

Initial Poverty and Social Analysis

Project Number: 48423-001
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Tiwi and MakBan Geothermal Power Green Bonds
Project
(Philippines)

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Philippines	Project Title:	Tiwi and MakBan Geothermal Power Green Bonds Project
Lending/Financing Modality:	Project	Department/ Division:	Private Sector Operations Department Infrastructure Finance Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed project is a partial credit guarantee of PHP8.025 billion and a direct loan of PHP1.800 billion to support the refinancing of capital expenditure (plant rehabilitation investments) and ongoing operation and maintenance at two geothermal power plants in southern Luzon, which are owned and operated by the AP Renewables Inc. (APRI). The project is aligned with the Philippine Development Plan 2011-2016, which recognizes the role of infrastructure investments to inclusive growth and poverty reduction as it provide economic and social opportunities, and improve conditions of marginal sectors. As identified in the Philippine Development Plan 2011-2016, infrastructure investments include investments in the energy sector, particularly on energy security, development and use of renewable energy, and environment-friendly alternative energy resources and technologies.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)
 In addition to energy security, the project will contribute 1.5% of its gross income to the Department of Energy under the Renewable Energy Act (R.A. 9513). Furthermore, Energy Regulation No. 1-94 (ER No. 1-94) requires generation facilities such as Makiling-Banahaw Geothermal Power Plant (MGPP) and Tiwi Geothermal Power Plant (TGPP) to provide PHP0.01/kWh financial benefit to local communities.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The Philippines Country Partnership Strategy 2011-2016 reports that the country has some of the most expensive electricity in Southeast Asia, averaging \$0.18 per kilowatt-hour in 2009 because (i) archipelagic geography makes electricity costly in some areas; (ii) generation, transmission, and distribution systems are inefficient; and (iii) investment in the sector is low, coupled with the high cost of investments made during the country's power crisis in the 1990s. The project is expected to increase the generating capacity of MGPP TGPP, and contribute to diversification of the country's power sources, which is one approach to achieve energy security. Local communities surrounding these two power plants are also expected to benefit from the project through the Government Share and ER No. 1-94. MGPP is situated in the province of Batangas and Laguna, while TGPP is located in the province of Albay.

2. Impact channels and expected systemic changes. In addition to development projects funded by the shares given to the Department of Energy under the Renewable Energy Act and ER No. 1-94, APRI also implements community development activities in coordination with Aboitiz Foundation, the corporate social responsibility arm of the Aboitiz group of companies. The key areas of development support are in education, enterprise development and microfinance, sustainability, primary health care and childcare, and corporate donations on a case-to-cases basis.

3. Focus of (and resources allocated in) the PPTA or due diligence. Due diligence will assess APRI's policies, systems, and performance against SPS requirements, and will determine whether proposed project activities have involuntary resettlement or indigenous peoples impacts. Due diligence will include other social dimensions of the project such as APRI's compliance with national labor laws and international core labor standards, as well as possible gender benefits.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program?
 The project will promote fuel diversification and help address energy security in the country. Operations of both the MGPP and TGPP do not specifically have any features which directly promote women empowerment. However, APRI implements CSR programs in its host communities which may have possible gender benefits.

2. Does the proposed project or program have the potential to make a contribution to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?

Yes No Please explain. No, the proposed project will be limited to operations and maintenance activities of MGPP and TGPP.

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

Yes No Please explain. MGPP and TGPP operations are not likely to have a negative impact on women.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

Project stakeholders are represented in the Multipartite Monitoring Team (MMT) comprising community leaders, local residents, local government officials, technical experts from government agencies, and local organizations and non-government organizations such as Samahan ng Maliliit na Mangingisda ng Putsan, Kalipunan ng Liping Pilipina (MGPP); and Senior Citizens Association, Rotary Club, Sagip-Ilog (TGPP). The MMT meets regularly with APRI.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the project design require participation of the poor and excluded?

The project will pursue continued community engagement through the Multipartite Monitoring Team and the corporate social responsibility (CSR) activities.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing L Consultation L Collaboration Partnership

Relevant civil society organizations are included in the MMT, these include project stakeholders identified in item 1.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No Project activities will be limited to the operation and maintenance of the two power plants.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No APRI is operating two power plant facilities on land owned by the Philippine Government. No additional land acquisition is expected for any rehabilitation activities required for the duration of ADB's involvement. Due diligence will be undertaken to determine whether there are any future activities which may have involuntary resettlement impacts.

2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?

Due diligence will be undertaken per Safeguard Policy Statement (Safeguard Requirement 4).

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No There are no indigenous peoples in the vicinity of MGPP as the residents are overwhelmingly Tagalog by ethnic affiliation and mother tongue. Likewise no indigenous peoples live in the vicinity of TGPP.

3. Will the project require broad community support of affected indigenous communities? Yes No There are no anticipated impacts on indigenous peoples.

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?
None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment Adhering to core labor standards L Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design? Compliance to national labor laws and international core labor standards will be included in the social safeguards audit report.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (v) other social risks. Are the relevant specialists identified?

Yes

No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence? In addition to staff due diligence, a consultant will be recruited to conduct a social safeguard compliance audit including other social dimensions such as gender and labor concerns