

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Pakistan	Project Title:	Power Transmission Strengthening Project
Lending/Financing Modality:	Project Loan	Department/Division	Sectors Group, Energy Sector Office

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

Pakistan’s GDP grew by 5% in FY2022, but the economy is still facing macroeconomic imbalances and associated domestic and international risks. Its economy rebounded from the COVID-19 pandemic (0.94% contraction in FY2020) and continued to post a V-shaped economic recovery that is higher than 5.74% in FY2021.^a The forced outages in transmission lines occurred 358 times (2020–2021) with the duration of single outage up to 32 minutes, hampering GDP growth and poverty reduction.^b A PRs242 billion GDP (agriculture, industry, and services sectors) loss is caused by the electricity shortage in 2013.^c Only 75.4% of the population has access to electricity (2020).^d Per capita power consumption is low (448 kilowatt-hours in 2014).^e Pakistan’s Poverty Reduction Strategy Paper II recognizes the need to address the power shortage to ensure adequate power to sustain economic growth and poverty reduction. One of its nine pillars is an integrated energy development that lists the need to improve the supply–demand balance by de-bottlenecking the transmission and distribution system as a key challenge.^f Pakistan’s *Vision 2025* includes a component to eliminate the power supply–demand gap and add 25,000 MW by 2025.^g Strategic pillar 3 of ADB’s CPS for Pakistan (2021–2025) considers boosting competitiveness and private sector development by reducing electricity cost, mitigating climate change, and increasing access to indigenous fuel-based power projects. ADB will support grid and off-grid power solutions for rural areas.^h

B. Results from the Poverty and Social Analysis during Transaction TA or Due Diligence

- Key poverty and social issues.** The poverty rate declined from 64.3% in FY2001 to 24.3% in FY2015, though the progress across Pakistan remains uneven. The rural poverty headcount ratio (30.7%) is more than twice the urban (12.5%). The COVID-19 crisis triggered a sharp drop in households’ incomes and pushed more people into poverty. ADB estimated that Pakistan’s headcount poverty ratio in 2020 was 1.6% without COVID-19, and this ratio would rise by 5.5% under the worst-case scenario of a 20% reduction in aggregate demand.
- Beneficiaries.** All sectors of the economy and population will benefit from enhanced transmission capacity and reduced power outages. Improved power reliability will enhance access and quality of health and educational services, employment in public and private sectors, and help alleviate energy and time poverty (especially for women).
- Impact channels.** The project includes construction of transmission lines and expansion of substations for enhanced transmission capacity and reduced power outages, which is important for reliable operations of all economy sectors, employment, and the well-being of the population, creating new employment and income opportunities for poverty reduction. The population’s access to reliable power will be improved, reducing women’s time poverty (by using household cleaning and heating appliances as women carry the burden of household works). The institutional component will enhance institutional efficiency, transparency, and good governance and strengthen the gender capacity and community outreach of NTDC through capacity building.
- Other social and poverty issues.** Power shortages and energy poverty disproportionately affect women and rural poor and increase gender time poverty. Of households, 29% of urban and 71% of rural are energy poor, and 55% of households are in multidimensional energy poverty (2014–2015). At the macro level, energy poverty increases income poverty. At the micro level, it is a barrier to education and empowerment, especially for women.ⁱ
- Design features.** The project will (i) expand the high-voltage transmission network in the country’s northern area to ensure grid stability, energy security, and increased transmission capacity to evacuate additional clean hydropower to the grid, addressing high generation costs and the demand–supply gap; (ii) reduce transmission losses in the project area by replacing old transmission lines; (iii) support the prioritized government reform of state-owned enterprises by enhancing NTDC’s institutional, financial management, system operation, and project management capacity; and (iv) mainstream gender at NTDC’s corporate and project levels, and increase income-earning opportunities and skills for local communities focusing on women.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities that will strengthen inclusiveness in project implementation.

Consultations of the main stakeholders such as NTDC, provincial government departments, project communities, APs and CSOs, including poor and vulnerable groups, were conducted during the project design, social and gender assessments, and preparation of the GAP, RPs, and EMPs. Information about the project design, resettlement and environmental impacts, and mitigation measures as per the RPs and EMPs were shared with stakeholders.

