



# Initial Poverty and Social Analysis

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## REG: Pacific Renewable Energy Guarantee Program

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Asian Development Bank

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Pacific Region Project Title: Pacific Renewable Energy Guarantee Program

Lending/Financing Modality: Credit Guarantee Department/Division: Private Sector Operations Department/ Infrastructure Division 2

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The proposed credit guarantee program is consistent with the ADB Pacific Approach<sup>a</sup> and ADB Strategy 2030<sup>b</sup> in assisting Pacific Island countries achieve their renewable energy targets and increase private sector participation in their energy sector. Strategy 2030 in its differentiated approaches to groups of countries indicates ADB's continued support and effort to design business processes that will meet the needs and address constraints in small island countries which is something similar to what is currently being done under the Pacific Project Improvement Action Plan.

#### B. Targeting Classification:

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

The proposed project will directly and indirectly contribute to poverty reduction locally through increased generation of renewable energy which can provide more business and employment opportunities.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

Similar development challenges are common to the Pacific Development Member Countries (PDMCs) such as small populations, limited resources, remoteness, susceptibility to natural disasters and vulnerability to external shocks. In an effort to reduce power generation costs, reduce greenhouse gas emissions and improve energy security, PDMCs direction is to embark on renewable energy generation from fossil fuel power generation (mainly diesel). Challenges faced, however, include capacity constraints due to the small size of the economies and the power utilities. Commercial and public sector funding for power utilities is inadequate. Private sector investment, particularly to own and operate intermittent renewable energy generation, is crucial to supplement local capacity and fill an investment gap in the sector. Most PMDCs are now actively seeking investment by independent power providers (IPP's) in the energy sector. The potential beneficiaries are the PDMC communities who will benefit from increased generation of renewable energy in the pacific, pacific power utilities, and the independent power providers.

2. Impact channels and expected systemic changes. The program will indirectly contribute to economic growth, poverty reduction, job creation, and improvement of renewable energy supply in PDMCs. It will also generate employment opportunities during construction and operation of facilities.

3. Focus of (and resources allocated in) the PPTA or due diligence. The Program will support renewable energy projects, each of which will be separately assessed and processed depending on the agreed financial structure. During due diligence, the following will be assessed: impact of project on food security as establishment of the renewable energy projects may require vast area of land, impact of the project to the local communities, employment opportunities, assessment of project sponsor's community health, safety and security practices and measures.

4. Specific analysis for policy-based lending. Not applicable.

### 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? Certain gender issues cut across many Pacific Island countries. These include low level of women's political representation, poor working conditions, violence against women, increased risk of HIV/AIDS and STIs, declining access to customary land rights and low levels of legal literacy about rights to land and property, and culturally-enforced discrimination and inequality of women. However, gender issues vary between Pacific Island countries according to their level of economic development, social and cultural norms, levels of population, migration and emigration, and political climate. While many Pacific Island countries have committed internationally and regionally to promote gender equality, considerable disparities remain between them in terms of the extent to which governments have adopted complementary national policies.

<p>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?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain.  The proposed project is categorized as having no gender elements given the nature of the program. On a limited capacity, each project sponsor will be asked to commit in identifying and implementing measures to benefit women in accordance with ADB's Policy on Gender and Development.<sup>d</sup></p> <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please explain</p> <p>4. Indicate the intended gender mainstreaming category:  <input type="checkbox"/> GEN (gender equity theme) <input type="checkbox"/> EGM (effective gender mainstreaming)  <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p>
<b>III. PARTICIPATION AND EMPOWERMENT</b>
<p>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 project stakeholders include the PDMC communities who will benefit from increased generation of renewable energy in the pacific, pacific power utilities, and the independent power providers.</p> <p>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? It is expected that engagement with the stakeholders and beneficiaries will be undertaken for all renewable energy projects that will be supported by the program. This will provide a venue to discuss and resolve issues related to the project and to ensure participation and support of the community.</p> <p>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?  (L) <input checked="" type="checkbox"/> Information generation and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership  There is no anticipated civil society role in the project but where there are civil society organizations present in the project area, project developers will be encouraged to engage with them as part of the stakeholder engagement process for each project.</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<b>IV. SOCIAL SAFEGUARDS</b>
<p><b>A. Involuntary Resettlement Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input type="checkbox"/> No  The Program will support renewable energy projects, each of which will be separately assessed and processed depending on the agreed financial structure, i.e., LC and PRG or in combination with non-sovereign loan and/or policy-based loan. Projects under the Program are anticipated to be Category B on Involuntary resettlement as these projects are relatively small in magnitude and are not expected to entail significant involuntary resettlement impact.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process?  <input checked="" type="checkbox"/> Resettlement plan <input checked="" type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix  <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None  In instances where ADB partners with PFIs other than or in addition to Canadian Climate Fund for the Private Sector in Asia (CPFSII), ADB will ensure that the environmental and social safeguard framework of that PFI is consistent with ADB's framework and its environmental and social management system is established and operational before ADB agrees to provide the PRG in partnership with the concerned PFI. In addition, there will be an environmental and social compliance audit done for each project under the facility to determine whether the project is in accordance with the requirements of ADB's and national environmental and social safeguard requirements.<sup>1</sup></p>

<sup>1</sup> A consultant will be hired to conduct the audit. Alternatively, if the issues are expected to be relatively minor and the scope of the audit relatively small, the PFI and ADB will conduct the audit.

<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p> <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The Program will support renewable energy projects, each of which will be separately assessed and processed depending on the agreed financial structure, i.e., LC and PRG or in combination with non-sovereign loan and/or policy-based loan. Projects under the Program are anticipated to be Category C on indigenous peoples (IP) as these projects are relatively small in magnitude and are not expected to impact on vulnerable IPs.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process?  <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix  <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None</p>
<p align="center"><b>V. OTHER SOCIAL ISSUES AND RISKS</b></p> <p>1. What other social issues and risks should be considered in the project design?  (L) <input checked="" type="checkbox"/> Creating decent jobs and employment (L) <input checked="" type="checkbox"/> Adhering to core labor standards (L) <input type="checkbox"/> Labor retrenchment</p> <p>2. How are these additional social issues and risks going to be addressed in the project design?  PSOD safeguards team will monitor each project sponsor's or IPP's compliance with PDMCs' applicable national laws.</p>
<p align="center"><b>VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT</b></p> <p>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 (vi) other social risks. Are the relevant specialists identified?  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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? ADB and CFPSII will conduct the due diligence of the projects including review of the project audit reports.</p>

## Sources:

- <sup>a</sup> ADB. 2016. *Pacific Approach, 2016–2020*. Manila.
- <sup>b</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.
- <sup>c</sup> ADB. 2003. *Social Protection Strategy*. Manila (adopted in 2001).
- <sup>d</sup> ADB. 2003. *Our Framework Policies and Strategies: Gender and Development*. Manila (adopted in 1998).