

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Pakistan	Project Title:	Balakot Hydropower Development Project
Lending/Financing Modality:	Project loan	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.**

The proposed project will contribute to a reduced carbon footprint and a more renewable, affordable, reliable, and sustainable energy sector.<sup>a</sup> The project will enhance energy security<sup>ii</sup> improve Khyber Pakhtunkhwa's fiscal space to allow increased social sector spending; and (iii) reduce greenhouse gas emissions. With additional hydropower generation of 300 megawatts, the proposed project will significantly reduce power shortages in the country. The project is consistent with the Government of Pakistan's Poverty Reduction Strategy Paper (PRSP) II, Vision 2030, and the Framework for Economic Growth, which are the key frameworks for pro-poor infrastructure development in Pakistan.<sup>b</sup> The government's PRSP II recognizes the urgency to address the power shortage and the need for adequate power to sustain economic growth and poverty reduction.<sup>c</sup> Energy, water, and food security is considered one of the seven key priorities of Pakistan's Vision 2030.

The project is well aligned with the Pakistan country partnership strategy, 2021–2025 of the Asian Development Bank (ADB),<sup>d</sup> which identifies energy as one of the six priority sectors. One of the key challenges for Pakistan is to attain sustained economic growth, which is critical for creating jobs for the country's growing labor force and for reducing poverty. Reliable, sustainable, and affordable energy is crucial for economic growth. Small and medium-sized enterprises, which contribute up to 70% of the country's employment, have been hit hardest by the prolonged energy crisis in the country. The project will help address the energy deficit while creating job opportunities for people in the project area, reduce the time poverty of both men and women, and improve living standards and overall economic growth. A community development program financed through the project will diversify the livelihood skills of the local communities, build their resilience to climate change and natural disasters, and increase their access to jobs during construction.

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

**1. Key poverty and social issues.** An estimated 24.3% of Pakistan's population lives below the poverty line, with about 3.9% of the population still at purchasing power parity of \$1.9 per day.<sup>e</sup> According to the United Nations Development Programme's Multidimensional Poverty Index, Khyber Pakhtunkhwa Province has the second highest multidimensional poverty, at 49%, compared with the lowest rate of 31% in Punjab.<sup>f</sup> The continuing energy crisis is one of the key contributing factors to increased poverty. The industrial and services segments—the main contributors to job creation and economic growth—have been severely affected by the unreliable electricity supply issues being faced by Pakistan and Khyber Pakhtunkhwa. Based on the project's poverty, social, and gender assessment carried by the PPTA consultants, a significant proportion of households live below the estimated national poverty line in the project area. One of the main reasons for the poverty in the area is the lack of livelihood opportunities. Of the population surveyed, 55% were employed and 25% were unemployed or seeking work. The project area is also highly susceptible to natural disasters such as earthquakes and flash floods as well as human-induced disasters. The area was hit by two earthquakes in 2004 and 2005. This adds to the vulnerability of local communities to economic shocks and increases their risks of falling below the poverty line.

**2. Beneficiaries.** The project will have both direct and indirect beneficiaries. The direct beneficiaries will be the communities living in the project area, including 165 affected households within the six settlements. The indirect beneficiaries, for having increased access to reliable and clean energy, will be the overall population, including low-income and poor segments of the country.

**3. Impact channels.** The project's impact channels will include (i) increased economic opportunities resulting from more reliable and uninterrupted power supply; (ii) increased job opportunities for local communities, including unskilled, semiskilled, and skilled labor during construction; (iii) livelihood skills training programs for local communities under the community development program; and (iv) training programs for improving the coping capacity of local communities with climate change and human-induced and natural disasters.

<sup>a</sup> Government of Pakistan. 2013. *National Power Policy 2013*. Islamabad.

<sup>b</sup> Government of Pakistan, Planning Commission. 2007. *Pakistan in the 21st Century: Vision 2030*. Islamabad; Government of Pakistan, Finance Division. 2010. *Poverty Reduction Strategy Paper (PRSP) II*. Islamabad; and Pakistan Institute of Development Economics. 2020. *Framework for Economic Growth: Pakistan*. Islamabad.

