Initial Poverty and Social Analysis

Project Number: 52287-001
April 2020

Cambodia: Prime Road National Solar Park Project

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
EDC	–	Electricité du Cambodge
MW	–	megawatt
PV	–	photovoltaic

NOTE

(i) In this report, "$" refers to United States dollars.

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cambodia	Project Title:	Prime Road National Solar Park Project
Lending/Financing Modality:	Loan	Department/ Division:	Private Sector Operations Department Private Sector Infrastructure Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project comprises a loan to Prime road Alternative (Cambodia) Company Limited for the development, construction and operation of a 60 MW alternating current (MWac) utility-scale solar photovoltaic (PV) power project in Kampong Chhnang Province. The Project will contribute to the establishment of the first phase of the planned 100 MWac Cambodian National Solar Park Project. The government will lease necessary land for the project, which was purchased by the government through an Asian Development Bank (ADB) sovereign loan for the establishment of the larger solar park. Cambodia aims to reduce poverty among its citizens through improved electricity supply and coverage. Cambodia's current policy framework for poverty reduction comprises the government's socioeconomic policy agenda, the Rectangular Strategy Phase IV (2018–2023) and its implementation plan, the National Strategic Development Plan, 2019–2023. As stated in the strategy, the national poverty reduction target is greater than one percentage point per year. In addition, two multi-sector strategies have poverty reduction at their core: the National Social Protection Strategy for the Poor and Vulnerable and the National Food Security and Nutrition Strategy. The project contributes to one of the four priority areas in the Rectangular Strategy Phase IV, namely, continued investment in energy infrastructure.[a] As the first utility scale solar public–private partnership in Cambodia, the project aims to expand low-cost energy infrastructure, while strengthening private sector participation in the energy sector. The project is aligned with the ADB country partnership strategy for Cambodia 2019–2023, which aims to reduce income poverty, multidimensional poverty, and poverty vulnerability, and to promote inclusive growth by focusing on rural areas and rural–urban–regional linkages.[b] The project is also aligned with ADB's Strategy 2030, which promotes addressing remaining poverty in developing member countries, tackling climate change and enhancing environmental sustainability, strengthening governance and institutional capacity, and catalyzing financial resources for development. The project is also a significant opportunity to demonstrate a One ADB approach through ADB's provision of sovereign lending, transaction advisory and project finance.

B. Poverty Targeting:

☒General intervention ☐Individual or household (TI-H) ☐Geographic (TI-G) ☐Non-income MDGs (TI-M1, M2, etc.)

A reliable, affordable and sustainable supply of energy will improve the business environment in Cambodia and encourage additional investment and economic growth. Cambodia's Industrial Development Policy, 2015–2025 recognizes that current electricity tariffs and interrupted supply are major impediments to the competitiveness of the country's manufacturing sector and calls for alternate sources of energy to be developed. Such investment will provide job opportunities, higher incomes, and improved living conditions for local Cambodians.[c] The project has the lowest grid tied solar tariff at USC 3.877/kWh in Southeast Asia. This will help lower the electricity price in Cambodia, which is among the highest in the region. In mid-2019, residential electricity price in Cambodia (US¢ 15/kWh) is higher than in Thailand (US¢ 12/kWh), Indonesia (US¢ 10/kWh), Viet Nam (US¢ 8/kWh) and Bangladesh (US¢ 6/kWh).[d] Using ADB's sovereign financing, Electricitė du Cambodge (EDC) is constructing a solar park facility to accommodate up to 100 MWac of solar PV power generation capacity situated 60-70 kilometers from Phnom Penh, one of the main electricity demand centers in Cambodia. The Solar Park facility includes land, access road, substation, and transmission lines to connect to the grid. EDC acquired the land which will be provided to the project through a 20-year land lease agreement.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The project site and transmission line route selected by EDC were chosen following an alternatives analysis to avoid impacts on residential and other structures, crops and trees. Power plant land was formerly used for commercial cassava plantation and there are no villages within 5 kilometers. Direct beneficiaries are therefore land sellers, village community members that may access employment opportunities and EDC as off taker of electricity produced. Indirect beneficiaries include EDC customers and companies within the borrower's supply chain that will benefit from procurement of goods and services for the project. Community members may be constrained in accessing proposed employment opportunity because the borrower outsources construction, operation and maintenance to sub-contractors that will likely utilize in-house resources, expertise and services to optimize associated costs. The solar park feasibility study impact assessment reported that in 2015 22% of households in Kbal Tuek commune where the power plant will be located live below the national poverty line. The assessment further notes that at the time, no households in Kbal Tuek commune were connected to the grid and 61% used batteries as the primary source of electricity.

2. Impact channels and expected systemic changes. The design, construction and operation of a solar plant provides limited impact channels for the direct beneficiaries, except for employment opportunities on a renewable energy project. More broadly, indirect beneficiaries such as EDC customers are expected to be able to access more affordable and better electricity supply through the addition of the solar plant to the grid.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The borrower will assess the environmental and social impacts of its specific project design and submit the report to ADB for approval. Due diligence will additionally include development of assurance from the borrower that all commitments made by EDC to ADB as part of the earlier sovereign loan regarding plant site construction and operation are cascaded down and accepted. For instance, the solar park feasibility study undertaken by EDC highlighted high poverty incidence among households in the communes surrounding the power plant site and likely absence of skilled labor. EDC however requires in the impact assessment that contractors use local labor for manual work and eligible local workforce for technical and administrative jobs. The terms of reference for the borrower's impact assessment therefore includes scope for an updated assessment of poverty incidence and skills availability. The borrower indicated in its project proposal that in addition to provision of employment opportunities, it plans to provide financial support for local community development activities.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Cambodia has policies targeting renewable energy, as well as gender equality, however they are not well integrated. Public-sector energy roles in Cambodia still tend to be male-dominated, with women in the sector typically employed in finance and accounting departments. This is typical across the lower Mekong region, where women are being increasingly employed in public-sector energy organizations, though men still overwhelmingly occupy executive and management level positions.[e] The low literacy and education levels of women in the workforce, combined with attitudes toward gender roles that emphasize the women as "lower status" and "household manager" still limit women's livelihood alternatives and opportunities for higher level occupations and decision-making positions.[f]

