

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Nepal	Project Title:	Electricity Grid Modernization Project – Additional Financing
Lending/Financing Modality:	Project Loan	Department/Division:	South 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 provides additional financing to rehabilitate and upgrade existing transmission and distribution systems and to supply additional electricity to consumers in a manner consistent with the policies and strategies of the Government of Nepal and the Asian Development Bank (ADB), contributing to poverty reduction. The government aims to provide universal access to energy for all by 2030—consistent with the constitutional directive to ensure reliable supply of energy in an affordable and easy manner and to make proper use of energy for the fulfillment of the basic needs of citizens to help the country achieve Sustainable Development Goal (SDG) 7 (ensure access to affordable, reliable, sustainable, and modern energy for all). Nepal has established a target of raising the average annual per capita electricity consumption from 198 kilowatt-hours (kWh) in fiscal year (FY) 2018 (ended 15 July 2018) to 700 kWh by FY2024 and 1,500 kWh by 2027.^a The project is consistent with ADB’s country partnership strategy for Nepal, 2020–2024, focusing on energy sector reform and financial sustainability, and strengthening transmission and distribution systems to support regional cooperation and integration.^b The project also contributes to SDG 5 (achieve gender equality and empower all women and girls), SDG 7 (end energy poverty) and SDG 13 (take urgent action to combat climate change and its impacts).

B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence

1. **Key poverty and social issues.** While the percentage of Nepalese living below the poverty line fell from 25.2% in FY2011 to an estimated 18.7% in FY2018.^c This trend is expected to have reversed in FY2020 because of impacts from the coronavirus disease (COVID-19) pandemic, which disproportionately affects the poor, informal sector workers, migrant workers, households depending on remittances, and women. Nepal’s average annual per capita electricity consumption is about 198 kWh per year, which is one of the lowest in South Asia. The total population with access to electricity via the national grid had reached 86% as of FY2019.^d Improving access to energy will help electricity consumers better cope with the economic disruption caused by the COVID-19 pandemic.^e
2. **Beneficiaries.** The proposed investment will support power distribution system improvements in the Dumkibas, Kathmandu Valley, Morang, Nepalgunj, Sindhupalchowk, and other parts of the country. Energy consumers will benefit from better quality and reliable electricity supply, which is assessed as having follow-on benefits in terms of economic investment and growth. The project will invest in programs to raise awareness of efficient uses of electricity. Additionally, the project will provide limited employment opportunities during construction, with preference given to affected people.
3. **Impact channels.** The project is expected to (i) support women and excluded and vulnerable people to explore opportunities for energy-based enterprises; (ii) improve living conditions for local people, including excluded and vulnerable people; and (iii) reduce the drudgery of some women and improve their health through clean cooking using electricity. The project will also contribute to raising consumer awareness on energy-saving practices, including among women and excluded and vulnerable people.
4. **Other social and poverty issues.** Poor electricity distribution is an impediment to the expansion of nonfarm economic activities for women and the marginalized. Strong and discriminatory gender and social norms, strict mobility constraints, limited social permission for women to participate in public events, and conservative values about economic activities that are appropriate for women limit the capacity of women to avail themselves of economic opportunities. Domestic violence, sexual violence, rape, dowry-related violence, child marriage, and accusation of witchcraft are prevalent, negatively impacting women throughout the project areas. Dalits and other disadvantaged people are the poorest and most excluded people, and they experience caste-based discrimination and exclusion. These issues may impact their ability to access energy-related economic opportunities unless addressed.
5. **Design features.** The project will support measures such as advanced grid operation software and distribution system automation. System efficiency improvements and loss reductions will improve the financial health of Nepal Electricity Authority (NEA), while customers will benefit from more reliable and better-quality electricity supply.

II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** NEA’s environment and social management department and its project management directorate (PMD) will lead consultations with distribution customers and development partners during implementation to define participatory benefits-sharing using a combination of virtual meetings and fieldwork.
2. **Civil society organizations.** The project will partner with community-based organizations to help implement awareness events on safe and efficient energy use. Priority will be given to women-led organizations.
3. 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):
 Information gathering and sharing (M)
 Consultation (M)
 Collaboration (NA)
 Partnership (NA)
4. **Participation plan.**
 Yes No

