



Initial Poverty and Social Analysis

Project Number: 42173-017
December 2020

Bhutan: Water Flagship Program Sector Project

This document is being disclosed to the public in accordance with ADB's Access to Information Policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 25 November 2020)

Currency unit	–	ngultrum (Nu)
Nu1.00	=	\$0.0135030213
\$1.00	=	Nu74.0575

NOTE

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:	Bhutan	Project Title:	Water Flagship Program 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

The central development concept of Bhutan Vision 2020 is maximization of Gross National Happiness (GNH) and GNH principles are consistently integrated into Five-Year Plans (FYP). Poverty reduction has been in focus through the FYPs, and Bhutan is scheduled to graduate from its least developed country (LDC) status in 2023. A consistent improvement in LDC key indicators of Gross National Income (GNI) per capita, Economic Vulnerability Index, and Human Asset Index is observed in 2018.^a Sustainable Development Goal-1 and Goal-10 are aligned with one of the National Key Results Areas (NKRA) of 'Reducing Poverty and Inequality' under the current 12th FYP (2018-2023). As a result of policy interventions and targeted programs based on GNH/NKRAs, poverty rates have consistently declined from 31.7% in 2003 to 23.2% in 2007 to 12.0% in 2012 and 8.2% in 2017. Poverty in urban areas (0.7%) is significantly lower than rural areas (11.9%).^b The Population and Housing Census of Bhutan (PHCB) 2017 reports that 19% of total households lacks a reliable and adequate water supply service.^c Irrigation services coverage is limited to 32% of irrigable land, mostly designed for paddy cultivation, and a third of existing irrigation systems have scarce or inadequate water lowering agricultural productivity and farmers' income.^d Considering this, along with the NKRA that directly target poverty, economic stability and gainful employment; NKRA-17 under 12th FYP focuses on 'sustainable water' to ensure adequate water availability for drinking and irrigation. A key program designed under NKRA-17 is the 'Water Flagship Program (WFP) that aims to provide 24x7 safe drinking water to rural and urban areas along with irrigation. The WFP will undertake countrywide water supply improvements including four *thromdes* (municipalities) and 11 *dzongkhags* (districts). The Asian Development Bank's (ADB) country partnership strategy for Bhutan, 2019-2023 (greater inclusiveness through more equitable socioeconomic development) is aligned with government's priorities articulated in the 12th FYP. To achieve the NKRA-17 targets, ADB will support investments under the WFP to improve water supply and irrigation infrastructure and capacity building of institutions and communities for sustainable water supply. The proposed project will benefit residents in two municipalities (Thimphu and Gelephu), and four districts (Chhukha, Wangdue Phodrang, Zhemgang and Mongar).

B. Poverty Targeting

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

As per PHCB 2017, about 37.8% people lived in urban areas of Bhutan and by end of 2020 it is projected that more than half of the country's population will be urban (footnote c). In terms of access to basic water supply services no major disparities are observed between the poor and non-poor. However, pockets of the country population rely on unsafe and unreliable water. Considering this, under WFP, selection of *thromdes* and *dzongkhags* are selected considering the highest number of households without access to reliable water and with low irrigation coverage. Among the four *thromdes* in Bhutan, Thimphu *thromde* is highly urbanized, comprising 83% of total Thimphu *dzongkhag* population while Gelephu *thromde* is least urbanized, comprising 21% of total Sarpang *dzongkhag* population (footnote c). Close to 98.6% of households in Bhutan are connected to improved source of water supply. However, all the selected *dzongkhags* under proposed ADB funding fall below national average (Chhukha 97.8%, Mongar 98.5%, Wangdue Phodrang 98.1%, and Zhemgang 97.8%) and have the highest number of households without access to reliable water service (footnote d). Zhemgang and Mongar *dzongkhags* are also among the poorest *dzongkhags* in the country with poverty rates at 25.1% and 17.1% respectively; much higher than the national average of 8.2% (footnote b). An estimated 77,694 households will be covered by WFP across Bhutan. The project will benefit around 100,000 people (disaggregated data will be collected during project preparation).

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Bhutan's poverty headcount ratio at \$1.90 a day (2011 purchasing power parity) was 1.5% in 2017. Diarrheal diseases have been a significant cause of morbidity in Bhutan over the last decade, accounting for about 10-15% cases.^e Inadequate and unreliable water supply is also an impediment to poverty reduction due to various opportunity costs involved. Poor households consider timely and continuous water supply as one of the top three welfare priorities.^f The project will benefit all households including the poor in its coverage areas with improved access to treated water and reliable water, and irrigation facilities.

2. Impact channels and expected systemic changes. The project is expected to bring human development and economic growth, through additional coverage of treated drinking and reliable piped water supply services and increase in irrigated agricultural land. The project will contribute to poverty reduction through improved water supply, reducing the drudgery of water collection and caregiving among women, reducing morbidity and related health expenditures, and

stimulating economic growth by way of enhanced economic activities including agriculture. Campaigns under the project shall involve women in raising awareness on the benefits of improved water supply systems to ensure better hygiene and health, and of improved irrigation facilities for optimal agricultural productivity and enhanced incomes. Opportunities for on-the-job training and employment in project facilities are expected to facilitate skill building and employment among poor and vulnerable groups. The project will also strengthen communities' capacity to manage water resources adapt to climate change.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Consultancy and staff resources will be allocated to conduct social and environmental assessment, and for consultations and primary surveys of sample households to understand the baseline situation. National consultants (guided remotely by ADB staff and international consultants during the pandemic) will play a bigger role in conduct of consultations with women, low-income, elderly, disabled, and youth, following coronavirus disease (COVID-19) protocols, to understand their needs and preferences.