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? ☐ Yes ☒ No

The project comprises a loan to a Thailand based solar development company for the construction and operation of a 60 MWac plant in a rural area. The borrower will outsource all construction and operation phase work to sub-contractors and is responsible only for the supply electricity to EDC. The project team will explore project related opportunities with the borrower for gender mainstreaming actions within its corporate structure and in the community.

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

☐ Yes ☒ No

The project has not caused involuntarily displacement or livelihood impacts that would disproportionately adversely affect women or girls.

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 for the government's solar park project (including the transmission line) were identified during the feasibility study and engaged during consultation meetings in May 2018 for the impact assessment. The main stakeholders for the power plant site are households in villages, village leaders and commune councils. Consultation included public meetings, provision of information booklets in Khmer, and focus group discussions.

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 solar park project feasibility study included extensive consultation with local government officials and communities. The borrower will undertake further consultation with stakeholders as part of its impact assessment and per the requirements of the solar park project stakeholder engagement strategy. The strategy includes a grievance redress mechanism. Due diligence will include attaining borrower assurance of implementation of the strategy.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? While no specific groups are named in the stakeholder analysis as part of the solar park feasibility study, the presence of community forest protection, religious and micro-finance organizations are noted. The study further identified, though did not name, non-government environment and natural resource conservation groups present in Kbal Teuk commune.

☒ Information generation and sharing (M) ☒ Consultation (M) ☐ Collaboration ☐ Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? ☐ Yes ☒ No

Ongoing implementation of the stakeholder engagement strategy along with re-engagement with groups as part of the borrower's impact assessment, provides adequate opportunity for participation of the poor an excluded in the project planning process. There are no specific issues that directly require the participation of these groups, however attention will be paid during due diligence on household poverty incidence, access to electricity in households and skills availability in the general project area.

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 be built and operated on EDC-owned land leased to ADB's borrower. At the time of bidding the borrower estimated that it would require approximately 75 hectares of a total 91 hectares that had been procured at that time.[g] EDC purchased the land on a willing-buyer willing-seller basis on commercial terms at a rate mutually agreed by all parties. EDC commissioned an external independent expert (a local law form) to undertake a review of the procurement process for the plant site, which determined that negotiations were free, fair, transparent and did not cause involuntary displacement impacts. The plant site land was formerly used by two owners for commercial cassava plantations. The plant will export power to the national electricity grid through transmission facilities to be provided by EDC. The project will interconnect with a pooling substation that will be built by EDC on EDC owned land immediately adjacent to the plant. Involuntary displacement impacts have been anticipated by EDC in the construction of the dedicated 40-kilometer transmission line and a resettlement plan has been prepared in accordance with ADB Safeguard Policy Statement requirements. Implementation of the plan will be monitored by ADB's sovereign operations department. ADB's non-sovereign borrower will undertake an environmental and social impact assessment to assess project impacts, however, no additional involuntary displacement impacts are anticipated.

2. What action plan is required to address involuntary resettlement as part of the transaction TA 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 The impact assessment for the solar park project feasibility study found no presence of distinct and vulnerable indigenous peoples groups in the power plant project area.
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 transaction TA 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 ☐ 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 require only five skilled employees during operation (a site manager, a senior electrical engineer and three electrical engineers). Module cleaning and vegetation control will be undertaken on a seasonal basis and in accordance with weather patterns and ad-hoc events (accumulation of matter on surfaces such as soil or bird droppings). The project presents only limited opportunities for local employment during the 18-month construction phase and during operations. During due diligence the ADB team will work with the borrower to maximize the potential use of local workers by contractors during construction and operation.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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 transaction TA or due diligence? The project is part of a larger solar park project funded through a sovereign loan. ADB's non-sovereign borrower will therefore benefit from extensive project preparatory work already undertaken by ADB and EDC. The borrower will commission what will essentially be an update to the solar park environmental and social impact assessment but based entirely on its specific design and sub-contracting arrangements for construction and operation of the power plant. ADB will review and approve this impact assessment as part of its due diligence.

[a] Government of Cambodia. 2018. *Rectangular Strategy for Growth, Employment, Equity and Efficiency: Building the Foundation Toward Realizing the Cambodia Vision 2050, Phase IV of the Royal Government of Cambodia of the Sixth Legislature of the National Assembly*. Phnom Penh.
[b] ADB. 2019. *Cambodia, 2019–2023—Inclusive Pathways to a Competitive Economy*. Manila.
[c] Government of Cambodia. 2015. Cambodia Industrial Development Policy, 2015–2025. Phnom Penh.
[d] GlobalPetrolPrices.com; June 2019.
[e] USAID Clean Power Asia. 2017. Gender Equality in Renewable Energy in the Lower Mekong: Assessment and Opportunities. Bangkok.
[f] Asian Development Bank. 2012. Cambodia: Country gender analysis. Mandaluyong City.
[g] The borrower proposes to use approximately 72.5 hectares for the PV system and the remainder for temporary preparation activities during construction such as fabrication, storage and accommodation for workers. See all related project documents at https://www.adb.org/projects/51182-001/main.

Source: Asian Development Bank