



Initial Poverty and Social Assessment

Project Number: (38417)
January 2009

NEPAL: Community Irrigation Project

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country and Project Title:

NEP/Community Irrigation Project

Lending or Financing
Modality:

Project

Department/ Division:

South Asia Department Agriculture, Natural Resources, and Social Services Division

I. POVERTY ISSUES

A. Linkages to the National Poverty Reduction Strategy and Country Partnership Strategy

1. Based on the country poverty assessment, the country partnership strategy (CPS) and the sector analysis describe how the project would directly or indirectly contribute to poverty reduction and how it is linked to the poverty reduction strategy of the partner country.

Nepal is one of the poorest countries in the region. However, the poverty incidence in Nepal has fallen by 17% in last fifteen years after it opened up to the modern world in 1990. Despite the armed conflict of twelve years that covered a period from 1996 till 2006, a steady rate of economic growth supported by consistent investment in social services has formed the core of Nepal's poverty reduction approach, and employment opportunities made available by liberalized global labor markets too have helped. According to second Nepal Living Standards Survey (NLSS II) data of 2003/04, headcount poverty declined from 42 to 31 percent since 1995/96 (First NLSS). Average household income grew by more than 80 percent from 1995/96 to 2003/04. One of the main reasons for the decline in poverty is the flow of remittance from overseas labor employment. The overseas remittance flow is estimated to have accounted for more than 7 percentage points of the 11 percentage point drop in the poverty ratio revealed by NLSS II.

On the other hand, Nepal's growth has not been able to benefit poor people equally and has widened the disparity in income poverty. One manifestation of divergent poverty effects within the country is the Gini coefficient which increased from 34.2 in 1995/96 to 41.4 in 2003/04. The poverty incidence varies across the geographical regions, rural/urban locations and identity (gender, caste and ethnicity). Poverty is higher in rural areas, mid- and far-western regions, and among the socially excluded groups (*Dalits*, *Janajatis*, Muslims). The latest data and analysis confirms that poor people's participation in the benefits of growth have been prevented for four main reasons; i) their physical distance from markets (connectivity issues); ii) low access to factors of production (finance, land, agricultural inputs); iii) their low human capital (education, health, skills); and iv) their discriminatory access to opportunities and assets (social exclusion). Approximately 85 percent of the population lives in rural areas and the majority depends on subsistence farming for their livelihoods. NLSS II data reveals some facts in the average composition of household income: the share of farm income in total income declined from 61 percent in 1995/96 to 48 percent in 2003/04 while that of non-farm income increased from 22 percent in 1995/96 to 28 percent in 2003/04.

The share of agriculture in the country's Gross Domestic Product (GDP) decreased from 39% in 2006 to 34% in 2007; nevertheless, it continues to be the largest contributor to the economy. Agricultural production is highly dependent on weather conditions. Annual agricultural growth was 2.7% during the last five years (2003-2007) compared with the targeted 4.1%. Only about 66% of the total agricultural land (1,769,915 ha) is irrigated, of which 30% has year-round irrigation. The area under irrigation increased to 1.2 million ha in 2007, although the increase during the last five years (2003-2007) was only about half of that targeted (90,000 ha). However the targeted area of about 58,000 ha for year-round irrigation has been substantially achieved, mainly through community-based groundwater irrigation. Despite some progress, many surface irrigation projects are operating below their designed capacity because of lack of operation and maintenance. Participatory irrigation is still to be fully institutionalized. Weak performance in agriculture was as a result mainly of poor monsoon rains and poor paddy production – which accounts for one-fifth of the value of food crops. Moreover, a series of natural disasters in 2006 and 2007 negatively effected crop production, placing a significant number of people at risk of food insecurity.

The incidence of poverty in Nepal is much higher among the landless and marginal farmers than among those with small or medium landholdings. The cause of higher poverty is the poor quality land operated by marginal farmers and their lower access to agricultural inputs (in particular, irrigation systems, chemical fertilizer, high-yielding seed varieties and credit). The NLSS II exercise estimates that the poverty incidence among households that own 1 hectare or less of land (which comprises two-thirds of rural households) is 50 percent. NLSS also claims that the poorest households of all are those headed by agricultural wage laborers (approximately 9 percent of rural households), among whom the average poverty incidence has remained virtually stagnant since 1995/96.

