



Initial Poverty and Social Analysis

May 2018

REG: ASEAN Distributed Power Project (Phase 1)

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Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	ASEAN Distributed Power Project (Phase 1)
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department/ Private Sector Infrastructure Finance 2 Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS
A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy
<p>The project is consistent with the Asian Development Bank (ADB) Midterm Review of Strategy 2020, which affirmed ADB's support under Strategy 2020 for (i) environmentally sustainable development; (ii) the role of the private sector in meeting growing energy demand in the region; and (iii) capitalizing on ADB's operating strengths in infrastructure development, finance, and other areas.^a The midterm review also supported the expansion of environmentally friendly technologies for clean and efficient energy generation and use, and a larger role for private sector financing of infrastructure. ADB's country partnership strategies for various ADB developing member countries echo the themes of the energy policy, including the promotion of environmentally sustainable economic development and energy security. The project is consistent with ADB's Energy Policy, which supports wider access to energy through investments in energy efficiency and renewable energy projects.^b The project will contribute to ADB's target of \$6 billion in annual financing for climate mitigation and adaptation by 2020, and catalyze further private sector resources in the clean energy sector.</p> <p>The project will contribute to regional progress in achieving the target of increasing substantially the share of renewable energy in the global energy mix by 2030.^c It will also support the Government of Thailand's Alternative Energy Development Plan 2015–2036, which aims to increase the share of renewable energy used for power generation to 30%, including the installation of 19,684 megawatts of renewable energy capacity by 2036.</p>
B. Poverty Targeting:
<input checked="" type="checkbox"/> General Intervention <input type="checkbox"/> Individual or Household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-Income MDGs (TI-M1, M2, etc.)
<p>The project is expected to contribute to the development of renewable energy projects in the region. This will contribute to the diversification of the energy mix and the renewable energy targets, and improve access to a stable supply of electricity, particularly for those in underserved areas. The design and monitoring framework for the project includes indicators to report benefits to the local communities in terms of community development activities and increased local employment opportunities.</p>
C. Poverty and Social Analysis
<p>1. Key issues and potential beneficiaries. The project will contribute to meeting the energy needs and demands of the region, and thereby contribute to economic growth and help reduce socioeconomic disparities. The project will support other efforts at poverty reduction through job creation and allied opportunities such as small-scale manufacturing. The company's renewable projects are typically located in remote, rural areas with elevated poverty levels, and economic and social disparities. The project will directly and indirectly contribute to poverty reduction in these areas through the creation of temporary and permanent employment, and increased availability of electricity which will enhance growth and sustainability in agriculture and other sectors.</p> <p>Limited access to electricity is a major obstacle to growth and social and economic equality in the region, especially in countries such as Cambodia, Lao PDR, and Myanmar, where more than 30% population still lack access to electricity. Potential project beneficiaries include general communities, small businesses and micro-enterprises, and industrial firms employing with large workforces. Electricity supplied to the grid will increase the availability and reliability of power, thereby increasing industrial and agricultural productivity. Electricity sold directly to industrial firms will increase manufacturing and industrial output, which will increase employment, skill development and the employability of the workforce. Increased power to the grid will also expand and increase access to power in remote rural areas, thereby promoting socioeconomic development and increasing access to improved infrastructure and services.</p>
<p>2. Impact channels and expected systemic changes. In the short term the project will create employment opportunities for local people in the construction and operation phases of several company subprojects, and provide beneficiaries with access to better, more affordable services and the opportunity to increase their incomes and improve their livelihoods. In the longer term, the use of renewable energy sources in solar and wind reduces the threat for beneficiaries of environmental and climate related risks that would adversely affect their social and economic life.</p>
<p>3. Focus of (and resources allocated in) the due diligence. ADB team and experienced external experts conducted the corporate environmental audit and assessed the various impacts of the project. This assessment also included the review of existing systems and processes of the company and its alignment with ADB SPS requirements. Actions have</p>

