SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

<table>
<thead>
<tr>
<th>Country:</th>
<th>Republic of the Marshall Islands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Title:</td>
<td>Energy Security Project – Additional Financing</td>
</tr>
<tr>
<td>Lending/Financing Modality:</td>
<td>Project grant</td>
</tr>
<tr>
<td>Department/Division:</td>
<td>Pacific Department/Energy Division</td>
</tr>
</tbody>
</table>

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

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

The Energy Security Project is vital to preserving energy security in the Marshall Islands and is aligned with the Marshall Islands National Strategic Plan 2020–2030, which serves as the framework document coordinating the government’s medium-term development goals and objectives, and includes a major pillar on infrastructure pertaining to access to efficient, reliable, and resilient energy services as an important objective for economic activity and societal wellbeing. The project concept for the additional financing was approved to enhance the sustainability of the ongoing project through institutional strengthening, review of protection systems, and creation of reserve stocks to increase resilience to climate and disaster risks. The project will contribute to goal 6 of the Sustainable Development Goals to ensure affordable and clean energy and is aligned with the Asian Development Bank’s (ADB’s) Strategy 2030 operational priorities including to: (i) address remaining poverty and reducing inequalities (OP1); (ii) accelerate progress in gender equality (OP2), (iii) tackle climate change, building climate and disaster resilience, and enhance environmental sustainability (OP3), (iv) make cities more livable (OP4), (v) strengthen governance and institutional capacity (OP6), and (vi) foster regional cooperation and integration (OP7). The project is also in line with the Pacific Approach, 2021–2025 which serves as the Country Partnership Strategy for the smallest 11 Pacific Island developing member countries (including the Marshall Islands) that prioritizes energy as a key area of support. The project forms a part of ADB’s Pacific Renewable Energy Investment Facility that supports investments to improve energy security and is oriented to support lower cost clean energy generation in the region.

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

1. **Key poverty and social issues.** The Marshalls Energy Company (MEC) is the sole power utility on Majuro; imports fuel into the country and generates, distributes, and retails electricity on Majuro to a population of about 28,000 (roughly half of the Marshall Islands’ population). Serving the country’s capital, the Majuro system accounts for 72% of electricity generated and consumed in the Marshall Islands. The energy poverty caused by rising fuel prices and an unreliable network system, is exacerbated by periodic outages caused by flooding from heavy rainfall and tidal effects as well as frequent typhoons and other climate change related extreme weather events. In this context the overall project not only mitigates the risk of severe disruption of fuel supply to the Marshall Islands economy but also mitigates the risk of power supply disruptions in Majuro, which includes (i) most of the country’s population; and (ii) economic actors who will benefit from uninterrupted operation and extended economic life of the Majuro tank farm (MTF), which would facilitate continued sale of fuel for power generation, as well as for maritime transport.

2. **Beneficiaries.** The affected beneficiaries are the entire population of the Marshall Islands and electricity customers in Majuro. These includes all those that would benefit from the ongoing project implementation (e.g., people who rely on the delivery of modern energy services (fuel and power generation) and maritime transport, as well as fishing vessel operators). The proposed additional financing will also strengthen the institutional capacity of MEC to carry out fuel supply and electricity services ensuring better service delivery.

3. **Impact channels.** The outcome of the project will be safer, more reliable operation of the MTF and the electricity grid in Majuro. In addition, the sustainability of power generation facilities throughout the Marshall Islands is maintained while a consistent and safe supply of electricity in Majuro is ensured. All households in the Marshall Islands (including poor and vulnerable households on Majuro) that consume electric power for basic energy services (e.g., lighting), will benefit from the consistent availability of these services.

4. **Design features.** The additional financing will extend the scope of the project to support the electricity grid that is impacted by a high level of interruptions resulting in black outs across Majuro. These interruptions tend to disproportionately impact poorer sections of society, particularly in peripheral areas such as Laura and Rita which cannot easily afford access to alternate power sources. The additional financing will support climate change mitigation by identifying and reducing technical losses and improving power generation performance. Disaster and climate change risks would be assessed and built into the review of the electricity grid in Majuro, review and specification of protection systems to be installed under the project, and the creation of reserve stocks to improve resilience.
II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and project activities.