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? Bhutan ranks 131st in the 2020 Global Gender Gap Index.⁹ This low ranking can be attributed to the traditional division of work, which impacts women negatively while managing scarce resources. An ADB supported study on valuation of unpaid care work in the country revealed that women perform 2.5 times more unpaid care work compared to their male counterpart.^h Although the Water Regulation of Bhutan 2014 stipulates formation of Water Users Associations (WUAs), women's representation in these associations is low.ⁱ Women also possess limited skills inhibiting their chances of getting better employment and other opportunities during project implementation. While the proportion of women employed in the agriculture and farming enterprises has decreased marginally over the years, in 2019, 81.3% of employed women in rural areas were in the agriculture sector against 61.3% of employed rural men. Increased and improved access to water supply and participation in the water supply management will definitely improve the lives of women within project area by saving considerable time spent on unpaid work and reducing drudgery related to irrigating farmlands.

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 strive to include women in planning, development and community management of water supply and irrigation projects. Gender inclusive capacity development programs will be designed and implemented for project executing and implementing agencies and communities to ensure higher rate of women's participation in WUAs. The project will set gender targets (finalized after baseline data is available) for skills training in the operation and maintenance of water supply systems to enhance women's employment opportunities. The gender action plan will focus on equitable access and benefits to women from project activities. Gender sensitivity training for project management unit or project implementation unit staff and meaningful consultation with civil society organizations during project preparation and implementation, will be conducted.

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

Yes No. It is not envisaged that the project would have an adverse impact on women and/or girls

4. Indicate the intended gender mainstreaming category:

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. Key stakeholders of the project include project beneficiaries, affected persons, government agencies (local and central), WUAs, and other entities responsible for project design, implementation, monitoring and evaluation (consultants, contractors, nongovernment organizations [NGO]). A consultation and participation plan will be developed to clarify levels of engagement with different stakeholders.

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? The stakeholder participation and communication strategy will target the poor and women's participation and inclusion, which is expected to enhance project sustainability. Detailed stakeholder analysis will be undertaken during project preparation to identify stakeholder roles and responsibilities and to understand issues facing the poor and vulnerable. Opportunities for engagement with NGOs for awareness campaigns will be explored to engage and empower poor and vulnerable groups.

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?

Information generation and sharing (High) Consultation (High) Collaboration (Low) Partnership (N/A). Key CSOs are WUAs, and they will be involved specifically under output 2. WUAs will be engaged with during project design. Additionally, there are active NGOs (such as Tarayana Foundation and Bhutan Association of Women Entrepreneurs),

whose participation is envisaged for awareness raising and behavior change campaigns. Resource allocation and institutional arrangements will be assessed during project processing for meaningful stakeholder participation.

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

Participation of poor and the vulnerable will be ensured through baseline surveys for identification of such groups and continuous consultations with them through the project cycle, to identify their specific concerns and issues.

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

Limited involuntary land acquisition and resettlement impacts are envisaged. Due diligence consultants will work with the implementing agency to determine involuntary resettlement impacts during project processing.

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-H Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS-L Increase in human trafficking Affordability-L
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
Creating internal social conflicts Others, please specify: COVID-19

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

Safeguards and contract documents will stipulate the requirement for core labor standards. Inclusion of fully costed health and safety plans to avoid COVID-19 in each contract will be mandatory. Poor and vulnerable including women will be given preference for project construction and operations work. Contractors, construction workers and communities around construction sites will be made aware of communicable diseases and risks.

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? A gender and inclusion expert, safeguards experts, occupational health and safety and water, sanitation and hygiene experts will be mobilized. Training programs are proposed at various stages of the project, for which budgetary provision is made.

^a Department of Economic and Social Affairs, United Nations. [The Least Developed Country Category: 2018 Country Snapshots](#).

^b Government of Bhutan, National Statistical Bureau (NSB) and the World Bank. 2017. [Bhutan Poverty Analysis Report 2017](#). Thimphu.

^c Government of Bhutan, NSB. 2018. [Population and Housing Census of Bhutan – 2017](#). Thimphu.

^d ADB. 2016. [Technical Assistance to the Government of Bhutan for Adapting to Climate Change Through Integrated Water Resources Management - National Irrigation Master Plan](#). Manila.

^e World Health Organization. [Climate change adaptation to protect human health - Bhutan at a Glance](#). Geneva.

^f Government of Bhutan, NSB and World Bank. 2017. [Bhutan Living Standards Survey Report 2017](#). Thimphu.

^g World Economic Forum. 2019. [Global Gender Gap Report 2020](#). Geneva.

^h ADB. 2020. [Valuing Unpaid Care Work in Bhutan](#). Manila

ⁱ Government of Bhutan, National Environment Commission. 2014. [The Water Regulation of Bhutan](#). Thimphu.