

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Bhutan	Project Title:	Additional Financing of Phuentsholing Township Development Project
Lending/Financing Modality:	Project Loan and Grant	Department/Division:	South Asia Department/South Asia Environment, Natural Resources, and Agriculture Division

<b>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</b>
<b>Poverty targeting:</b> General intervention
<b>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</b>
<p>The Asian Development Bank (ADB) country partnership strategy for Bhutan, 2019–2023 is aligned with the main strategic thrusts of the Government of Bhutan’s Twelfth Five-Year Plan, including (i) dynamic economic reforms to foster a resilient and diversified economy, (ii) improved connectivity to provide access to information and markets, and (iii) greater inclusiveness through more equitable socioeconomic development.<sup>a</sup> ADB’s overarching Strategy 2030 goal is to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, which supports the government’s strategic thrusts on inclusive growth and infrastructure development.<sup>b</sup> The additional financing of the Phuentsholing Township Development Project will cover cost increases from the ongoing project, which will develop flood and erosion protection and a modern township with smart urban infrastructure. The overall project is aligned with ADB’s Water Operational Plan, 2011–2020 and Urban Operational Plan, 2012–2020.<sup>c</sup> The overall project will enhance urban services, improve urban environmental sustainability, and reduce poverty both directly and indirectly.</p>
<b>B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence</b>
<p><b>1. Key poverty and social issues.</b> Poverty is mostly found in rural areas in Bhutan but there are also urban poverty concerns, with the highest concentration of urban poor in Thimphu (0.4%) and Phuentsholing (0.9%) towns.<sup>d</sup> During 2005–2015, Bhutan’s annual population growth rate in urban areas averaged 4.14%, the second highest in South Asia. In 2017, 37.8% of the Bhutanese population were living in urban centers, and this is projected to rise to 50.4% by 2037.<sup>e</sup> This rapid growth is placing severe pressure on existing infrastructure, leading to water shortages and lack of capacity of sanitation and waste disposal facilities, particularly in Thimphu and Phuentsholing. The Amochhu River has threatened Phuentsholing with floods and erosion, and regular and uncertain flood patterns have made livelihoods insecure, affecting economic activities. The project is expected to control floods and erosion and develop riparian land to establish an economic center with high potential to provide employment and economic growth. Also, affordable housing, especially for lower-income groups in Phuentsholing town, is a critical issue with a large population residing across the Indian border in the town of Jaigaon.</p> <p><b>2. Beneficiaries.</b> Potential beneficiaries are residents, businesses, and commercial services in Phuentsholing, including Bhutanese people living in Jaigaon. Other beneficiaries are Amochhu landowners and local inhabitants who may benefit from trainings, skills development, and construction job opportunities.</p> <p><b>3. Impact channels.</b> Because of limited housing space, about 5,600 Bhutanese people live across the border in India and commute daily to work in Phuentsholing. The new township development will provide needed space for growing commercial businesses, contribute to expanding the country’s services sector, and diversify the economy from its heavy reliance on hydro power. A special planning zone will be established to provide financial and regulatory incentives for anchor investments in education, tourism and recreation, and hospitals, which will attract further investment. To ensure inclusive development, land will also be allocated for social housing, and appropriate incentives may be required to develop affordable housing schemes. Town infrastructure will be designed with gender-sensitive considerations and utilize principles of inclusive design. The project is expected to generate economic activities that will increase employment opportunities.</p> <p><b>4. Other social and poverty issues.</b> Most rural–urban migration occurs among the poor and the young. This creates immense challenges in providing decent employment for these migrants, and these challenges multiply if that population is uneducated or not skilled. Phuentsholing is one of the most populous urban centers in Bhutan and has the highest unemployment rates—6.3% for females and 3.1% for males.<sup>d</sup> The urban poor are also vulnerable to eviction from their houses, loss of livelihood, and lack of proper access to services.</p> <p><b>5. Design features.</b> The project integrates measures that are safe, suitable, livable, and affordable for all. The project will be eventually developed into a model town with quality roads, a clean water supply, well-maintained drainage and sewer systems, and access to health services, schools, work, and markets. Public and community spaces include disabled-accessible routes such as curb ramps, parking, elevators, signage, entrances, and sanitary facilities. This will encourage and enhance the ability of the poor, people with disabilities, and other vulnerable groups to participate in community life and public programs, and will provide them with easier access to work, education, and markets.</p>
<b>II. PARTICIPATION AND EMPOWERING THE POOR</b>
<p><b>1. Participatory approaches and project activities.</b> Consultative workshops and focus group discussions were conducted during preparation of the original project. Participants included representatives from the government, private sector, landowners, residents, and Civil society organizations (CSOs), and included female participants. The consultations</p>

