SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	India	Project Title:	Azure Power COVID-19 Liquidity Support Project
Lending/ Financing Modality:	Corporate Finance	Department/ Division:	Private Sector Operations Department/ Infrastructure Finance Division 1

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

The Asian Development Bank (ADB) short-term liquidity support debt facility of $22 million to Azure Power India Private Limited (APIPL) will partially finance its increased working capital needs. (Confidential information redacted.) The project objectives are aligned with the country's COVID-19 response stimulus package, which aims to mitigate the impact of COVID-19 on economic activity, and the country's commitment to the Paris Agreement to combat climate change through reduced emission intensity.[a] The project supports ADB's country partnership strategy, 2018–2022 for India, specifically with pillar 2 (providing inclusive access to infrastructure networks and services by improving the infrastructure bottlenecks in lagging regions)[b]. The project is consistent with ADB's Strategy 2030, particularly its support for tackling climate change, building disaster resilience, and reinforcing environmental sustainability, and accelerating progress in gender equality[c].

B. Results from the Poverty and Social Analysis Due Diligence

1. **Key poverty and social issues.** India's economic activity grew robustly from 2010 to 2015. While gross domestic product growth decreased from a strong 8.3% in 2016 to 5.0% in 2019, economic activity has continued at a moderate pace. The country has made a significant dent in poverty levels among its 1.3 billion population, with extreme poverty dropping from 46.0% to an estimated 13.4% over the 2 decades before 2015.[d] Over the past decade social progress was evident across several development indexes, including increased life expectancy, reduced under 5 mortality rates, and higher school enrollment and completion rates[e]. Despite this, India is still home to 176 million poor people and still confronts numerous entrenched developmental challenges, including rapid urban migration, rising unemployment, increasing rural–urban inequality, pollution, and environmental degradation. Largely because of the widespread practice of rice cultivation, cattle-keeping and a traditional reliance on coal-fired power plants, India is the third largest emitter of carbon dioxide (after the United States and the People's Republic of China). India has, therefore, committed to achieve a 40% share of installed power generation capacity from nonfossil fuel sources by 2030 as part of its nationally determined contributions under the Paris Agreement. However, to tackle climate change, a growing population, and rising industrial and power generation needs, the government has established ambitious electricity generation targets, especially for renewable energy. Electricity generation almost doubled in the decade 2006 – 2016, with installed capacity climbing from 697 to 1,103 gigawatt hours. Power was generated through a broad mix of energy sources, principally coal and gas but increasingly from renewables, including solar, wind, hydro, biomass, and geothermal. Government data indicates that 99.93% of India's households have access to electricity[f] but reliability and quality of power supply remain key challenges. The fast-developing solar power industry is a key growth component within the energy mix, and a firm basis on which to reduce the country's emissions intensity while driving quality, reliable and low-cost power to underserved areas. In 2015, the government set a target of 100 gigawatts (GW) of solar capacity (including 40 GW from rooftop solar) by 2022. The country's solar installed capacity reached 35.12 GW as of 30 June 2020.[g] Key among the risks in achieving the 100 GW goal is access to land. While the government has launched a program of establishing solar parks in various parts of the country, the growing population places increasing demand on what is often scarce land. Dedication of land for the installation of solar arrays must compete with other needs. APIPL estimates the amount of land required for its utility-scale solar power plants is about 1 square kilometer for every 40–60 megawatts installed. Solar and wind parks are typically in rural areas, where the population is under-served and poverty incidence is highest. To manage involuntary resettlement risks, including by avoiding increased impoverishment associated with reduced land access, APIPL has adopted a policy of minimizing involuntary resettlement by adopting procedures for land screening and achieving negotiated settlements with landowners (on the basis of willing buyer and willing seller). Social risk is further mitigated by stakeholder engagement throughout the project cycle, which includes outreach programs to local communities.

2. **Beneficiaries.** Customers of uninterrupted electricity and female employees benefitting from networking initiatives are the key short-term beneficiaries. In the long term, support to APIPL to continue providing renewable power will help achieve benefits related to emission reduction.

3. **Other social and poverty issues.** None.

4. **Design features.** The project will tackle key social issues, including supporting the national effort to ensure continued and uninterrupted supply of energy and continued development of the renewable energy sector, particularly during the pandemic. The project will aim to maintain the current staffing number and promote gender mainstreaming activities through networking for women.

II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** APIPL's regularly updated stakeholder engagement plan provides structure to its interactions throughout the project cycle. The plan informs key consultation activities such as those required for access to land (acquired after negotiated settlement), and engagement during construction and operations. Key stakeholders include local communities, local and state government officials, employees, contractors and suppliers, grid authorities, customers and electricity distribution companies. The business activities that ADB will support do not provide explicit opportunities for broad community engagement and participation in project design, but the women's networking for capacity development within APIPL will require effective engagement.
2. **Civil society organizations.** Through its stakeholder engagement plan and corporate social responsibility programs, APIPL regularly engages with nongovernment and civil society organizations. APIPL will explore partnering with the South Asia Women in Power Sector Professional Network which aims to promote female practitioners in the energy and power sector.
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)

☒ (L) Information gathering and sharing ☒ (L) Consultation ☐ Collaboration ☐ NA Partnership

4. **Participation plan.**

☐ Yes. ☒ No. APIPL has a stakeholder engagement plan and regularly engages with host communities and other stakeholders.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Some gender elements

