

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Pakistan	Project Title:	Second Power Transmission Enhancement Investment Program
Lending/Financing Modality:	Multitranches Financing Facility	Department/Division:	Central and West Asia Department/ 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

From 2009 to 2014, Pakistan's gross domestic product (GDP) was consistently growing, with a corresponding reduction in poverty. The poverty rate fell from 22.3% in 2006 to 12.4% in 2010.^a The power shortage, which causes outages of 8–20 hours, is undermining Pakistan's GDP growth and gains in poverty reduction.^b Per capita power consumption dropped from 489 kilowatt-hours in 2006 to 450 kilowatt-hours in 2015.^c A 1.00% decline in energy supply is estimated to lower real GDP by 0.61% if all else remains the same.^d The government's Poverty Reduction Strategy Paper II recognizes the urgency to address the power shortage and the need for adequate power to sustain economic growth and poverty reduction.^e One of the nine pillars of this strategy is integrated energy development, where the need to improve the supply–demand balance by de-bottlenecking transmission and distribution system is considered one of the key challenges.^e Transmission and distribution losses amount to over 25%.^f One component of Pakistan's Vision 2025 is to eliminate the power supply–demand gap by 2018 and add 25,000 megawatts by 2025.^f The country partnership strategy, 2015–2019 considers attaining high sustained economic growth to provide jobs to a growing labor force as Pakistan's main challenge in reducing poverty.^g One constraint it identified to respond to this challenge is the shortage of public and private investments in power that resulted in shortages.^g Asian Development Bank (ADB) assistance will be in six sectors, including energy, where infrastructure development and institutional reform are the focus.^g To help attain a reliable and affordable energy system, one area of ADB assistance is the increased system reliability and reduction in transmission and distribution losses.^g

B. Results from the Poverty and Social Analysis and Due Diligence

Key poverty and special issues. Despite the country's gains in reducing poverty, half of the population is still living in absolute poverty or is vulnerable to it. This is indicated by the following: (i) 12.7% are still extremely poor at 1.25 purchasing power parity per day;^h (ii) the poorest quintile has only 9.6% of national income;ⁱ (iii) only 18.1% of the extreme poor are employed;^h (iv) the country still has 3.0% of the world's extreme poor;^j (v) the multidimensional poverty rate is still at 44%;^k and (vi) attainment in 24 of 33 Millennium Development Goal indicators assessed is off track, including those on the eradication of extreme poverty and hunger.^l Rural areas have more than twice the percentage of poor people as urban areas (15.1% versus 7.1%) and more than three times the number (17.3 million versus 5.0 million).^a Income disparity is also wider, with 29.1% in the lowest quintile versus 1.5% in urban areas.ⁱ Women, particularly in rural areas, are poorer than men based on education, employment, and income. Some 22.4% more rural women lack education than men.ⁱ Among persons who have ever been married employed in the last 12 months, there are 64% more men than women.ⁱ About 71% of rural women earn less than their husbands.ⁱ The power shortage affects the rural poor disproportionately, particularly women because of their dependence on agriculture. The sector has only a 10% consumption share of power but employs 44% of the labor force or the equivalent of 2.4 million workers per percentage of power used.^m Industry supports only 0.8 million workers and services support 0.1 million workers percentage of power used.ⁿ Women comprise 74% of agricultural workers, and most of them are the poorest.^o Agriculture is a key sector of poverty reduction because of its strong backward and forward linkages. It directly and indirectly involves 90% of the rural population and largely supports the industry sector.ⁿ However, the rural population endures up to 10 hours more daily outages than the urban population.^p

Beneficiaries and impact channels. The entire country will benefit from improved transmission infrastructure and management by reducing power outages. Although more non-poor (87%) than poor (80%) have access to power, it is the only modern energy source affordable to the poor.^q The reduction in outages will benefit agriculture, the largest food and income source of the rural poor. Its availability will increase the efficiency and productivity of pump irrigation systems and post-harvest facilities.