<p>informed participants on proposed project plans and construction works timelines. Meaningful consultations will be held throughout project implementation. CSOs will be actively invited to help disseminate information to a wider audience.</p> <p><b>2. Civil society organizations.</b> CSOs in Bhutan are not active in construction projects because of lack of necessary funds and human resources. CSOs can be encouraged to participate and support project activities as they bring their expertise and knowledge in promoting innovation and public responsiveness, creating livelihood and employment opportunities, and conducting training and awareness programs on sexually transmitted diseases (including HIV), child labor, and gender issues.</p> <p><b>3.</b> The following forms of CSO participation are envisaged during project implementation:  <input checked="" type="checkbox"/> Information gathering and sharing (M) <input checked="" type="checkbox"/> Consultation (M) <input type="checkbox"/> Collaboration (NA) <input type="checkbox"/> Partnership (NA)</p> <p><b>4. Participation plan.</b>  <input type="checkbox"/> Yes. <input checked="" type="checkbox"/> No. No specific plan is prepared to include CSO participation; however, several workshops and training programs have been planned to include CSO participation.</p>			
<b>III. GENDER AND DEVELOPMENT</b>			
Gender mainstreaming category: Some gender elements			
<p><b>A. Key issues.</b> Bhutan continues to make good progress on improving women's participation and reducing gender inequality. However, in urban areas, few women are involved in decision-making activities in urban development planning and community management of urban services. The situation is driven by the matrilineal inheritance pattern, which limits women's opportunities to engage in activities outside their household responsibilities. An ADB-supported study shows that women's unpaid care work, as a share of gross domestic product (GDP), is 11%, which is twice that of men (5%).<sup>f</sup> Furthermore, socioeconomic indicators suggest that women and girls are most affected by the worsening urban poverty.<sup>g</sup> Unemployment among women in Phuentsholing is more than twice that of men at 6.3%. It is necessary to involve women in planning processes, ensure women-friendly designs, seek women's advice on the siting of infrastructure and flood risk management, increase urban safety, and create employment opportunities for women in the construction activities. This project will benefit women, particularly by relieving women from having to address household flood impacts—such as cleaning, and protecting family members including children and the elderly from flood-related illness—and by improving urban infrastructure services such as water and sanitation to reduce women's time poverty.</p>			
<p><b>B. Key actions.</b> The township development will be designed taking gender concerns into consideration. The project management unit staff and contractors will be trained on gender sensitivity and core labor standards. To ensure inclusive gender consideration in town development, women will be invited to meetings through their local community organizations to provide inputs to consider women's needs, especially in designing social housing, public facilities such as streetlighting, public toilets, and recreation areas. The meeting participants should be 30% women. Women from the project area will also be invited to training and outreach activities on sexually transmitted disease prevention (including HIV) and hygiene as part of the development of water supply and sanitation facilities. The project implementation unit (PIU) will identify important parties, including women's organizations and individual women, who should become key agents in implementing the flood early warning system, and ensure that these women participate in the training on implementing this system. The PIU will also conduct a public awareness program on the opportunities for communities to be employed in the project, and will also encourage women's employment in project-related construction activities through contractual clauses encouraging women's participation and ensuring equal wages for men and women for work of equal value.</p> <p><input type="checkbox"/> Gender action plan <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p>			
<b>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</b>			
<p><b>A. Involuntary Resettlement</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. The additional financing will finance cost increases under the ongoing project. It will not acquire any land or involve physical or economic displacement as it is developing barren riparian government-owned land, on which there are no encroachers or livelihood activities. No involuntary resettlement impacts will occur,</p> <p>2. Strategy to address the impacts. NA</p> <p>3. Plan or other actions.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Resettlement plan  <input type="checkbox"/> Resettlement framework  <input type="checkbox"/> Environmental and social management system arrangement </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Combined resettlement and indigenous peoples plan  <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework  <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action </td> </tr> </table>		<input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Combined resettlement and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> No action