<sup>c</sup> Government of Pakistan, Finance Division. 2010. *Poverty Reduction Strategy Paper (PRSP) II*. Islamabad. p. 109.

<sup>d</sup> ADB. 2020. *Country Partnership Strategy: Pakistan, 2021–2025*. Manila.

<sup>e</sup> ADB. *Poverty Data: Pakistan* (accessed 1 May 2019).

<sup>f</sup> United Nations Development Programme. 2016. *Multidimensional Poverty in Pakistan*. Islamabad.

<p><b>4. Other social and poverty issues.</b> Low literacy rates, inadequate social protection programs, lack of economic opportunities, inequalities in land distribution and/or ownership, and gender disparities are some of the key social and poverty issues. The government is implementing the Benazir Income Support Programme with the support of various development partners including ADB, the World Bank, and the Department for International Development of the United Kingdom. The program is country's largest social safety net program, reaching more than 5 million families from the most marginalized and vulnerable segments of the population. In 2019, the government announced the Ehsaas Programme as a holistic social protection program to reach out to the poorest sections of society and marginalized communities. The program includes easy access to credit, a livelihood skills development program, nutrition, health insurance, and a labor welfare program for informal workers.</p> <p><b>5. Design features.</b> Relevant design features include (i) fair compensation and seamless execution of the resettlement plan for the affected population; (ii) an extensive community development program that will ensure the inclusion of vulnerable and poor segments of the population through social mobilization and consultations at all levels of the project cycle, pro-poor grievance redressal mechanisms at the grassroots level, and preference for local labor during construction; and (iii) an assessment of social, poverty, and gender impacts as part of the post-evaluation of the project.</p>
<p align="center"><b>II. PARTICIPATION AND EMPOWERING THE POOR</b></p>
<p><b>1. Participatory approaches and project activities.</b> Focus group discussions and consultations were held with the local community for the environment, poverty, social, and gender assessments. More than 40% of these were held with women's groups. Stakeholder consultations were held with government departments, nongovernment organizations (NGOs), the private sector, and educational institutions. Consultations with the communities resulted in modifications to the project design to minimize the impacts of displacement, ensure fair compensation for the affected persons, develop a livelihood improvement program, ensure that the concerns of women and vulnerable groups are addressed during the project design and construction, and provide preference to local labor during construction.</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): (H) Information gathering and sharing (H) Consultation (H) Collaboration and partnership</p> <p>The project will hire an NGO as a consulting firm to assist the Pakhtunkhwa Energy Development Organization (PEDO) in the design and implementation of the Community Development Program.</p> <p>3. Participation plan. <input checked="" type="checkbox"/> Yes. <input type="checkbox"/> No. NGO will develop and implement community development plan.</p>
<p align="center"><b>III. GENDER AND DEVELOPMENT</b></p>
<p>Gender mainstreaming category: effective gender mainstreaming</p>
<p><b>A. Key issues.</b> Women are the energy managers at the household level. Pakistan's persistent energy crisis has increased women's household drudgery and time poverty. Women comprise only 24.6% of the country's labor force, and their participation is further marginalized in the energy sector. Women are mostly employed by the textile and garment industries, which have been severely affected by the power shortages. More than 70% of the women are directly or indirectly associated with agriculture-driven enterprises, which have received strong impacts during the energy crisis. In the project area, as noted in the socioeconomic and gender surveys, resettlement will affect women more than men because of their low literacy rates and lack of diversified livelihood skills, as women are mostly engaged in agriculture, on-farm activities, feeding their animals, and working in agricultural fields adjacent to their houses. Given the difficult terrain, geographical location, and inadequate transportation facilities, women are less economically active than men and are less likely to travel outside their settlements. It will be difficult for women to reestablish their social links during resettlement.</p>
<p><b>B. Key actions.</b> The proposed project is classified <i>effective gender mainstreaming</i>. Based on the findings of the gender assessment, a detailed gender action plan has been developed. The key actions of the plan are as follows: (i) a gender-mainstreamed community mobilization strategy will be developed and implemented; (ii) women's participation in consultations at all levels of the project implementation is ensured; (iii) a skills development program for improved livelihood opportunities will be developed and implemented, with 50% women's participation; and (iv) women and youth groups are trained as "change makers" for creating awareness and sensitizing their communities on issues related to climate change and building resilience to human-induced and natural disasters.</p> <p><input checked="" type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p>
<p align="center"><b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b></p>
<p><b>A. Involuntary Resettlement</b> <span style="float: right;"><b>Safeguard Category:</b> <input checked="" type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</span></p>
<p><b>1. Key impacts.</b> A total of 165 households will be affected: 129 households will lose their houses and will need to relocate, 87 households will lose cultivated lands, 36 households will lose uncultivated lands, 109 households will lose their fruit trees, 93 households will lose their wood and/or timber trees, and 5 households will lose their commercial structures. Four schools (3 government and 1 private), 1 madrassa, 2 mosques, 1 office of the Forest Department, 1 Basic Health Unit, 1 dispensary, 77 electric poles, and 2 suspension bridges will also be affected.</p>