Design features.^r The expansion and improvement of transmission infrastructure and the institutional capacity of the National Transmission and Despatch Company Limited (NTDC) will increase the reliability and quality of the transmission service. The infrastructure component entails the rehabilitation, augmentation, and expansion of the high voltage system. This will involve the installation and operation of new transmission lines and substations, and increasing the capacity of selected substations through the extension and augmentation of transformers. Institutional development aims to increase institutional efficiency, cost recovery, competition, transparency, and good governance. This will involve staff training, strengthening of the regulatory process, and review and documentation of the NTDC's internal business processes. The two-pronged approach is envisioned to achieve the following outcome: (i) full compliance with the grid code and transmission license; (ii) added power supplied (metered) annually through the

grid; (iii) a reduction in transmission losses; and (iv) full compliance with the National Electric Power Regulatory Authority regulations. The project indicatively has four tranches.	
II. PARTICIPATION AND EMPOWERING THE POOR	
<p>1. Participatory approaches and project activities. Six consultation meetings were held in three tranche 1 subproject sites. The 126 participants, 48 of whom were women, were mostly farm, factory, government, and informal sector workers. They did not foresee any adverse impact of the subprojects. Their suggestion to employ local labor is included in the design. Consultation meetings are planned for subsequent tranches to guide subproject implementation. Subprojects with a transmission line component, consultations will be part of the preparation and implementation of the resettlement plan. The resettlement plan will be part of the requirement for the subprojects' inclusion in periodic financing request.</p> <p>2. 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):</p> <p>3. Participation plan. The resettlement plan for subprojects included in tranche 1 will be prepared in consultation with affected people and communities. The consultation meetings will be documented, covering the number of participants and the key issues discussed. Included as an action in the resettlement plan will be the distribution of an information booklet to all potentially affected households to provide information on its subproject activities, the likely impacts, and the mitigation measures proposed. The resettlement framework for subsequent tranche subprojects that trigger ADB's Safeguards Policy Statement (2009) will establish detailed requirements for consultation and disclosure during their preparation and implementation.</p>	
III. GENDER AND DEVELOPMENT	
Gender mainstreaming category: Some gender elements.	
<p>A. Key issues. Electricity access in the country stood at a high 93.6% in 2013. However, with ongoing prolonged power outages per day, the relief to women brought by the presence of household appliances (such as refrigerators and washing machines) is almost negated. Women have to spend longer hours each day doing household work, and have less time for restful activities and to earn additional income through working on home crafts. Power outages have led to the closure of some industries and reduced water for crops, adding to the household stress caused by lost income. The country registers a very low percentage of ever-married women working and earning a living, at 18.5% in urban areas and 30.2% in rural areas, compared with 97.3% of ever-married working men in urban areas and 94.8% in rural areas. This employment trend is consistent with the NTDC—only 3% of its 8,006 staff members are women. Further, the project may bring about resettlement issues affecting women in farming households as well as women farm workers. Consultations with women in the project sites revealed their top priorities, which they believe will improve their lives: (i) employment opportunities, (ii) higher education for girls and skills training for women, and (iii) improved power supply and clean drinking water.</p> <p>B. Key actions. The participation of women in potentially affected households will be sought in the preparation and implementation of the resettlement plan, and will be required in the resettlement framework. An energy conservation and safety awareness campaign, which will coincide with the community awareness raising campaign on the project, will also ensure women's participation. The project will prepare an action plan to meet the government quota of 10% women employed in the NTDC (from 3% in 2015). The Human Resources Office will be assisted to review the current human resources management policy and procedures to formulate measures to enhance the NTDC's gender balance. It will put a "women are encouraged to apply" statement whenever it advertises a position. The NTDC will be assisted in formulating a corporate employees' welfare and social responsibility framework to enhance its compliance with global standards, including on gender inclusion.</p> <p><input checked="" type="checkbox"/> Other actions or measures</p>	
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
<p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</p> <p>Key impacts. Only one tranche 1 subproject is expected to have resettlement impacts (the 500 kilovolt Faisalabad West Phase II). This subproject is estimated to affect 150 hectares of private land, with crops in many parts. But no displacement or losses amounting to 10% or more of the household's productive assets are expected in tranche 1. No vulnerable tribal groups are present in the general area of the subprojects.</p> <p>Strategy to address the impacts. Construction activities will be timed between cropping seasons. Compensation at replacement cost will be done based on the entitlement matrix formulated with the affected people, ADB's safeguard policies, and national laws. Concerned NTDC staff will be trained on resettlement plan updating, implementation, and monitoring. A grievance redress mechanism will be set up and made operational with the participation of the affected people. The plan will be translated to the local language, made available to the affected people, and posted on the ADB website.</p> <p>3. Plan or other Actions</p> <p><input checked="" type="checkbox"/> Resettlement plan</p> <p><input checked="" type="checkbox"/> Resettlement framework</p>	
<p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Key impacts. No vulnerable tribal groups are present in the general area of the subprojects.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	