<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 indigenous peoples, as defined by the Safeguards Policy Statement, live in the subprojects' areas. All the subprojects are category C for indigenous peoples safeguards. 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. NA</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"><input type="checkbox"/> Indigenous peoples plan</td> <td style="width: 50%; border: none;"><input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Indigenous peoples planning framework</td> <td style="border: none;"><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Environmental and social management system arrangement</td> <td style="border: none;"><input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/> Social impact matrix</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;"><input checked="" type="checkbox"/> No action</td> <td style="border: none;"></td> </tr> </table>	<input type="checkbox"/> Indigenous peoples plan	<input 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 checked="" 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. Low (L) <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards</p> <p>2. Labor market impact. Contractors employ local labor monitored by NTDC for compliance with core labor standards.</p>										
<p>B. Affordability. The project will reduce transmission loss, which drives high electricity cost. The electricity tariff will be universal. The project will benefit the poor by reducing the share of households' disposable incomes for electricity.</p>										
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks is rated as high (H), medium (M), low (L), or not applicable (NA): <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. Contractors will adhere to core labor standards and community health and safety plans, as reflected in their contracts. Safety measures in the EMPs and site-specific health and safety plans, PAM, and the project loan agreement covenants will be followed.</p>										
VI. MONITORING AND EVALUATION										
<p>1. Targets and indicators. The project indirectly contributes to poverty reduction. No specific target indicators envisaged.</p> <p>2. Required human resources. PMU and consultants will have gender, environment, and social safeguard specialists.</p> <p>3. Information in the PAM. Implementation of RPs, EMP, and GAP reporting reflected in the PAM.</p> <p>4. Monitoring tools. Monitoring and reporting requirements reflected in the project loan agreement and the PAM.</p>										

ADB = Asian Development Bank, AP = affected persons, CPS = country partnership strategy, CSO = civil society organization, EMP = environmental management plan, FY = fiscal year, GAP = gender action plan, GDP = gross domestic product, MW = megawatt, NA = not applicable, NTDC = National Transmission & Despatch Company Limited, PAM = Project Administration Manual, PMU = project management unit, TA = technical assistance, TVET = technical and vocational education and training, Q = quarter, RP = resettlement plan.

- ^a Government of Pakistan, Finance Division. 2022. *Highlights of Pakistan Economic Survey 2021–2022*. Islamabad.
- ^b National Electric Power Regulatory Authority. 2016. *State of Industry Report, 2021*. Islamabad.
- ^c M. Shahbaz. 2015. *Measuring Economic Cost of Electricity Shortage: Current Challenges and Future Prospects in Pakistan. 2015 Comsats Institute of Information Technology*. Lahore.
- ^d ADB. 2022. [ADB Poverty Data: Pakistan](#). Manila.
- ^e World Bank. 2014. [Electric Power Consumption \(kWh per capita\)](#). Washington, DC.
- ^f Government of Pakistan, Finance Division. 2008. *Poverty Reduction Strategy Paper (PRSP) II*. Islamabad.
- ^g Government of Pakistan, Planning Commission. 2014. *Pakistan Vision 2025: One Nation, One Vision*. Islamabad.
- ^h ADB. 2020. [Country Partnership Strategy: Pakistan, 2021–2025—Lifting Growth, Building Resilience, Increasing Competitiveness](#). Manila.
- ⁱ ADB Institute. 2019. [Energy Poverty Trends and Determinants in Pakistan: Empirical Evidence from eight waves of HIES 1998–2019](#). Ashar Awan, Faik Bilgili, Dil Bahadur Rahut. Tokyo.
- ^j Such as the University of Engineering and Technology, Government College University, Lahore College for Women University, and Technical Education and Vocational Training Authority in Punjab.
- ^k International Labour Organization. 2018. [Global Wage Report 2018/19](#). Geneva.
- ^l The World Economic Forum. 2022. [Global Gender Gap Report 2022](#). Cologne.
- ^m ADB. 2016. [Second Power Transmission Enhancement Investment Program](#). Manila.
- Source: Asian Development Bank.