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<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. The project is located on barren land adjacent to the city of Phuentsholing. There are no indigenous peoples within the definition of ADB's Safeguard Policy Statement (2009) living in the project areas or affected by the project.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. NA</p> <p>3. Plan or other actions.</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Indigenous peoples plan  <input type="checkbox"/> Indigenous peoples planning framework  <input type="checkbox"/> Environmental &amp; social management system arrangement </td> <td style="width: 50%; vertical-align: top;"> <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan  <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework </td> </tr> </table>		<input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Environmental & social management system arrangement	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
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<input type="checkbox"/> Social impact matrix	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input checked="" type="checkbox"/> No action	
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>	
<b>A. Risks in the Labor Market</b>	
1. Relevance of the project for the country's, regions, or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). <input checked="" type="checkbox"/> unemployment is high among young people and women, especially in urban areas (H) <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards The government strongly enforces the implementation of the Labor and Employment Act 2007, and the construction work will be subject to this act.	
2. Labor market impact. Unskilled labor is available in the project areas because of high numbers of rural–urban migrants, who will be available to work as construction workers. Only skilled laborers unavailable locally and nationally will be recruited from neighboring countries.	
<b>B. Affordability</b>	
During project implementation, a study on the affordability of the infrastructure facilities prepared in the new town such as water supply and sanitation services will be carried out to ensure access by the poor and vulnerable.	
<b>C. Communicable Diseases and Other Social Risks</b>	
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> Communicable diseases (H) <input checked="" type="checkbox"/> Human trafficking (L) <input type="checkbox"/> Others (please specify) _____	
2. Risks to people in project area. The project, in coordination with the local office of the Ministry of Health or in conjunction with local CSOs, will conduct training workshops on sexually transmitted diseases (including HIV) for communities near the project areas. Contractors will be required to train and increase the awareness of their workers on sexually transmitted diseases (including HIV) and coronavirus disease risks. Training on hygiene will form part of the water supply and sanitation subcomponent.	
<b>VI. MONITORING AND EVALUATION</b>	
1. <b>Targets and indicators.</b> Although there is no specific target for addressing social concerns, the participation of women and CSOs in all workshops and training sessions will be monitored and reported on a quarterly basis.	
2. <b>Required human resources.</b> Although there are no social safeguards concerns, the project will engage a social development consultant throughout project implementation to help the PIU implement and monitor social aspects of the project, including training on sexually transmitted diseases (including HIV), women's participation in urban infrastructure planning workshops, the implementation of the Labor Act in the project, and the implementation of health and safety standards.	
3. <b>Information in the project administration manual.</b> The project administration manual includes guidance regarding the regular monitoring that the project management unit and project staff should carry out to evaluate the effectiveness of the project interventions.	
4. <b>Monitoring tools.</b> The contractor's monthly progress reports and the project quarterly progress reports are the two most important tools for monitoring the effectiveness of the project interventions. The ADB review missions will evaluate the scope of the loan, implementation arrangements, safeguard issues, achievement of scheduled targets, contract management progress, and other issues, including midcourse corrections. An evaluation will be undertaken 1 year after the closure of the project, and all reports, including the findings of the completion report, will be shared with key government officials, and disseminated within ADB.	

Source: ADB.

<sup>a</sup> Government of Bhutan. 2019. *Twelfth Five-Year Plan, 2018–2023*. Thimphu.

<sup>b</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

<sup>c</sup> ADB. 2011. *Water Operational Plan, 2011–2020*. Manila; ADB. 2013. *Urban Operational Plan, 2012–2020*. Manila.

<sup>d</sup> National Statistics Bureau of Bhutan. 2017. *Bhutan Poverty Analysis Report 2017*. Thimphu.

<sup>e</sup> National Statistics Bureau of Bhutan. 2019. *Population Projections Bhutan 2017–2047*. Thimphu.

<sup>f</sup> National Commission for Women and Children. 2019. *Accounting for Unpaid Care Work in Bhutan*. Thimphu.

<sup>g</sup> United Nations Development Programme. 2019. Human Development Report 2019. *Beyond Income, Beyond Averages, Beyond Today: Inequalities in Human Development in the 21st Century*. New York.