

## INITIAL POVERTY AND SOCIAL ANALYSIS

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| Country:                    | Lao PDR                    | Project Title:        | Lao PDR: Northern Cross-border Power Trade and Distribution Project |
| Lending/Financing Modality: | Project Loan and ADF Grant | Department /Division: | SERD / SEEN   |

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government's National Ten-Year Socio-Economic Development Strategy, 2016–2025,<sup>1</sup> operationalized by the National Socio-Economic Development Plan 2016–2020, targets the Lao People's Democratic Republic's (Lao PDR) graduation from least-developed country status by 2025 through sustainable economic, social, and environmental development. Although the country has experienced rapid economic growth and a substantial reduction in poverty over the last decade, primarily through hydropower and mining exports, the challenges ahead include maintaining the momentum of high economic growth and making growth more inclusive for the country's 6.5 million people.

Expansion of high- and medium-voltage power transmission and distribution lines for rural electrification is crucial for poverty reduction. Lao PDR has no integrated national grid, since existing high voltage transmission lines were developed mainly to enable export of electricity from Lao PDR hydropower projects and to provide electricity to Vientiane Municipality. Outside the grid, rural households rely on expensive off-grid power supply, or have no electricity. Expensive energy hinders rural development and worsens the rural–urban income gap.

For sustainable and regionally balanced growth, the government intended through the 2003 long-term development goal to electrify up to 90% of total households by 2020, mainly through grid extensions. This objective was achieved in 2016 with 92% electrification. The government has since reset the objective to achieve 95% electrification of households by 2020. The government accords top priority to electrification of the Northern provinces, where electrification rates remain low. As of 2015, only 73% of households were electrified in Bokeo, Luang Namtha, and Phongsaly provinces, compared to 99% in Vientiane. The Northern provinces are also among the poorest in Lao PDR. In 2013, 24% of households were classified as poor, compared with 5.9% in Vientiane.

The Asian Development Bank's Lao PDR country partnership strategy, 2017–2020 reflects the government's plans and will help Lao PDR achieve its commitments to the United Nations Sustainable Development Goals and Nationally Determined Contribution. The country partnership strategy, 2017–2020 will support inclusive and sustainable growth through three strategic priorities: (i) infrastructure and private sector development to support employment and income generation; (ii) enhanced human development; and (iii) sustainable natural resource management and climate resilience. The energy sector directly supports outcomes under the first priority, through improved rural electrification and increased energy trade, as well as the promotion of renewable energy and energy efficiency.

#### B. Targeting Classification

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

The objective of the project is to electrify at least 8,000 households including financial support to the poor to improve affordability of connection. The project also benefits the general population of three northern Provinces through the provision of higher quality and more stable electricity supply via the proposed cross-border interconnections, grid strengthening and extension, and the use of off-grid renewable energy sources.

#### C. Poverty and Social Analysis

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

The proposed project is an effort to improve the supply of reliable and affordable electricity from indigenous sources in the country. The regional population will benefit from improved access to electricity to support their economic activities. By generating local employment and livelihood opportunities, the project will also benefit local communities in the three proposed project areas. The project will provide economic opportunities for industry, small and medium enterprises, households and community-level facilities (e.g. clinics, schools) in the area.

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

Through increased access to renewable and reliable energy, the proposed project will reduce the cost and improve the supply of electricity for three provincial areas. Cheaper and more reliable electricity supply will encourage an improved business and investment environment. Long term access will create enterprises increasing household income. For job creation, the project will require unskilled labor for civil works during the construction phase.

<sup>1</sup> Government of Lao PDR, Ministry of Planning and Investment. 2016. *National Ten-Year Socio-Economic Development Strategy, 2016–2025*. Vientiane, and Government of Lao PDR, Ministry of Planning and Investment. 2016. *Eighth National Five-Year Socio-Economic Development Plan, 2016–2020*. Vientiane.

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

A transaction technical assistance (TRTA) with a budget of \$800,000 is being provided for conducting due diligence and preparing the appropriate impact mitigation documents and plans. The TRTA team will review aspects relating to poverty and employment impacts disaggregated by sex and other relevant factors, carry out resettlement and Indigenous Peoples (IPs) assessment and due diligence, and environmental impact assessments. The team will also develop an inventory of potential losses and social economic surveys and engage in consultations with affected peoples (APs), local and national government agencies and other relevant stakeholders to facilitate board community support and document the process and outcomes of consultations with IPs. The TRTA will assist the Asian Development Bank to perform the requisite public disclosure activities. Social and environmental safeguards documents will be prepared.

