

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Cambodia"/>	Project Title:	<input type="text" value="Cambodia Solar Power Project"/>
Lending/Financing Modality:	<input type="text" value="Project"/>	Department/ Division:	<input type="text" value="PSOD/PSIF2"/>

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Cambodia's current policy framework for poverty reduction comprises the government's socioeconomic policy agenda the Rectangular Strategy Phase III (2014–2018) (RS III) and its implementation plan the National Strategic Development Plan 2014–2018 (NSDP). Through the RS III the national target continues to be poverty reduction at one percentage point per year. In addition, two multisector strategies have poverty reduction at their core: the 2011 National Social Protection Strategy for the Poor and Vulnerable (NSPS) and the 2014 National Food Security and Nutrition Strategy. The project contributes to one of four priority areas in the RS III as the first utility scale solar public-private partnership (PPP) project in Cambodia that will expand low-cost energy infrastructure, while strengthening the private sector and promoting investment through an international competitive bidding process. The project will supply renewable electricity at a rate in parity with other non-renewable and imported sources and will demonstrate to the government, multinationals, and international financiers that private sector-led renewable energy development can be undertaken successfully in Cambodia.

#### B. Poverty Targeting:

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

Power supply in rural areas is one of five critical constraints to be addressed to encourage more inclusive growth that were identified in the 2014 Cambodia country diagnostic study.<sup>a</sup> ADB's country partnership strategy (CPS) for Cambodia 2014–2018 aims to reduce income poverty, multidimensional poverty, and vulnerability and to promote inclusive growth by focusing on rural areas and rural–urban links, targeting the areas where most poor people live.<sup>b</sup> The project is situated on the periphery of the rapidly urbanizing and industrializing Bavet town, in close proximity to peri-urban households that can benefit from employment and rural households in Svay Rieng that can benefit from reliable electricity supply. Bavet also hosts two special economic zones, which together host businesses that employ over 25,000 local workers and which require a reliable supply of electricity. The project contributes to poverty reduction through improvement of essential infrastructure and is a valuable continuation of ADB's project 45303-001 (Grant 0336-CAM: Rural Energy Project), which electrified 8,000 households in Svay Rieng Province by extending the 22 kilovolt medium-voltage sub-transmission line and the low-voltage distribution network and installing meters.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

The expected beneficiaries of the project are grid-connected local households that will be supplied with a renewable source of electricity. Low household electrification rates, poor infrastructure and expensive supply in the energy mix mean that demand and cost have been high while supply has been unreliable. In the near term however, it is anticipated that low household electrification rates and the high cost of electricity per kWh for household supply will remain a constraint in households accessing the project's proposed benefits. Poverty status in the commune in which the project is situated was last comprehensively measured in 2011. Probably reflecting the fact that the commune is largely urban, only 13% of households were identified as poor using the survey's methodology, while adjacent rural communes saw rates around 25%. Only 50% of those identified poor households in Bavet grew rice, while 80% did in the adjacent Svay Teab Commune. Bavet's poor households did however report a comparatively similar rate of having a problem or crises within the household to that of the commune with the highest concentration of poor households, highlighting the multidimensional nature of poverty in the area. Further evidence of this is the fact that 40% of poor households in Bavet reported reduced living standards due to illness or disability experienced by the household head. More broadly, and for the purpose of comparison, World Bank data lists the national poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population) at 8.9% in 2011 and 6.2% in 2012. The national poverty headcount ratio was 17.7% in 2012, down from 20.5% in 2011.<sup>c</sup>

##### 2. Impact channels and expected systemic changes.

It is expected that this introduction of grid parity solar energy to the mix will contribute to cost reductions per kWh over time for businesses and both rural and urban and rural communities households in Svay Rieng Province through increased access to economical and reliable energy supply. In addition, the project's operational phase will require both skilled and unskilled labor to maintain, which it aims to source from the community resident is surrounding villages.

##### 3. Focus of (and resources allocated in) the due diligence.

Through field-based community consultation, due diligence will ascertain the scope and scale of household impacts, both positive and negative, associated with the sale of land. Availability and interest in employment will be assessed along with the level of grid connection and use and affordability of various sources of electricity.