A. Key issues. The South Asia power sector is characterized by low levels of female participation, with women typically making up just 3.0%–25.0% of total staff members and 0.1%–25.0% of technical staff members. Most women work in middle to lower level administrative positions. The major barriers to women's careers in the power sector are the lack of role models and networking support; limited fieldwork and training opportunities; and inadequate facilities and policies, including the lack of separate toilets, safe transportation, day care, and flexible work arrangements.[h]

As of March 2020, only 8% (39 of 491) of APIPL's staff members were women, although 44% of them had technical roles. APIPL has a trainee program for graduates, and 40% of the trainees were women in 2019. APIPL has a prevention against sexual harassment policy which it is implementing with an internal complaints committee, training of staff, onsite zero tolerance signage, and e-learning on the company's portal. The company provides flexible work hours for staff and subsidies for childcare.

B. Key actions. Key features of the gender measures are as follows: (i) increase the number of female technical staff members, and (ii) hold women's networking events either virtually or in-person for women staff including an external speaker or skills development opportunity. APIPL is willing to explore a partnership with The South Asia Women in Power Sector Professional Network which aims to promote female practitioners in the energy and power sector and is supported by ADB. APIPL will submit periodic reports on the implementation of gender measures to ADB.

☐ Gender action plan ☒ Other actions or measures ☐ No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement **Safeguard Category:** ☐ A ☐ B ☒ C ☐ FI

1. Key impacts. No involuntary resettlement impacts are associated with this transaction, APIPL will not use ADB funds to acquire new land or assets, or to fund ongoing or past land related transactions.
2. Strategy to address the impacts. Not applicable
3. Plan or other Actions ☐ Not applicable

B. Indigenous Peoples **Safeguard Category:** ☐ A ☐ B ☒ C ☐ FI

1. **Key impacts.** ADB's debt facility will not finance new facilities or the expansion of existing ones or other activities that have or will directly and/or indirectly affect the dignity, human rights, traditional sociocultural beliefs and practices, and livelihood systems of distinct and vulnerable ethnic minority groups.
2. **Strategy to address impacts.** Not applicable
3. Is broad community support triggered? ☐ Yes ☒ No
4. **Plan or other actions.** ☐ Not applicable.

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 (L) ☒ underemployment (L) ☒ retrenchment (L) ☒ core labor standards (L)

2. **Labor market impact.** As a debt facility to support continuity of operations, ADB's support is focused on job retention rather than job creation during the pandemic. APIPL has committed to ensuring that its June staffing number of 491 will be retained through the 2-year loan period. APIPL has a mature human resources policy and approach to labor standards and follows national legislation, which includes commitments to terms of employment and working conditions. APIPL has a formal staff grievance redress mechanism and no plans for retrenchment associated with COVID-19 employment restructuring.

B. Affordability

Solar tariffs, which are ₹2.50-₹2.87 per kilowatt hour, are 20%-30% below the cost of existing thermal power in India and up to half the price of new coal-fired power.[i] Utility-scale solar projects require fewer inputs than many other types of medium and large-scale power generation facilities. The projects are able to bypass the need for expensive, long-distance, centralized power delivery systems. APIPL's business model is based on integrated project development with in-house operation and maintenance of land-based and roof-top solar power plants. This allows competitively priced electricity provision in often under-served areas and to large groups of people.

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 (NA) ☐ Human trafficking (NA) ☐ Others (please specify)

2. **Risks to people in project area.** No activities funded through the debt facility will increase or involve communicable disease risks to employees, contractors or other stakeholders. APIPL has a COVID-19 response plan, which details how it will safeguard staff and other stakeholders while ensuring business continuity.

VI. MONITORING AND EVALUATION

1. **Targets and indicators.** The project design and monitoring framework includes the following evaluation indicators for the loan period: viable cash balance and current number of employees maintained to ensure business continuity; number of female staff members in technical positions increased by four; and number of networking events supporting women's skills development increased.
2. **Required human resources.** APIPL has dedicated staff members to monitor environmental, health and safety issues; system development; and implementation.
3. **Information in the project administration manual.** Not applicable.
4. **Monitoring tools.** APIPL will monitor compliance with ADB's Safeguard Policy Statement (2009) requirements, gender-related measures, national labor laws, and measures in compliance with core labor standards. APIPL will report the status and progress on these targets annually to ADB.

[a] United Nations Framework Convention on Climate Change. 2015. India's Intended Nationally Determined Contribution.
[b] ADB. 2017. *Country Partnership Strategy: India, 2018–2022—Accelerating Inclusive Economic Transformation*. Manila.
[c] ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.
[d] World Bank. The World Bank in India (accessed 13 August 2020).
[e] World Bank. World Development Indicators Database: India Country Profile (accessed 1 June 2020).
[f] Government of India, Ministry of Power. *Saubhagya – Household Electrification Online Data* (accessed 13 August 2020).
[g] Government of India, Ministry of New and Renewable Energy. *Physical Progress (Achievements)* (accessed 13 August 2020).
[h] WePOWER. 2019. *The South Asia Women in Power Sector Professional Network Progress Update 2019. Washington DC.*
[i] Institute of Energy Economics and Financial Analysis. 2020. *IEEFA Update: Despite Low Tariffs, Global Capital Continues to Support India's Solar Ambitions*.

Sources: Azure Power India Private Limited and Asian Development Bank.