<p>been identified to ensure compliance of the procedures and operations to the ADB SPS and other social requirements, including labor and gender aspects.</p>
<p>4. Specific analysis for policy-based lending. Not applicable.</p>
<p>II. GENDER AND DEVELOPMENT</p>
<p>1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Electricity generated will be sold into the grid or to the industrial estates and users. Consequently, direct benefits to women cannot be attributed to the project, or quantified. However, electricity generated will improve the overall access to and availability of power, especially in rural and less-developed areas. This is likely to have an indirect impact in terms of participation by and productivity levels of women, especially in non-agricultural activities and sectors. In addition, access to electricity will indirectly lead to better access to infrastructure and services, thereby improving their overall development status.</p>
<p>2. Does the proposed project or program have the potential to contribute 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No.</p>
<p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<p>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 potential stakeholders include small farmers, consumers, retailers, state and provincial governments and company employees.</p>
<p>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 company proactively engages with different stakeholders during the various stages of the project life cycle. At a corporate level the company has a team that engages with stakeholders and manages relations during the initial stage of project planning and development. These engagements include (i) meetings and discussions with community or village heads and other community members in the area where the proposed project is to be located, (ii) liaising with state and provincial-level regulatory authorities, (iii) carrying out community consultations during project development and implementation, and (iv) resolving any community and/or stakeholder grievances and concerns linked to project development. At a project and site level, during construction and operations, stakeholder and community engagement are linked either to community development activities, grievance redress, or general feedback on company operations The corporate audit and due diligence for the project found that although informal systems and processes for stakeholder communication and consultation are in place, these need to be strengthened, formalized and documented. The existing environmental and social management system (ESMS) are being revised and strengthened to include a stakeholder engagement and grievance redress framework. These would become the basis for carrying out ongoing consultations, and documenting and reporting stakeholder engagement activities</p>
<p>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<input checked="" type="checkbox"/> Information generation and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership Due diligence for the project found no adverse media regarding civil society opposition to the borrower or its activities. The company engages with different nongovernmental, civil society and community-based organizations for planning and implementation of its community development plans and projects.</p>
<p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>IV. SOCIAL SAFEGUARDS</p>
<p>A. Involuntary Resettlement Category <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</p>
<p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No As a corporate policy, the company buys and leases land for its projects, primarily negotiated purchase settlements with individual land owners, and in some instances through long-term leases from land owners, based on mutually agreed terms. Involuntary resettlement issues and impacts are therefore not envisaged. All existing renewable and gas fired projects are located on purchased or leased lands. The company plans to buy or lease lands for its planned</p>

future projects on a negotiated basis. The company's site and land selection procedure typically avoids inhabited and irrigated lands to minimize physical and economic impacts to land owners. The land use assessment, negotiation and final settlement process is documented using the company's land procurement procedure guidelines. A grid connection is typically located within or close to the project boundary, thereby avoiding any right-of-way issues; consequently, involuntary resettlement impacts and issues are not envisaged.

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

Proceeds from this investment will not be used to support any project that has large-scale involuntary resettlement issues or impacts (classified as category A). The borrower has strengthened its ESMS (as a requirement under Phase 1) to include (i) a framework for a Resettlement Action Plan, and (ii) the requirement that a social compliance audit report to be prepared in accordance with ADB Safeguard Policy Statement (SPS) (2009) requirements (in the unlikely event where its projects result in land and resettlement related impacts). Project and development teams will be trained and sensitized on land and resettlement issues and SPS requirements. In the unlikely event of involuntary resettlement impacts associated with any future projects, the resettlement plans and/or the social audit report will be reviewed and approved prior to disbursing of funds.

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

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

The existing solar, wind and thermal/ gas fired projects of the company do not result in adverse impacts on indigenous peoples. The borrower's site and land selection procedures typically avoid indigenous peoples lands or areas. The company also plans to avoid such lands and areas for future planned projects

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

3. 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

Proceeds from this investment will not be used to support any project that has significant adverse impacts on indigenous peoples (classified as Category A). The borrower has updated (as a requirement under Phase 1) and strengthened its ESMS to include (i) a framework for an indigenous peoples plan (IPP), and (ii) screening criteria and a decision matrix for any indigenous peoples-related issues or impacts to make decisions regarding any new projects. Project and development teams will be trained and sensitized on indigenous peoples issues and the use of the screening checklist. In the unlikely event of any adverse impact on indigenous peoples associated with a future projects, the company will prepare an IPP based on the agreed framework and in compliance with ADB SPS (2009) requirements. The IPP will be prepared by qualified experts and will include a framework for continued consultations with affected indigenous peoples communities. The IPP will be reviewed and approved before disbursement of funds..

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 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? The project will contribute to the labor market through (i) the creation of new job opportunities during construction and operations phases. The thermal/gas fired projects are labour intensive predominantly during construction phases. During operation, these projects can be maintained with a relatively smaller staff strength. The impact of project subprojects on local labor markets is therefore not significant. Core labor standards are ratified in national law and enforced through contractual obligations with employees, service providers and contractors.

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 The terms of reference of the external expert who carried out the environment and social audit report covered environment and social safeguards issues and other social dimensions including labor and gender.

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? An external expert was engaged to carry out environment and social impact assessment. ADB team also participated in the due diligence mission.