

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:

Nepal

Project Title:

Kathmandu Valley Water Supply Improvement Project - Additional Financing

Lending/Financing Modality:

Project loan

Department/ Division:

South Asia Department/Urban Development and Water Division

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government of Nepal prioritizes the provision of safe drinking water to its citizens in its Thirteenth Plan (FY2014-FY2016) in accordance with the National Urban Water Supply and Sanitation Sector Policy (2009) and also to meet the Millennium Development Goal (MDG) target of universal access to safe drinking water by 2015. The National Water Policy has set basic water supply and sanitation coverage targets for all citizens by 2017, with 27% of the population given access to medium or high-level drinking water supply service. The proportion of the population using an improved drinking water source was 85% in 2011 (87% for urban areas and 84% for rural Nepal). However, only 12% of the population has access to high-level water supply. Particularly in the Kathmandu Valley, the water supply services are inadequate and inefficient to cater to its fast growing population, and hence is a high priority of the government. In the Country Partnership Strategy (CPS 2013–2017), ADB supports the government's target of providing safe drinking water by completing the Melamchi Water Supply Project for the Kathmandu Valley, and associated projects in the Kathmandu Valley as well as integrated development support to other large municipalities in the country and water supply for small towns. The CPS also emphasizes gender and socially inclusive service delivery by connecting poor households to water supply in both urban and rural areas. In light of the CPS sector roadmap the project will provide sustainable water supply services in the Kathmandu Valley by improving access, efficiency, and reliability of water supply to the residents of the cities. The project will prioritize underserved areas.

#### B. Targeting Classification

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

In line with the original project, the additional financing also targets Goal 7: Ensure environmental sustainability. Although the MDG targets are set for 2015, and most civil works under the additional financing will not start until 2016, the same objective applies to decrease the population without sustainable access to safe drinking water and basic sanitation. The additional financing will further improve access, efficiency, and reliability of water supply services in Kathmandu Valley, which is the most densely populated region of Nepal.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

Poverty is steadily decreasing in Nepal but one-fourth of the population still lives below the level of poverty. Poverty is more evident in rural areas but the gravity and impact of poverty in cities are also severe due to lack of access to basic services, uncertainty about security of tenure, and unsafe and unhygienic living conditions and environments. The Human Poverty Index (HPI) for Kathmandu Valley is 21.28 with 22.5 for Kathmandu, 19.2 for Lalitpur and 19.4 for Bhaktapur districts, all lower than the national HPI value 31.12. About 101 slums and squatter settlements are reported to exist within the Kathmandu Valley according to the water utility, the Kathmandu Upatyaka Khanepani Limited (KUKL). The people living in Kathmandu Valley are the primary beneficiaries of the Project since alternative arrangements are costly and the poor suffer disproportionately from the burden. Poor and the socially excluded segments of the population will benefit both directly and indirectly. The DMF of the original project has specific targets for the poor and women, and these will be maintained in the project.

##### 2. Impact channels and expected systemic changes.

Provision of improved basic services will directly benefit the poor and the socially excluded residents of the Kathmandu Valley through improved access, quantity and quality of water, whereas a better enabling environment for enhanced economic activities and more job opportunities will provide them indirect benefits. The availability of more reliable and cleaner water will have a number of positive impacts on the population. Beneficiaries will save time collecting water; and save money on water treatment. The tariff was revised upwards by 50% in 2013. However, the average bill is still on average less than 2% of poor household's income, which is still considered affordable, and less expensive than water from vendors other than KUKL. In addition, KUKL has recently lifted the restriction of submitting a construction certificate as a requirement for a water connection at the household level.

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

The loan consultants of the original project were used to prepare the project and undertake due diligence. The approach used in the ongoing project of community mobilization through Tole (or ward groups) is still relevant, as well as the educational awareness activities in schools. Social safeguards experts of the loan consultant are collecting poverty data on the proposed expansion areas and undertaking social safeguards due diligence. They are updating the community and participation plan, the gender action plan, resettlement plans and the resettlement framework.

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

Not Applicable

**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?**

In the Kathmandu Valley, especially in low-income areas, women tend to suffer more due to lack of access to piped water, sanitation and other basic urban services as they are the main collectors, carriers, users, and managers of domestic water use. Generally poor or low meaningful participation in decision-making leads to lack of incorporation of their needs and interests in such programs. Women are forced to spend their useful time in burdensome activities of managing water for the household, which adversely affects their quality of life.

**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

Yes. The original project is categorized as effective gender mainstreaming. The gender action plan will be updated during project processing and closely monitored during implementation.

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

☐ Yes ☒ No

The investments under the additional financing are not expected to cause any adverse impact on women or widen gender inequality. The GESI plan of the original project will be updated during project processing to ensure that issues related to women and other socially excluded and vulnerable groups continue to be addressed.

**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 are the existing and intended beneficiaries of water supply and wastewater services in the Kathmandu Valley, especially the poor and socially excluded sections of the population; the Ministry of Urban Development; KUKL; Kathmandu Valley Water Supply Management Board (KVWSMB); municipalities; and interest groups such as the media, and non government organizations.

**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 project will ensure adequate resources for public communications, and community mobilization and awareness raising to ensure that households are informed of ongoing civil works and the opportunity to be connected to KUKL's network. A project steering committee was established for interagency coordination.

**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?**

**H** Information generation and sharing **M** Consultation **L** Collaboration **L** Partnership

A community and participation consultant will hold regular meetings with Tole, or ward level community groups, to discuss the project timing, benefits, temporary disruptions, and requirements for community collaboration.

**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 community and participation consultant works closely with Toles to ensure that the poor and other marginalized groups understand the benefits of the project; and are connected to the network. Adequate resources will be provided under the additional financing to ensure that this level of engagement with the community is sustained.

#### 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

There is no land acquisition. Impacts are limited to temporary impacts to businesses and vendors during the construction period; or persons growing crops on public land. The temporary impacts will be mitigated to the extent possible and compensated as per the resettlement framework.

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

Not Applicable

3. Will the project require broad community support of affected indigenous communities? ☐ Yes ☒ No

Not Applicable

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(L) ☐ 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 Not Applicable

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

Construction workers will continue to be trained in HIV/AIDS awareness. The project ensures that contractors adhere to core labor standards and monitoring is carried out by the implementing agency and the Asian Development Bank. Data collection during the original PPTA indicated that willingness to pay is much higher than the current tariff.

#### 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 (vi) other social risks. Are the relevant specialists identified?

- ☒ Yes ☐ No

Not Applicable

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?

The loan consultants of the ongoing project are undertaking due diligence in terms of social, gender, resettlement, and economic impact and preparing the project. Consultations with potential beneficiaries are being undertaken by the community and participation consultant in coordination with KUKL branches. The consultants are also working closely with KUKL to collect socio-economic data on its customers.