4. Specific analysis for policy-based lending. Not applicable.

## 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 social impact analysis undertaken under the TRTA will characterize poverty and access to energy disaggregated by sex to describe the status of women in the local communities and explore entry points for gender measures to be integrated into the project. Potential entry points include (i) inclusion of user education programs, (ii) connection costs of the households and affordability for the poor, (iii) access to project-related jobs, and (iv) participation in renewable energy solutions (e.g. community operated renewable energy mini-grids). The impacts mitigation/resettlement plans and indigenous people plan will ensure that there aren't any disproportionate negative impacts on women. The benefits to women of access to reliable sources of electricity, such as reducing women's burden and time in collecting fuel, will be detailed in the summary poverty reduction and social strategy.

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.

The project would have a direct contribution to improving access of women to electricity as it is proposed to provide Grant funds via the government's power to the poor scheme and possibly output based aid to enable electrification to all beneficiaries.

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

Yes  No Please explain.

There are no adverse impacts to be experienced by women and/or girls.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme)  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 national utility, Electricite du Laos, provincial and district government agencies, local communities, APs/IPs will be consulted for the proposed project. They will participate in the project planning, implementation, and monitoring through various ways including (i) consultations with stakeholders (government and non-government entities) to get inputs on the project design, required permits, and mitigation measures for APs/IPs; and (ii) public consultation meetings and focus group discussions with communities and APs/IPs to get their view and suggestions on the project potential impacts and mitigation measures.

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?

Meaningful consultation will be carried out during the TRTA stage and it will be continued on an ongoing basis throughout the project cycle. Views of concerned parties will be elicited with regard to project potential impacts, resettlement, social risk, and mitigation measures, and properly recorded. The methods to be used for consultations will include (i) public consultation meetings and focus group discussions with potential APs/affected IPs; (ii) limited household surveys; (iii) meetings and interviews with government officials both at national and local levels; and (iv) meetings with informal leaders/groups in all project areas.

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?

There are several active non-government organizations in the project area concerned with environment, energy, and water; several farmer organizations concerned with rights to water; and indigenous councils concerned with IPs' rights. They will be consulted on the project design, its potential impacts, and efforts to minimize the impacts.

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| <input type="checkbox"/> Information generation and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership<br>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?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br>All APs/IPs and communities including the poor, IPs/customary groups, and other vulnerable groups will be intensively consulted, especially during resettlement plan preparation and implementation.  |
| <b>IV. SOCIAL SAFEGUARDS</b>  |
| <b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI<br>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br>NIL resettlement is involved. Some land acquisition is expected as there will be procurement for small plots (5mx5m approx.) for some tower footings, but most of the routing is on government land. Compensation for a 25m right of way and temporary impact in crops to be considered.<br>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?<br><input type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix<br><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None  |
| <b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI<br>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?<br><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No<br>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br>3. Will the project require broad community support of affected indigenous communities?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Please explain.<br>A broad community support/consent of affected IPs communities will be sought, as the project may have unexpected impacts on local hill tribes and their customary practices. Long term benefits of electrification would enhance livelihoods. Safety awareness of electrification impacts and hazards required.<br>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?<br><input type="checkbox"/> Indigenous peoples plan <input checked="" type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix<br><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None |
| <b>V. OTHER SOCIAL ISSUES AND RISKS</b>   |
| 1. What other social issues and risks should be considered in the project design?<br><input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input checked="" type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment<br><input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS (L) <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability<br><input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability<br><input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____<br>2. How are these additional social issues and risks going to be addressed in the project design?<br>The project Environment Management Plan and civil works contracts will require compliance with Core Labor Standards during construction. Affordability will be taken into consideration during the least-cost analysis.  |
| <b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>   |
| 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 (resettlement and indigenous people); and (vi) other social risks. Are the relevant specialists identified?<br><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No<br>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?<br>International and national social impacts and resettlement specialists will conduct poverty and social impact assessment including gender and community participation issues, and prepare required social safeguards instruments. The TRTA budget provides for workshops, data gathering and community consultation.   |