

## SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Cambodia	Project Title:	Grid Reinforcement Project
Lending/Financing Modality:	Project	Department/Division:	Southeast Asia Department (SERD)/ Energy Division (SEEN)

### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Poverty targeting: general intervention

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

Cambodia underwent significant development to reach lower middle-income status in 2015. Per capita gross national income grew on average 7.1% per annum, from \$950 in 2013 to \$1,230 in 2018.<sup>a</sup> Electricity consumption increased to 10,287 gigawatt-hours in 2019.<sup>b</sup> While this will contract in 2020 because the coronavirus disease (COVID-19) pandemic reduced economic activity, demand is projected to rebound rapidly and reach 24,606 gigawatt-hours by 2025. At this rate, Cambodia's per capita electricity consumption is bound to reach 2,932 kilowatt-hours in 2030, which would be consistent with the levels experienced by other regional middle-income economies.

Despite the commendable efforts to meet rapidly growing demand for electricity, electricity services continue to be unreliable and of poor quality. The expansion of power generation requires the transmission network to be upgraded and extended commensurately. One major concern is that system loads will increasingly exceed system capacity, leading to more brownouts and blackouts and generally compromising the reliability of supply. Households and businesses already face frequent but unpredictable power shortages. In 2019, the average occurrence of power outages was 2.2 hours per day. This severely constrains people's quality of life. Domestic firms and foreign investors name inadequate electricity supply, in addition to its high cost, as a main constraint to doing business in Cambodia. It undermines the country's effort to diversify into a manufacturing destination.

In its Socio-Economic Policy Agenda, 2018–2023, the government recognizes the importance of developing the energy sector to increase competitiveness, ensure sustained economic growth, and thereby continue to reduce poverty.<sup>c</sup> Its key policy objectives call for (i) expanding supply coverage, (ii) enhancing power reliability by upgrading and reinforcing transmission network infrastructure, (iii) further reducing electricity tariffs, and (iv) providing near-universal access to electricity (95% of all households) by 2030.

The project will support Electricité du Cambodge (EDC), the state-owned power utility, in improving the capacity and stability of its transmission network by expanding the electricity transmission infrastructure in Phnom Penh, Kampong Chhnang, Kampong Cham, and Takeo provinces. The project is included in ADB's energy sector strategy, which is integrated into ADB's country partnership strategy, 2019–2023 for Cambodia.

#### B. Results from the Poverty and Social Analysis during Project Preparation or Due Diligence

- Key poverty and social issues.** The poverty and social analysis assessed impacts from a sector perspective, since identifying specific consumers is challenging in the context of transmission network expansion. People in Kampong Chhnang, Kampong Cham, and Takeo provinces are mainly engaged in agriculture, cattle raising, handicraft production, and small-scale services. The average monthly household income of KR1,303 (\$320) in these provinces is 10% lower than the national average. Households face frequent but unpredictable power shortages of on average 2 hours per day. The unreliable electricity supply undermines their quality of life, productivity, and economic income diversification as well as the provision of adequate school and health services. Some households in the provinces still do not have access to electricity: 32.3% in Kampong Chhnang, 13.3% in Kampong Cham, and 9.2% in Takeo.
- Beneficiaries.** Households and businesses in Phnom Penh, Kampong Chhnang, Kampong Cham, and Takeo provinces will benefit from greater power reliability and fewer occurrences of daily brownouts.
- Impact channels.** Given the projected growth in electricity demand, the further expansion of transmission infrastructure is urgently needed to (i) enable reliable electricity supply to consumers and (iii) connect the remaining unserved households to the electricity grid. The project will contribute to improving people's quality of life, productivity, and economic income diversification as well as the provision of adequate school and health services.
- Other social and poverty issues.** Electrical safety in Cambodia is often an overlooked area. Many people, especially outside of Phnom Penh, are often not aware of the dangers of electricity, such as shock, burns, fire. Also, gender-based stereotypes prevent women from taking up roles and employment opportunities in the energy sector.
- Design features.** The project will expand the electricity transmission infrastructure by (i) constructing four transmission lines of 15 kilovolts (kV) and 230 kV as well as 10 substations, and (ii) introduce as a pilot the first utility-scale battery energy storage system. The investments will reduce transmission losses and minimize the probability of load shedding, especially during peak hours. The project team will also consult with communities and share information on safe electricity use, and will challenge gender-based stereotypes that make it difficult for women to seek employment in the energy sector.