While the Government's policy agenda has increasingly prioritized poverty reduction over the last decade, to the extent that the Tenth Plan (2002-2007) was entirely targeted at poverty reduction, the thrust of the current Three Year Interim Plan (2007-10) is more one of ensuring that growth contributes to social and economic equality as a means to poverty reduction. The Plan aims for a GDP growth rate of 5.5 percent per annum (3.3 percent in agriculture and 6.8 percent in non-agriculture) and lower the poverty incidence to 24 percent by 2010. In particular, it seeks to restore economic confidence, promote social equity and create a base for socio-economic transformation in Nepal. The plan aims for year-round irrigation through optimal utilization of the surface and groundwater resources and promotion of participatory and inclusive management for poverty alleviation and sustainable development. The long-term vision of the irrigation sector is development of irrigation infrastructure for irrigation coverage in as much as 97% of potentially irrigable area, by 2027, as envisaged by the Water Resources Strategy and national Water Plan, approved and enacted by the Government. ADB's CPS also recognizes the critical importance of improving the

performance of existing irrigation systems and expanding access to irrigation with effective integration with agriculture and livelihood support services for reducing poverty and promoting food security in Nepal.

The proposed project will support communities in rehabilitating minor surface water schemes, installing groundwater tube wells, and incorporating micro-irrigation delivery systems to increase agricultural productivity. It will build the capacity of local bodies (district and village development committees) to manage small-scale irrigation projects. The project aims to benefit the poor and marginal farmers having less than 0.5 to 1 ha landholdings and will ensure proportionate representation of women and socially-excluded caste and ethnic groups. The project will form and strengthen the water user associations (WUAs), facilitate micro-credit schemes for poor farmers, and provide agriculture extension and livelihood enhancement support with enhanced market linkages that leads to increased income of the farmers. The WUAs guidelines will be made to form inclusive groups by involving poor women, disadvantaged caste and ethnic groups.

B. Targeting Classification

1. Select the targeting classification of the project:

General Intervention (GI) Individual or Household (TI-H); Geographic (TI-G); Non-Income MDGs (TI-M1, M2, etc.)

2. Explain the basis for the targeting classification:

Small, poor farmers are targeted as beneficiaries under the Project. Larger farmers have received benefits from several other government-supported projects. This Project will target marginal farmers with landholdings of less than 0.5 ha and poor farmers with landholdings less than 1 ha. These farmers' needs are not being targeted by current irrigation projects. The project will cover all ecological zones; *terai*, hill and mountain. The project will benefit marginalized and poor farmers from disadvantaged caste and ethnic groups including women.

C. Poverty Analysis

1. If the project is classified as TI-H, or if it is policy-based, what type of poverty impact analysis is needed?

A complete poverty and social analysis will be prepared under the PPTA.

2. What resources are allocated in the project preparatory technical assistance (PPTA)/due diligence?

Two poverty and social development consultants will be engaged under the PPTA (international, 2 person-months; national, 4 person-months) to conduct poverty and social analyses and prepare the livelihood enhancement component of the Project, including benefit schemes for landless and socially vulnerable households in the subproject areas.

3. If GI, is there any opportunity for pro-poor design (e.g., social inclusion subcomponents, cross subsidy, pro-poor governance, and pro-poor growth)?

II. SOCIAL DEVELOPMENT ISSUES

A. Initial Social Analysis

Based on existing information:

1. Who are the potential primary beneficiaries of the project? How do the poor and the socially excluded benefit from the project?

Potential beneficiaries are marginal farmers with landholdings of less than 0.5 hectare and poor farmers with landholdings less than 1 hectare. Other small farmers may also receive benefits from the project, in that farmers will organize themselves into groups to improve their irrigation systems, and some farmers in those groups may be larger landholders. Project benefits will need to be targeted to the poor and socially excluded. These will be identified through wealth ranking and social mapping exercises conducted during the planning phase of subproject implementation. The poor and socially excluded will receive support for irrigation improvement, agricultural development, social mobilization, and livelihood enhancement.

2. What are the potential needs of beneficiaries in relation to the proposed project?

The main need of poor farmers is increased income through improved availability and management of irrigated agriculture. Beneficiaries need an assessment of the viable irrigation options appropriate for them, and capacity development for operation and maintenance of the irrigation system and on-farm water management. With improved irrigation, they also need agricultural support to ensure productivity increase, including better linkages with markets.

3. What are the potential constraints in accessing the proposed benefits and services, and how will the project address them?

It is anticipated that communities will apply to participate as subprojects. A possible constraint to poor and marginal farmer participation is that they would not get adequate information and initiate applications. The project will need to have an information campaign targeted at poor and socially excluded farmers based on district-level poverty analyses. Subprojects must be selected based on high proportion of poor and socially excluded farmers. Once a community is selected, an NGO will be

assigned to mobilize the farmers and target project interventions at the poor and socially excluded.

B. Consultation and Participation

1. Indicate the potential initial stakeholders.

Farmers and water users associations, district-level farmers' associations, private sector dealers of irrigation technologies and agricultural inputs, central government (MOWR, MLD, MOAC, DOI, DOLIDAR, and DOA), field-level government staff, local and national NGOs, village development committees, and district development committees.

2. What type of consultation and participation is required during the PPTA or project processing (e.g., workshops, community mobilization, involvement of nongovernment organizations and community-based organizations, etc.)?

