



Initial Poverty and Social Analysis

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REG: Pacific Regional Financing Facility

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
DMC	–	developing member country
PSDB	–	Pacific state-owned development banks
SDG	–	Sustainable Development Goal

NOTE

In this report, "\$" refers to United States dollars unless otherwise stated.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	<input type="text" value="Regional"/>	Project Title:	<input type="text" value="Pacific Regional Financing Facility"/>
Lending/Financing Modality:	<input type="text" value="Financial Intermediation (F1)"/>	Department/ Division:	<input type="text" value="PARD/PAEN"/>

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed Pacific Regional Financing Facility will support a core development priority of Pacific developing member countries (DMCs), which is to increase access to disaster resilient clean energy financing for poor, low-income, and women beneficiaries. It has the overall objective to mitigate global climate change by working toward low-carbon emission development, maximizing energy efficiency, protecting carbon sinks, and minimizing greenhouse gas emissions. The program is aligned with the Framework for Resilient Development in the Pacific, 2017–2030,¹ which (i) recognizes that climate change and disaster risks increase the vulnerability of Pacific Island people, undermining the sustainable development of the Pacific region; and (ii) provides high-level strategic guidance to different stakeholder groups on how to enhance resilience to climate change and disasters, in ways that contribute to sustainable development.

It will support achievement of Sustainable Development Goals (SDGs) 1 (poverty), 5 (gender equality), 7 (affordable and clean energy), and 13 (climate action) and is aligned with the Asian Development Bank's (ADB) Strategy 2030² to scale up support to address climate change, disaster risks, and enhance environmental sustainability as well as accelerate progress in gender equality. The project is also consistent with the objectives of ADB's proposed Pacific Approach (2021-2023), which serves as the operational framework of ADB for the Pacific region and the overall country partnership strategy for the 11 smaller Pacific island countries. The Pacific Approach emphasizes the importance of expanding ADB work in climate change and disaster risk management (DRM) to mobilize more financing for the Pacific region and to introduce innovative solutions to strengthen disaster preparedness, address vulnerability, and build resilience.

B. Poverty Targeting

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

The proposed project is intended to benefit the general public and in particular target low income, vulnerable households and women through improved and more effective DRM criteria and targets to reduce and manage disaster and climate risks as part of the process for identifying priority infrastructure investments and incentives for energy efficiency.

C. Poverty and Social Analysis

1. *Key issues and potential beneficiaries.* Pacific DMCs share similar development challenges, including small populations, limited resources, remoteness, susceptibility to natural disasters, and vulnerability to external shocks such as the coronavirus disease (COVID-19). Poverty in a Pacific setting thus is unique for at its most extreme manifestations of absolute poverty and destitution, there are many other ways in which Pacific people can be poor or suffer hardship. Indeed, Pacific people can be reasonably well fed and moderately healthy but still live in relative poverty and suffer varying degrees of hardship. Incomes in this context may be insufficient to meet food and other basic needs, but they may lack access to basic services, to freedom of choice, or to socioeconomic opportunities. This "poverty of opportunity" is just as important in defining the extent of relative poverty and hardship in the Pacific whereby poverty is generally viewed as hardship due to lack of or poor services like transport, water, energy, primary health care, and education. In this context, defining poverty by level of income and gross domestic product might not be appropriate in a Pacific setting where most economies include high levels of subsistence production. In fact, in the Pacific, poverty is generally viewed as hardship due to inadequate services like transport, water, energy, primary health care, and education. The program in this context will benefit the population of Pacific DMCs through improved DRM and increased access to clean energy, particularly for the poorer and more vulnerable groups (including women) who tend to be more affected by disasters.

2. *Impact channels and expected systemic changes.* Pacific DMCs are heavily dependent on imported fossil fuel that contribute nearly 88% of the total power generation in the region.³ Public funding is chronically tightened for energy and mostly competing with prioritized social assistance programs. Private sector financing is also inadequate to support transition to renewable energy. Pacific DMCs in this context have no dedicated financing

¹ Pacific Community. 2016. *Framework for Resilient Development in the Pacific, 2017–2030*. Suva.

² ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

³ International Renewable Energy Agency. 2019. *Solar Rooftop Financing in the Pacific Islands*. Abu Dhabi.

available for disaster resilient clean energy or disaster response, early recovery, and reconstruction. As such, a key government development priority is to diversify the existing energy generation mix to include more indigenous, renewable energy resources. The program thus is expected to create a conducive environment through participating Pacific state-owned development banks (PSDBs) and existing public energy utilities to enable disaster resilient clean energy financing to address concerns on (i) lack of financing for disaster resilient renewable energy infrastructure, (ii) limited capacity and renewable energy sector knowledge by PSDBs, and (iii) low access to renewable energy finance for the poor, low-income and in particular female borrowers for longer-term loans to finance preventive measures mitigating impact of natural disasters.

3. *Focus of (and resources allocated in) the PPTA or due diligence.* Due diligence will look into enhance participating PSDBs and the public energy utilities' abilities to provide affordable financing to low-income and women customers for disaster resilient clean energy projects. Assessment will essentially improve the disaster resilient clean energy financing criteria for eligible borrowers, as well as improve accessibility to disaster resilient clean energy loans for eligible women borrowers.

4. *Specific analysis for policy-based lending.* The focus is to provide technical and financial capacity building support to (i) PSDBs, primarily in the areas of risk management, internal audit, product compliance, establishing a tracking system for performance (borrowers and disbursement) and streamlining of credit processes; and (ii) for Pacific energy utilities to develop operations and maintenance services for disaster resilient energy facilities.

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?*

Women borrowers are particularly disadvantaged in accessing finance. Many women (particularly rural women) work in the informal sector and/or are self-employed. PSDBs' lending are mainly geared toward higher-income groups. With lower income levels, women face higher collateral requirements for obtaining bank loans. In many cases, the requirements for obtaining bank loans are impossible for women (e.g., collateral such as land). This is relevant also for homebound and small businesswomen entrepreneurs (prevalent in rural areas) who face challenges in accessing finance because of the informal and/or irregular nature of their income and their higher credit risk categorization. Women are also disproportionately impacted by lack of affordable and reliable energy. Women in the Pacific face high levels of time poverty with the triple burden of caring responsibilities, household responsibilities and community responsibilities. This is often coupled with income generation activities, largely in the informal sector. Access to affordable and reliable energy reduces time poverty and drudgery by ensuring households have access to time saving and energy efficient goods (e.g., cooking devices, refrigerators) whilst also providing opportunities for women to increase options for income generation and livelihood activities. Finally, women's participation in technical and decision-making roles in both the financial sector and the energy sector is low.

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.

During due diligence, proactive gender equity measures will be explored in the following areas: (i) targets for women borrowers (women in households, women-headed households, and women entrepreneurs); (ii) training for women on renewable energy, energy efficiency, and financial literacy; (iii) institutional gender analysis of financial institutions to support gender responsive lending as well as to increase women working in senior roles in PSDBs; and (iv) technical training for women on installation and/or operations and maintenance of roof-top photovoltaic systems.

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

Yes No

The project will contribute to improved DRM which will benefit both men and 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.*

The main stakeholders are the Ministry of Finance of participating Pacific DMCs, participating PSDBs, and the Pacific energy utilities responsible for the administration and onlending the proceeds of the ADB grant. The ultimate beneficiaries will be the people of participating Pacific DMCs. The project objectives are aligned with the Framework for Resilient Development in the Pacific, 2017–2030 and participating Pacific DMCs' National Strategic Frameworks and Development Plans.

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?*

Information will be shared with the public, as appropriate. Consultations with nongovernment organizations, and potentially excluded and vulnerable groups will be identified to enable their effective participation in DRM plans and clean energy 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 H Consultation M Collaboration L Partnership

Civil society organizations will be assessed for their potential to collaborate with PSDBs to conduct public awareness campaigns and workshops on clean energy projects for low-income households and women.

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

The project design does not require participation of the poor and excluded groups specifically.

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 project will only provide selection criteria for financing, and not involve civil works and result in any involuntary resettlement impacts.

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

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 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?*

Socio-economic surveys will be conducted with a demand and needs assessment on affordability completed.

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?*

A social poverty and gender assessment will be conducted by an international consultant.