas, mountains and mid-western

development region; (iii) caste or ethnicity-based issues for people of excluded social groups in the project area who have experienced historical marginalization, e.g., Dalit women from the Tarai belt have the lowest literacy rate of 17% compared to the national female average of 55% and male average of 81%. The gender gap in literacy is highest among Madhesi and other caste groups, with women having three times lower literacy than men; (iv) exacerbation of women's work burdens due to deficiencies in basic water and sanitation; and (v) increasing proportion of households headed by females due to migration of males for work. Fetching water for household chores still falls disproportionately to women and girls. Earlier small towns projects benefit women and children by freeing them from the drudgery of fetching water, reducing their time poverty and allowing them to spend more time on other pursuits. For instance, people (mostly the women aided by the children) in Leknath used to take an average of 4 hours each day to fetch water, before tap water was installed. Women are mainly responsible for family hygiene practices and education on WASH and construction of private toilets will improve health, hygiene, and safety, particularly for women and girls. Gender disparities exist in access but also in design, construction, and maintenance of WSS systems. Equitable access to WSS facilities and services is pertinent and the project will address the issues of disparities focusing on participation and decision making through women and the marginalized representation in WUSCs, in project implementation activities and awareness campaigns. Besides, enhancing access to WSS, the project will support in women's empowerment through trainings.

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

The project will aim for more inclusive service provision to women, poor, and disadvantaged through their capacity development in leadership and technical skills targeting livelihood activities. A gender equality and social inclusion (GESI) action plan will be prepared.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  Yes  No

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 project benefits like total sanitation training and other professional training. Women will also benefit from project-related employment opportunities (construction and O&M related work).

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

During loan fact-finding, the team will engage with DWSS and assess its commitment to conduct a small survey to assess women's and vulnerable groups' satisfaction from enhanced access to water supply and sanitation resulting in reduced time spent in water collection, reduced incidence of water-borne diseases, increased use of toilets and changed WASH behaviors.

### 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 urban area residents, local business communities, WUSCs, locally elected governments, government officials, civil society organizations and development partners. The project design will be finalized through a process that involves continuous consultation between federal and local governments and development partners, socioeconomic surveys for the residents and business communities, and communications with WUSCs to determine feasibility.

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 the participation of the poor and excluded?

A stakeholder participation and communication plan and strategy will be formulated at the initial design stage. For project towns, the 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. Poor and excluded will be consulted on resettlement issues, constraints to access to WSS services and their needs.

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?

(H) Information generation and sharing  (H) Consultation  (M) Collaboration  (L) Partnership

Due diligence will verify the key civil society organizations in the project area and the level of participation. The relevant civil society organizations could be user committees, ward citizen forums, interest groups in WASH sector, and local non-government organizations. Civil society participation is highly relevant in design and pre-consultations will help get the support from all stakeholders during project implementation. Information dissemination is envisaged at the municipality level through consultations and using audiovisual aids—billboards, posters, and newsletters where applicable. General orientation and targeted consultation meetings will be held, and WUSCs engaged 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 should they be addressed?  Yes  No

The project is to provide WSS services in project municipalities. A key issue is the exclusion of poor, minority households, and households headed by women from access to improved services, their capacity to contribute to up-front cash collection by users and affordability of tariff. Consultation with the poor and excluded will be conducted through focus group discussion, and interviews, to collect their concerns and find the way to address those. A framework for inclusion is being designed for 100% connectivity for the poor and vulnerable as an integral part of project design. Water supply connection fees will be subsidized for poor and vulnerable households through a 100% upfront grant, while toilet construction will be subsidized through output-based aid whereby the project will reimburse the cost to the contractors.

#### 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 Proposed water supply, sanitation, and drainage components have the potential to involve involuntary resettlement (IR) impacts. Subprojects with significant IR impacts will not be taken up.

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  (M) Adhering to core labor standards  Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS  Increase in human trafficking  (H) Affordability  
 Increase in unplanned migration  Increase in vulnerability to natural disasters  Creating political instability  
 Creating internal social conflicts  (H) Child labor

2. How are these additional social issues and risks going to be addressed in the project design?

During feasibility studies and detailed design, issues related to core labor standards, including child labor, will be assessed as part of the social assessment and reported in the SPRSS. Adherence to core labor standards including no child labor policy will be secured through provisions in the construction contracts. Monitoring will be undertaken through the implementing agency and the design and supervision consultants. Sample subprojects will be carefully selected to ensure representation of municipalities of different level of development status so that generalization can be applied to remaining subproject municipalities by comparative analysis. A socioeconomic survey will be conducted during due diligence to assess the affordability of establishing and operating WSS infrastructure at the sample subproject municipalities. Financing, as well as operating mechanism, will be discussed with the government, the local governments, and WUSCs to ensure affordability.

#### 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

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?

National safeguards and GESI consultants and resources for the socioeconomic survey, gender, and poverty analysis and required number of workshops is provided under the under the second and third small towns project.