An initial consultation process was undertaken in two potential pilot districts during PPTA fact-finding. A national and district-level consultation process will be implemented during PPTA implementation. Community mobilization will be conducted in pilot subprojects during PPTA implementation, and a full community mobilization component will be incorporated into project design, and implemented through local NGOs. National NGOs will be consulted during PPTA implementation, and possibly engaged for micro-irrigation. NGOs will also be engaged for agricultural and social development support.

3. What level of participation is envisaged for project design?

Information sharing Consultation Collaborative decision making Empowerment

4. Will a consultation and participation plan be prepared? Yes No Please explain.

C. Gender and Development

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program?

Women's involvement in agricultural production is very high. Women contribute almost 70% labor force in subsistence farming. However women are still discriminated in wages in agricultural (and non-agricultural) sector. Their ownership over the land (includes agricultural land) is nominal, as only 11% of total households have land registered in women's names. The increasing male migration for employment from rural parts to urban areas and overseas has burdened women with both productive and reproductive roles. As a result feminization of agriculture is becoming the trend in many of the rural and remote areas of the country. In this context, women's role in agriculture has become even crucial. One of the challenges is that despite women's important role as productive labors and farmers they have not been able to involve in commercial farming to the satisfactory level due to socio-cultural reasons. Women's representation in farmer's groups is relatively encouraging though, but in irrigation related activities women's participation is still very poor. The problem in women participation is prominent among disadvantaged caste (dalits) and ethnic groups, Muslims and *terai* madhesi groups. In water user associations, it is mandatory to have at least 33% women according to Irrigation Policy 2003, but in decision making in management of irrigation infrastructures women's participation is not significant. The challenge in having women's meaningful participation in water management and irrigation infrastructure development is the key issue to be addressed by the proposed project. It will also need to explore the ways of benefiting women from micro irrigation subprojects.

2. Does the proposed project or program have the potential to promote gender equality and/or women's empowerment by improving women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain.

The project will increase women's participation in micro-irrigation activities by social mobilization. Women's participation in decision-making will be enhanced by mandatory representation of women in WUAs with complementing capacity building support. Agriculture services and livelihood improvement support will be targeted for women to increase their access to resources and create asset through income generation. Women's labor will be utilized productively by providing micro-irrigation infrastructures which are women friendly and with less physical burden. A Gender Action Plan with appropriate activities, performance/ result indicators and adequate resource provision will be prepared during PPTA.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain

III. SOCIAL SAFEGUARD ISSUES AND OTHER SOCIAL RISKS			
Issue	Nature of Social Issue	Significant/Limited/ No Impact/Not Known	Plan or Other Action Required
<u>Involuntary Resettlement</u>	Significant resettlement impacts are not expected. The subprojects involve minor rehabilitation of existing canal systems, or may construct small ponds for water storage, mostly within the existing rights of way. The farmers will choose whether or not to have improvements on their land. While the subproject selection criteria and planning process will minimize resettlement impacts, a resettlement framework and sample resettlement plans will be prepared for subprojects that include unavoidable resettlement impacts.	Limited	<input type="checkbox"/> Full Plan <input checked="" type="checkbox"/> Short Plan <input checked="" type="checkbox"/> Resettlement Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<u>Indigenous Peoples</u>	Indigenous people live in project districts. The TA will assess likely impact of the projects in these groups and prepare necessary planning documents including indigenous people's framework for the project and indigenous people's plan for specific sample subprojects as needed.	Limited	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> Indigenous Peoples Framework <input type="checkbox"/> No Action <input type="checkbox"/> Uncertain
Labor <input type="checkbox"/> Employment Opportunities <input type="checkbox"/> Labor Retrenchment <input type="checkbox"/> Core Labor Standards	The project will increase employment opportunities for the poor and marginal farmers, including both women and men by enhancing agricultural productivity.	Significant	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<u>Affordability</u>	No significant issue about affordability is anticipated. The project will include beneficiary contribution schemes for options of irrigation improvement technologies and will assess farmer ability to contribute.	Not known	<input type="checkbox"/> Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
<u>Other Risks and/or Vulnerabilities</u> <input type="checkbox"/> HIV/AIDS <input type="checkbox"/> Human Trafficking <input type="checkbox"/> Others (conflict, political instability, etc.), please specify	No specific risks and vulnerability are anticipated. The subprojects will be implemented by local government units.	No impact	<input type="checkbox"/> Plan <input type="checkbox"/> Other Action <input checked="" type="checkbox"/> No Action <input type="checkbox"/> Uncertain
IV. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT			
1. Do the terms of reference (TOR) for the PPTA (or other due diligence) include poverty, social and gender analysis and the relevant specialist(s)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
2. Are resources (consultants, survey budget, and workshop) allocated for conducting poverty, social and/or gender analysis, and consultation and participation during the PPTA or due diligence? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			