3. Plan or other Actions.	
<input checked="" type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan
<input checked="" type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input type="checkbox"/> No action	
<b>B. Indigenous Peoples</b>	<b>Safeguard Category:</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. <b>Key impacts.</b> Based on a social impact assessment, the project will neither directly nor indirectly affect indigenous peoples or ethnic minorities. Members of the Cham ethnic group were found to be residing at a distance of at least 2 km from the project-affected area but will not be affected by the project; in fact, they will largely benefit from it.	
Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
2. Plan or other actions.	
<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input checked="" type="checkbox"/> No action	
<b>V. ADDRESSING OTHER SOCIAL RISKS</b>	
<b>A. Risks in the Labor Market</b>	
1. Relevance of the project for the country's or region's or sector's labor market <b>Low</b> unemployment <b>Low</b> underemployment <b>Low</b> retrenchment <b>Medium</b> core labor standards	
2. <b>Labor market impact.</b> Bidding documents and contracts will include requirements for monitoring and reporting on working conditions and core labor standards. The project implementation consultants will inform contractors about ADB SPS requirements and ADB core labor standards (no child labor, equal pay for equal work, safe working conditions, and freedom of association).	
<b>B. Affordability</b>	
No affordability issues are expected to arise from the project.	
<b>C. Communicable Diseases and Other Social Risks</b>	
1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <b>Low</b> Communicable diseases <b>Low</b> Human trafficking	
2. <b>Risks to people in project area.</b> The project is not considered to increase health and social risks for the local people to any significant extent.	
<b>VI. MONITORING AND EVALUATION</b>	
1. <b>Targets and indicators.</b> Specific indicators described in the gender action plan and the design and monitoring framework call for (i) the formulation of an inclusive and equitable human resource strategy for EDC, including gender provisions integrated in all departments; (ii) a knowledge, attitude, and perception survey to assess behavioral changes related to the roles and employment opportunities for women and men in the energy sector; (iii) an increase in the share of women among all EDC staff (both in Phnom Penh and the provinces) to 22%; and (iv) the provision of training for 6 EDC staff, of which at least 2 are women, on designing, implementing, operating, and maintaining the battery energy storage system.	
2. <b>Required human resources.</b> Project implementation consultants with adequate international and national experience in social safeguards and gender issues will help EDC to implement the project and to deliver safeguards in accordance with ADB SPS requirements. EDC's Social and Environmental Public Relations Office is experienced in implementing ADB-financed projects and has sufficient staff responsible for implementing safeguard plans, and for monitoring and reporting.	
3. <b>Information in the project administration manual.</b> The project includes monitoring and reporting on the implementation of gender activities, and of environmental and social safeguards.	
4. <b>Monitoring tools.</b> Quarterly project progress reports, semiannual safeguard monitoring reports, and semiannual gender progress reports to be submitted to ADB.	

<sup>a</sup> ADB. 2015. *Basic Statistics 2015*. Manila; and ADB. 2019. *Basic Statistics 2019*. Manila.

<sup>b</sup> Ministry of Mines and Energy. *Salient Features of Power Development in the Kingdom of Cambodia 2019*. Phnom Penh.

<sup>c</sup> Government of Cambodia. 2018. *Rectangular Strategy for Employment, Equity and Efficiency, Phase IV: Building the Foundation toward Realizing the Cambodia Vision 2050*. Phnom Penh.

<sup>d</sup> ADB. 2019. *Report and Recommendations of the President to the Board of Directors: Proposed Loan and Administration of Loan, Grant, and Technical Assistance Grant to the Kingdom of Cambodia for the National Solar Park Project*. Manila.