## 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 most relevant gender issue to the project is access to employment opportunities outside of agriculture and other low paying vulnerable opportunities such as garment manufacturing. ADB's CPS 2014-218 has highlighted that given continued gender gaps in the labor market and women's overwhelming concentration in vulnerable employment, one of the most fail-safe ways to achieve more inclusive growth in Cambodia is to promote women's economic empowerment. Access to energy for women will be investigated during due diligence.
2. Does the proposed project 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  
Beyond limited employment opportunity and improved electricity supply in the district, the project offers little opportunity for the promotion of gender equity and empowerment.
3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  
 Yes  No  
The project presents no adverse risks or impacts on women or girls that would widen gender inequality.
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.  
The project's primary stakeholders are Electricite du Cambodge (EDC), Ministry of Mines and Energy (MME), Bavet town government, SEZs, Chrak Mtes Commune, villages in proximity to the project site and households that have sold land to the project. The EDC and MME defined the project through a PPP concession and local government officials and local households participated in project siting through the land sale negotiation process. The project sponsor has engaged with the SEZ operators to make them aware of the project and other potential benefits associated with having a specialist solar energy installer and operator in close proximity.
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?  
Through consultation with villagers, the sponsor was careful to ensure that no poor or vulnerable households were among the land sellers. Due diligence will confirm the extent of participation in decision making to date by land sellers although the project's small scale will provide only limited construction and employment opportunity as pro-poor and inclusive design features. Due diligence will investigate what further potential exists for greater participation.
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?  
 L Information generation and sharing  M Consultation  NA Collaboration  NA Partnership
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 siting was determined by proximity to the nearest substation and total cost of land required for the project. Through consultation, the sponsor balanced price and proximity and began negotiations with land sellers who were positive about the development opportunity derived through the sale of land and the presence locally of Cambodia's first utility scale solar project.

## 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  
The sponsor has indicated that 18.7ha of land required by the project was acquired by purchase from landowners on a willing-buyer willing-seller basis. The selected land has not been recently used for agriculture. This has been corroborated through historical satellite imagery that shows the land both in flood and dry and unused since 2014. Negotiations in advance of 34 separate transactions were documented by the sponsor and conducted with the support of local officials. Sellers were able to start negotiations with a selling price, which was countered by the

sponsor until a mutually acceptable amount was agreed. The sponsor has supplied the transaction documentation for all portions of land that comprise the project site. Due diligence will corroborate documentation provided by the sponsor and include a meeting with a representative group of sellers. Due diligence will also assess the potential impacts associated with the project's transmission line that will be built as part of the project to evacuate power to the Chrak Mtes substation approximately 3.7km from the site. Desktop research indicates that the proposed route will not result in any permanent physical and economic displacement, though as of August 2016 the route was still to be decided. EDC would construct the transmission line on behalf of the project. Given the very low likelihood of significant (non-major) displacement impacts along the short transmission line, a category C classification is being sought. All construction related impacts will be addressed through the project's environmental and social management plan (ESMP) arrangements.

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

- Resettlement plan                       Resettlement framework                       Social impact matrix  
 Environmental and social management system arrangement                       None

**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

There are no distinct and vulnerable indigenous groups in the area that have the potential to be directly or indirectly affected by the project.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No

3. Will the project require broad community support of affected indigenous communities?  Yes  No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?

- Indigenous peoples plan     Indigenous peoples planning framework     Social Impact matrix  
 Environmental and social management system arrangement                       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 (L)     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?

During due diligence, the sponsor's human resources policy and plans for local employment during and construction and operation will be assessed to ensure maximum potential benefits can be delivered to the local community through project design. As solar projects of this scale are typically fully built within 2-3 months, there is very little opportunity to maximize benefits during construction; however the sponsor may have the opportunity to deliver longer-lasting benefits through employment and training for a small number of local people during the operational phase.

**VI. DUE DILIGENCE RESOURCE REQUIREMENT**

1. Do the terms of reference for the due diligence contain key information needed to be gathered during 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

The sponsor is preparing an initial environmental and social examination (IESE), which is based on a terms of reference that addresses SPS and other policy requirements.

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 due diligence?

The sponsor has agreed to undertake an IESE. PSOD safeguards staff will also undertake field based investigation during due diligence. Due diligence will establish that the sponsor has the technical capacity to successfully implement its business strategy to achieve its financial projections and therefore deliver on benefits, social protection and impact mitigation.

<sup>a</sup> ADB 2014, Cambodia: Diversifying beyond Garments and Tourism, Country Diagnostic Study. Manila.

<sup>b</sup> ADB 2014, Cambodia: Country Partnership Strategy 2014-2018. Manila.

<sup>c</sup> See <http://povertydata.worldbank.org/poverty/country/KHM> (viewed 24 August 2016).