<p><b>2. Strategy to address the impacts.</b> Compensation at replacement cost will be provided to the affected households before taking physical possession of the affected assets. Resettlement, transition, severe impact, and vulnerable household allowances will be provided to the eligible households based on the entitlement matrix developed following ADB's Safeguard Policy Statement (2009). A livelihood restoration program will be developed and implemented through an NGO to help affected persons to restore and/or improve their livelihoods.</p> <p>3. Plan or other Actions.</p> <p><input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> No action</p>
<p><b>B. Indigenous Peoples</b> <span style="float: right;"><b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</span></p> <p>1. Key impacts. No indigenous peoples (vulnerable tribal groups) are present in the project area. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. Not applicable</p> <p>3. Plan or other actions.</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input checked="" type="checkbox"/> No action</p>
<p><b>V. ADDRESSING OTHER SOCIAL RISKS</b></p>
<p><b>A. Risks in the Labor Market</b></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). <input checked="" type="checkbox"/> unemployment (L) <input checked="" type="checkbox"/> underemployment (L) <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (H)</p> <p>2. Labor market impact. The project will prioritize the employment of local workers, which will be recruited and employed by contractors. Pakhtunkhwa Energy Development Organization will supervise the contractors, including compliance with core labor standards.</p>
<p><b>B. Affordability</b></p> <p>Hydropower plants have lower cost, cleaner, and greener energy solutions than fossil fuel-fired power plants. Hence, it will be cheaper for consumers.</p>
<p><b>C. Communicable Diseases and Other Social Risks</b></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 <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. The project give preference to the recruitment of local labor to minimize the social risks associated with the influx of labor from outside the project area.</p>
<p><b>VI. MONITORING AND EVALUATION</b></p>
<p>1. <b>Targets and indicators.</b> The design and monitoring framework includes the following targets and indicators: (i) a gender-inclusive community mobilization strategy developed and implemented by 2025 (2019 baseline: 0); (ii) an awareness campaign on climate change impacts and mitigation measures, with at least 30% women and girls' participation, launched in Khyber Pakhtunkhwa by 2023 (2019 baseline: 0); (iii) 500 locals employed in construction-related work (baseline: 0); and (iv) 500 community members trained in livelihood skills, with 50% women's participation (baseline 2019: 0).</p> <p>2. <b>Required human resources.</b> Social and gender, resettlement and social safeguard, and environment specialists will be hired at the project management unit established at Pakhtunkhwa Energy Development Organization. Project implementation consultants will also include social safeguard, environment, and gender experts.</p> <p>3. <b>Information in program implementation document.</b> A baseline survey, impact assessment, and other necessary due diligence will be undertaken during the project implementation.</p> <p>4. <b>Monitoring tools.</b> Internal and external project monitoring reports, and project periodic reports (quarterly and six-monthly progress reports).</p>

Source: Asian Development Bank.