<p>2. Strategy to address the impacts.</p> <p>3. Plan or other actions.</p> <p><input checked="" type="checkbox"/> No action</p>
V. ADDRESSING OTHER SOCIAL RISKS
<p>A. Risks in the Labor Market</p> <p>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 <input checked="" type="checkbox"/> core labor standards</p> <p>2. Labor market impact. Four tranche 1 subprojects (Sahiwal, Lahore South, Faisalabad, and Rewat) will employ local workers through local contractors. The NTDC will supervise the contractors, including compliance with core labor standards. The NTDC will directly implement the protection improvement subproject in the southern area of the transmission system. The labor requirement of subprojects in the succeeding tranches is still to be determined.</p>
<p>B. Affordability</p> <p>The project will reduce transmission loss, and increase reliability and security, which are factors that push up the price of electricity. The impacts on the price level of electricity will be universal, but will benefit the poor most for two reasons: (i) a bigger proportion of their income goes to electricity payments compared with the non-poor, and (ii) a greater proportion of their electricity usage is for livelihood activities.</p>
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA) NA: <input checked="" type="checkbox"/> Communicable diseases: Low <input checked="" type="checkbox"/> Human trafficking Low</p> <p>2. Risks to people in project area: None</p>
VI. MONITORING AND EVALUATION
<p>1. Targets and indicators. Electricity outages of the transmission system reduced (NTDC annual report)</p> <p>2. Required human resources: Gender expert in facility management consultant</p> <p>3. Information in the facility administration manual: Monitoring report</p> <p>4. Monitoring tools: Monitoring report</p>

^a Government of Pakistan. 2014. *Pakistan Economic Survey, 2013–14*. Islamabad.

^b National Electric Power Regulatory Authority. 2014. *State of Industry Report, 2013*. Islamabad.

^c World Bank. Electric Power Consumption (kWh per capita) <http://data.worldbank.org/indicator/EG.USE.ELEC.KH.PC?locations=PK>

^d E. Yildirim, D. Sukruoglu, and A. Aslan. 2014. Energy consumption and economic growth in the next 11 countries: The bootstrapped autoregressive metric causality approach. *Energy Economics*. 44. pp. 14–21.

^e Government of Pakistan, Finance Division. 2008. *Poverty Reduction Strategy Paper (PRSP) - II*. Islamabad.

^f Government of Pakistan, Planning Commission. 2014. *Pakistan 2025: One Nation - One Vision*. Islamabad.

^g ADB. 2015. *Country Partnership Strategy: Pakistan, 2015–2019*.

^h ADB. Poverty in Pakistan. www.adb.org/countries/pakistan/poverty

ⁱ National Institute of Population Studies. 2013. *Pakistan Demographic and Health Survey, 2012–13*. Islamabad.

^j World Bank. 2014. *Prosperity for All: Ending Extreme Poverty*. Washington, DC. p. 4.

^k M. Cruz et al. 2015. Ending Extreme Poverty and Sharing Prosperity: Progress and Policies. *Policy Research Note*. No. 15/03. p. 20.

^l Commonwealth Foundation. 2013. *A Civil Society Review of Progress Towards the Millennium Development Goals in Commonwealth Countries: National Report – Pakistan*. London.

^m M. Shahbaz. 2015. Measuring Economic Cost of Electricity Shortage: Current Challenges and Future Prospects in Pakistan. *Working Paper 2015-002*. Lahore: Energy Research Centre Comsats Institute of Information Technology, p. 3; Government of Pakistan, Ministry of Finance. 2015. *Pakistan Economic Survey, 2013–14*. Islamabad. p. 187.

ⁿ Computed from figures in M. Shahbaz. 2015. Measuring Economic Cost of Electricity Shortage: Current Challenges and Future Prospects in Pakistan. *Working Paper 2015-002*. Lahore: Energy Research Centre Comsats Institute of Information Technology, p. 3; Government of Pakistan, Ministry of Finance. 2015. *Pakistan Economic Survey, 2013–14*. Islamabad. p. 187.

^o World Bank. Employment in agriculture, female (% of female employment). <http://data.worldbank.org/indicator/SL.AGR.EMPL.FE.ZS>

^p National Electric Power Regulatory Authority. 2013. *State of Industry Report, 2012*. Islamabad: Government of Pakistan. Cited in ADB. 2014. *Concept Paper on Proposed Multitranchise Financing Facility to Government of Pakistan: Second Power Transmission Enhancement Investment Program*. Manila. p. 1.

^q J. Lopez-Calix et al. 2014. Pakistan Poverty Trends, Scenario and Drivers. *Policy Paper Series on Pakistan*. PK 23/12. Washington, DC. p. 14.

^r ADB. 2014. *Technical Assistance to Pakistan for the Power Transmission Enhancement Investment Program II Concept Paper* (TA 8818-PAK). Manila.

Sources: Asian Development Bank.
Government of Pakistan.