The project’s activities will take primarily within the existing MTF site, powerhouse, and electricity grid. The additional financing, includes some activities associated with upgrades to existing distribution equipment (output 4); these will take place within the existing easement and no further land acquisition will be required. Project implementation is expected to cause insignificant disruption to the local population (in the form of occasional temporary traffic disruption). Throughout the ongoing project, project stakeholders were consulted and further stakeholder consultations relating to the proposed additional financing were conducted and have confirmed broad community support.

2. Civil society organizations. No civil society participation is envisaged for this intervention; this will be reviewed during output 3 implementation.

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 – L, Consultation – L, Collaboration, NA Partnership NA.

4. Participation plan.

- Yes.

The implementing agency will announce the commencement of works at the intervention site (via the local newspaper and on its website) to inform the public of the activity and any scheduled temporary disruption to vehicle traffic.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Some gender elements.

A. Key issues.

The project is classified some gender elements given capacity building measures to be implemented for MEC staff (including women employees). In addition, the focus on introducing distribution protection systems would support reduced distribution interruptions for electricity customers, including households across Majuro. Periodic training and disaster resilience-related initiatives for the local community that target women customers will be planned. Women are the primary caregivers and have the burden of caring for their households, resulting in reduced social, economic, and educational opportunities. Efforts to improve energy security will directly benefit women in particular.

B. Key actions.

- Gender action plan
- Other actions or measures
- No action or measure

The project management unit will conduct training as required to increase gender awareness among MEC staff and contractors. Training will be provided to MEC staff on technical, commercial, legal, and other reform measures. MEC customers (including women) will be trained and informed on the distribution code and connection requirements to improve resilience of the energy sector.

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

Safeguard Category: ☐ A ☐ B ☒ C ☐ FL

1. Key impacts.

The additional financing components will not require additional land acquisition, and there will be no involuntary resettlement impacts. Most activities to be implemented under the additional financing involve capacity development and organizational strengthening of MEC.

2. Strategy to address the impacts. Not Applicable.

3. Plan or other Actions.

- Resettlement plan
- Combined resettlement and indigenous peoples plan
- Resettlement framework
- Combined resettlement framework and indigenous peoples planning framework
- Environmental and social management system arrangement
- Social impact matrix
- No action

The involuntary resettlement due diligence report has been updated to confirm this.

B. Indigenous Peoples

Safeguard Category: ☐ A ☐ B ☒ C ☐ FI

1. Key impacts. The project is not expected to impact any distinct and vulnerable people as defined by ADB.

Is broad community support triggered? ☐ Yes ☒ No
2. Strategy to address the impacts. Not applicable
3. Plan or other actions.

- 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).
   - unemployment
   - underemployment
   - retrenchment
   - core labor standards
2. Labor market impact.
   The project may provide some temporary employment opportunities during its construction phase.

B. Affordability
A more reliable supply of grid electricity would reduce dependence on more expensive power sources including smaller inefficient generator sets. Improvement in grid reliability would also support MEC through its planned Majuro electricity grid transition to adopt an increasing share of less expensive renewable energy.

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):
   - Communicable diseases
   - Human trafficking
   - Others (please specify) Nil
2. Risks to people in project area.
   All contractors are required to provide awareness training on STI/HIV/AIDS, gender-based violence and human trafficking for construction personnel. They will also be required to follow international coronavirus disease related guidelines and requirements incorporated into relevant risk management and health and safety plans.

VI. MONITORING AND EVALUATION
1. Targets and indicators.
   The project forms a part of ADB’s Pacific Renewable Energy Investment Facility that supports investments to improve energy security and avoid greenhouse gas emissions. The project will support a review of the tariff and subsidy policy for customers in output 3. In addition, assessments of the grid condition and installation of protection devices would improve grid reliability that would be measured through system interruption parameters. Targets have been set in the DMF for Majuro city. The project also has indicators on training of MEC staff including all women employees as well as MEC customers (including women customers) on connection standards, safety and improved resilience.
2. Required human resources.
   MEC will recruit supplemental international and national management and operations consultants in addition to the project management unit to monitor project progress and indicators. They will also report progress in safeguards monitoring reports, project quarterly reports, and annual reports according to the project administration manual.
3. Information in the project administration manual.
   Regular project review missions will be fielded to monitor project performance, and emerging outcomes, and impacts. A project completion report will be prepared within 6 months of the project’s closing date. Details of project’s monitoring and evaluation requirements are provided in the PAM and in the project’s Grant Agreement.
4. Monitoring tools. The project DMF includes indicators and progress will be reported (at least semi-annually, at midterm and at completion) to the government and ADB to evaluate the project’s social development outcomes.