

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Cambodia	Project Title:	Cambodia Solar Power Project
Lending/Financing Modality:	Project	Department/ Division:	Private Sector Operations Department Private Sector Infrastructure Division 2

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 project comprises a loan to Sunseap Asset (Cambodia) Co. Limited (Sunseap Asset) to build, own, and operate a 10 megawatt ground-mounted solar farm in Bavet City, Svay Rieng Province. The project is Cambodia's first utility-scale solar project under a public-private partnership (PPP) arrangement.

Cambodia's current policy framework for poverty reduction comprises the government's socioeconomic policy agenda, the Rectangular Strategy Phase III (RS III), 2014–2018, and its implementation plan, the National Strategic Development Plan, 2014–2018. 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 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 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 to an urban-rural area with supply deficits at a rate in parity with other nonrenewable 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. 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. The country partnership strategy of the Asian Development Bank (ADB) for Cambodia, 2014–2018 aims to reduce income poverty, multidimensional poverty, and vulnerability; and to promote inclusive growth by focusing on rural areas and urban-rural links, targeting the areas where most poor people live.

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

1. **Key poverty and social issues.** 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. Low household electrification rates and the high cost of electricity per kilowatt-hour for household supply have been a constraint in the past for Cambodian households. However, the project's impact assessment found relatively high levels of electrification in the project's area of influence. Therefore, the project presents demonstration potential for local urban-rural households accessing the project's benefit of reliable supply. Poverty status in the commune in which the project is located was last comprehensively measured in 2011. Since the commune is largely urban, only 13% of households were identified as poor, while adjacent rural communes saw rates of about 25%. The project's impact assessment found that none of the 27 sellers of land parcels required for the project site were identified in the 2011 survey as poor and none self-identified as being a member of a vulnerable household when asked during a consultation meeting.

2. **Beneficiaries.** The expected beneficiaries of the project are grid-connected local households and businesses that will be supplied with a renewable source of electricity during peak daytime hours. The project is situated on the periphery of the rapidly urbanizing and industrializing Bavet City, in close proximity to periurban households that can benefit from employment and urban-rural households in Svay Rieng that can benefit from reliable electricity supply. Bavet also has two special economic zones (SEZs), which together host businesses that employ over 25,000 local workers and which require a reliable supply of electricity. As a border crossing with Viet Nam, Bavet City has a growing tourism and hospitality sector that has also increased demand for reliable electricity supply.

3. **Impact channels.** The project contributes to poverty reduction through the improvement of essential electricity infrastructure, and is a valuable continuation of the Government of Australia and ADB Cambodia: Rural Energy Project, which electrified 8,000 households in Svay Rieng Province by extending the 22 kilovolt (kV) medium-voltage sub-transmission line and the low-voltage distribution network, and installing household meters.

4. **Other social and poverty issues.** In 2011, Bavet's mostly urban poor households reported similar rates of having a problem or crises to other communes in Svay Rieng Province with the highest concentrations of poor households. Further, 40% of poor households in Bavet reported reduced living standards as a result of illness or disability experienced by the household head. Despite these statistics, the project's impact assessment found high rates for literacy, economic activity, home ownership, and improved sanitation in households in the project's immediate area of influence. More broadly, and for comparison, World Bank data list the national poverty headcount ratio at \$1.90 a day

(2011 PPP) at 8.9% in 2011 and 6.2% in 2012, while the national poverty headcount ratio was 17.7% in 2012, down from 20.5% in 2011. Indicators of poverty are therefore showing a reduction in incidence, but poor households remain vulnerable to shocks caused by crises and illness.

5. **Design features.** The project provides limited opportunities for integrating specific poverty alleviation measures in the design of the project. However, this introduction of grid-parity solar energy to the mix is expected to contribute to cost reductions per kilowatt-hour over time for businesses and both rural and urban 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 the facility, which Sunseap Asset aims to source from households in surrounding villages.

II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** The project's primary stakeholders are Electricité du Cambodge (EDC), the Ministry of Mines and Energy, Bavet city government, SEZs, Chrak Mtes commune, villages near the project site, and households that have sold land to the project. EDC and the Ministry of Mines and Energy defined the project through a competitive bidding process, and local government officials and local households participated in project siting through the land sale negotiation process. Project siting was determined by proximity to the nearest substation and the total cost of land required for the project. Through consultation, Sunseap Asset 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. Through consultation with villagers, Sunseap Asset was careful to ensure that no poor or vulnerable households were among the land sellers. 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. **Civil society organizations.** Due diligence did not identify civil society organizations with an interest in the construction and operation of the ground-mounted solar farm in Bavet City. The sponsor does, however, intend to establish a public exhibition center on the site to promote the benefits of electricity generation from solar panels. Sunseap Asset envisages that local people will operate the center, and that it may serve as a venue for greater civil society organization participation.