B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI										
<p>1. Key impacts. Impacts to indigenous households are anticipated to be largely those associated with resettlement impacts. A total of 40 households (286 persons) will be affected because of land acquisition for substation and tower foundation and limited restrictions on the ROW area. Project activities are not assessed to negatively affect dignity, human rights, livelihood systems, or the culture and communal territories of indigenous peoples. The project is proposed as category B for indigenous peoples safeguards.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The project will not affect customary lands.</p>											
<p>2. Strategy to address the impacts. The project will engage affected indigenous peoples to define benefits-sharing measures during project implementation. Improved power supply and project benefits sharing, including an energy-based livelihood and skill development program, will mitigate adverse impacts and enhance livelihood opportunities for the affected households.</p> <p>3. Plan or other actions.</p> <table border="0" data-bbox="167 548 1412 719"> <tr> <td><input type="checkbox"/> Indigenous peoples plan</td> <td><input checked="" type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td><input type="checkbox"/> Indigenous peoples planning framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td><input type="checkbox"/> Social impact matrix</td> <td></td> </tr> <tr> <td><input type="checkbox"/> No action</td> <td></td> </tr> </table>		<input type="checkbox"/> Indigenous peoples plan	<input checked="" type="checkbox"/> Combined resettlement plan and indigenous peoples plan	<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary	<input type="checkbox"/> Social impact matrix		<input type="checkbox"/> No action	
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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).</p> <p><input checked="" type="checkbox"/> unemployment (M) <input checked="" type="checkbox"/> underemployment (M) <input checked="" type="checkbox"/> retrenchment (L) <input checked="" type="checkbox"/> core labor standards (M)</p> <p>2. Labor market impact. The project will provide short- and long-term employment to affected people. Contractors will be asked to give preference to local laborers and women as much as possible. The loan agreement includes specific assurances (i) requiring the enforcement of core labor standards and other relevant labor standards at the sites of contractors; and (ii) ensuring that workers are protected in terms of occupational health, safety, and security risks.</p>											
<p>B. Affordability</p> <p>The project is focused on improving current electricity infrastructure to improve quality and reliability of electricity supply which will help reduce the cost of supply.</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):</p> <p><input checked="" type="checkbox"/> Communicable diseases (L) <input checked="" type="checkbox"/> Human trafficking (L) <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. Provisions will be taken to prevent or minimize impacts. Where and if necessary, the project will inform, educate, and prevent workers from contracting and spreading HIV/AIDS and COVID-19. There is a no-tolerance policy on human trafficking and child labor.</p>											
VI. MONITORING AND EVALUATION											
<p>1. Targets and indicators. Ongoing data collection, with identifiers for ethnicity and caste of affected people, will be utilized to track project performance in providing benefits to indigenous peoples and other excluded and vulnerable groups. The RIPP provides specific monitoring measures that will be reviewed and updated after completion of final engineering design. The GESI action plan and the design and monitoring framework list all the performance targets and indicators. Payment of compensation and assistance to people affected by land acquisition and temporary impacts during construction will also be monitored.</p> <p>2. Required human resources. NEA's PMD will establish a monitoring mechanism with qualified staff to undertake monitoring through the project.</p> <p>3. Information in the project administration manual. Semiannual monitoring reports from NEA's PMD are included in the project administration manual.</p> <p>4. Monitoring tools. Semiannual monitoring reports will be submitted by NEA's PMD and reviewed by ADB to ensure that the project is implemented in accordance with ADB's Safeguard Policy Statement (2009). Quarterly project progress reports submitted to ADB will include implementation progress of the GESI action plan with sex-, caste-, and ethnicity-disaggregated data that ensures compliance to ADB requirements.</p>											

^a Government of Nepal; Ministry of Energy, Water Resources and Irrigation. 2018. [Present Situation and Future Roadmap of Energy, Water Resources and Irrigation Sector \(White Paper\)](#). Kathmandu.

^b ADB. 2019. [Country Partnership Strategy: Nepal, 2020–2024—Promoting Connectivity, Devolved Services, and Resilience](#). Manila.

^c Government of Nepal, National Planning Commission. 2019. *Fifteenth Plan (FY2020–FY2024): Approach Paper*. Kathmandu (in Nepali).

^d Nepal Electrical Authority. 2020. *Annual Report*. Kathmandu.

^e P. Jiang, Y.V. Fan, and J.J. Klemeš. 2021. Impacts of COVID-19 on energy demand and consumption: Challenges, lessons and emerging opportunities. *Applied Energy*. 285 (2021).

^f D. Paudel, M. Jeuland, and S.P. Lohani. 2021. Cooking-energy transition in Nepal: trend review. *Clean Energy*. 5 (1). pp. 1–9.

^g International Labour Organization. 2016. *Women at Work: Trends 2016*. Geneva.

^h World Bank. World Bank Open Data. [Labor force participation rate, female \(% of female population ages 15+\) \(modeled ILO estimate\) – Nepal](#) (accessed 29 July 2021).

ⁱ ADB. 2013. [Safeguard Review Procedures. Operations Manual. OM F1/OP](#). Manila.