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 (L) Partnership (NA)

4. Participation plan.

Yes. No. A separate participation plan is not required, but the project impact assessment includes community consultation measures in the project's environmental and social management plan.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: No gender elements

A. Key issues. 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 country partnership strategy has highlighted that, given continued gender gaps in Cambodia's labor market and women's overwhelming concentration in vulnerable employment, one of the most fail-safe ways to achieve more inclusive growth in the country is to promote women's economic empowerment. More reliable supply of electricity in Bavet will contribute to economic growth and therefore indirectly promote access to business and employment opportunities for women. Sunseap Asset is also committed to the targeted employment of women.

B. Key actions.

Gender action plan Other actions or measures No action or measure

The project is not expected to have new or additional gender equity features apart from implementing requirements under national law and the project's environmental and social management plan.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: A B C FI

1. **Key impacts.** The project has not required involuntary resettlement. All land required for the project site (22 hectares) was purchased from 27 sellers through a negotiated settlement on a willing-buyer willing-seller basis. The 5.5 kilometer overhead 22 kV transmission line will use an existing canal and roadside right-of-way (ROW), which has been planned to avoid involuntary displacement impacts.

2. **Strategy to address the impacts.** An independent expert reviewed all land sale documents, and sellers were consulted during due diligence to ensure the negotiations were free of intimidation and that they were aware of the project. The final transaction receipts for full payment of the contracted amount to each land seller have been presented to ADB. Much of the land was unused for agriculture at the time of purchase. Most sellers intend to use the sale proceeds to buy other nearby land and other agricultural inputs. None of the sellers were from households registered as poor, and none consulted stated that they were vulnerable. The 5.5 kilometer overhead 22 kV transmission line will use an existing canal and roadside ROW, which has been planned to avoid involuntary displacement impacts. In case of potential temporary impacts, the preparation of a framework for temporary occupation and compensation along the ROW has been recommended as part of the project's impact assessment.

3. Plan or other Actions	
<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan
<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input checked="" type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input type="checkbox"/> No action	
B. Indigenous Peoples	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Key impacts. The impact assessment for the project found no distinct and vulnerable indigenous peoples groups in the area that have the potential to be directly or indirectly affected by the project.	
Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
2. Strategy to address the impacts. Not applicable.	
3. Plan or other actions.	
<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	

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market
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).
<input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards (L)
2. Labor market impact. The project will have little direct impact on the local labor market beyond the generation of jobs for about 100 local people during construction and six people during operation. The project will comply with core labor standards and national labor laws. The project will, however, contribute to the supply of electricity during daytime, and thereby indirectly support the operation of businesses in Bavet.
B. Affordability
The project does not present risks associated with the possible exclusion of people as a result of price mechanisms. The project is expected to contribute indirectly to a lowering of the cost of electricity over time.
C. Communicable Diseases and Other Social Risks
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA):
<input type="checkbox"/> Communicable diseases (NA) <input type="checkbox"/> Human trafficking (NA)
<input type="checkbox"/> Others (please specify) _____
2. Risks to people in project area.
All construction and operation phase employees will be sourced from the immediate area, except for the intermittent presence of a small number of Sunseap Asset engineers.

VI. MONITORING AND EVALUATION

1. Targets and indicators. Increased renewable energy capacity sustainably operated by the private sector as indicated by the number of gigawatt-hours of power dispatched to EDC, the annual amount of emissions reductions achieved, the number of jobs provided during operations, and the direct contribution to government revenues through corporate tax.
2. Required human resources. The sponsor's environmental, health, and safety representative will monitor the poverty and social impact of the project during construction and operation.
3. Information in the project administration manual. Not applicable.
4. Monitoring tools. The project's environmental and social management plan includes a monitoring plan that requires reporting on impacts and mitigation measure implementation to ADB at the conclusion of construction and annually for the first 2 years of operation. Other poverty and social dimensions reporting requirements are summarized in the project loan agreement.

Sources: ADB. 2014. *Cambodia: Diversifying Beyond Garments and Tourism, Country Diagnostic Study*. Manila; ADB. 2014. *Country Partnership Strategy: Cambodia, 2014–2018*. Manila; World Bank. Poverty and Equity. Country Dashboard: Cambodia. <http://povertydata.worldbank.org/poverty/country/KHM> (accessed 24 August 2016); ADB staff; and sponsor's consultant research; *Rectangular Strategy Phase III (RS III), (2014–2018)*; *National Strategic Development Plan (2014–2018)*; ADB. 2014. *Cambodia: Rural Energy Project*. <https://www.adb.org/projects/45303-001/main#project-documents>