



# Initial Poverty and Social Analysis

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January 2019

REG: AC Energy Green Bond Project

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Asian Development Bank

## CURRENCY EQUIVALENTS

(as of 9 January 2019)

Currency unit	–	peso (Php)
Php1.00	=	\$0.0190585
\$1.00	=	Php52.47
Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.000071
\$1.00	=	Rp14,089.00
Currency unit	–	dong (D)
D1.00	=	\$0.000043
\$1.00	=	D23,192.00

## WEIGHTS AND MEASURES

GW	–	gigawatt
MW	–	megawatt

## NOTES

- (i) The fiscal year (FY) of some sponsor ends on 31 December. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2019 ends on 31 December 2019.
- (ii) In this report, "\$" refers to United States dollars

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	AC Energy Green Bond Project
Lending/Financing Modality:	Corporate Finance	Department/ Division:	Private Sector Operations Department/ Infrastructure Finance Division 2

<b>I. POVERTY IMPACT AND SOCIAL DIMENSIONS</b>
<p><b>A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy</b></p> <p>Asian Development Bank (ADB) will invest \$20 million in Green Bonds to be issued by AC Energy Finance International Limited (ACEFIL) for the AC Energy Green Bond renewable energy projects. AC Energy Inc. (AC Energy), the energy investment holding company of Ayala Corporation, will act as bond guarantor. Proceeds will be used to invest in solar and wind projects in the Philippines, Indonesia, and Viet Nam. As of end of 2018, AC Energy has gross capacity of 1,739MW largely based on its current operations in the Philippines and it targets to operate 5.0 GW attributable renewable capacity across the region by 2025.</p> <p>The project is consistent with ADB's Strategy 2030's objective of (i) deepening and diversifying ADB's private sector role in the capital markets in Asia-Pacific; and (ii) supporting a flagship bond in Asia-Pacific that will be a finance-led climate change initiative for the regional bond market. Increase in renewable energy investments is aligned with the ADB's country partnership strategies for the Philippines, Indonesia, and Viet Nam.</p>
<p><b>B. Poverty Targeting</b></p> <p><input checked="" type="checkbox"/> General intervention <input type="checkbox"/> Individual or household (TI-H) <input type="checkbox"/> Geographic (TI-G) <input type="checkbox"/> Non-income MDGs (TI-M1, M2, etc.)</p> <p>The project will contribute to poverty reduction through the provision of electricity generation infrastructure and electricity to supplement government services. In addition, the project will directly and indirectly contribute to poverty reduction locally by creating temporary and permanent employment and by making additional electricity available, which will enhance the sustainability of non-agriculture sectors.</p>
<p><b>C. Poverty and Social Analysis</b></p> <p>1. Key issues and potential beneficiaries. Extreme poverty in Southeast Asia has been declining rapidly since 2005. ADB country-specific poverty statistics show that 10.9% (2016) of the population in Indonesia is living below the national poverty line, 21.6% (2015) in the Philippines, and 7.0% (2015) in Viet Nam. Generation of electricity through renewable energy will spur economic development to host countries while not compromising the state of the environment. Renewable energy projects create demands for green jobs and accrual of government revenues. The project will provide direct benefits to employees of ACE and its subsidiaries/subprojects while indirect benefits will be channeled to the contractors and its employees in the supply chain and real property and business taxes paid to local government.</p> <p>2. Impact channels and expected systemic changes. The use of renewable energy sources such as wind and solar reduces the threat of environmental and climate-related risks including pollution that would harm the social and economic life of people in the project area particularly the poor and vulnerable.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence will assess the existing environmental and social policies and procedures of AC Energy and the extent these are being applied at the subproject level. The assessment will include review of AC Energy's past and current performances against the objectives, principles, and requirements of ADB SPS and measures in place to meet the requirements of ADB's Social Protection Strategy (2001) and Gender and Development Policy (1998).</p>
<b>II. GENDER AND DEVELOPMENT</b>
<p>1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Based on the World Economic Forum's (WEF) Global Gender Gap Report published in 2017, widening gender disparities are evident on women's economic participation and opportunities and political empowerment in the Philippines, Viet Nam, and Indonesia. Renewable energy projects that fuels economic growth may directly or indirectly contribute in narrowing down these gaps.</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>The project is not anticipated to greatly contribute to the promotion of gender equity and/or empowerment but measures to integrate gender mainstreaming measures to protect the rights and welfare of women employees of AC Energy will be integrated in the project. The project is expected to ensure provision of benefits to women from local communities where solar and wind farms will be located through the Corporate Social Responsibility (CSR) programs of the subprojects.</p>
<p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?</p>

Yes  No

The project will not result to adverse impact to women and/or girls but will rather contribute to provide opportunities for growth to women being part of the company and the communities where the subprojects will be located.

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 of the project will be the AC Energy and its corporate and subproject employees, the local government and national government entity regulating the renewable energy, and the local communities where the solar and wind farm subprojects will be located.

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? In the development of subprojects, public consultations will be conducted as part of the environmental and social impact assessment process required under the national laws and permitting procedures. Expected participants of the consultation are residents from the local communities, local government officials, national regulatory agencies, and local people's organizations and civil society organizations. AC Energy will also engage with the local communities through its CSR program activities that promotes quality education, gainful-microenterprises, healthy environment, cultural development.

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?

Information generation and sharing  Consultation (L)  Collaboration (L)  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

Potential issues related to the participation of the local communities, especially the poor, in the project design will be assessed through the conduct of audit and due diligence.

### 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 involve land acquisition that will likely result to involuntary resettlement. Though AC Energy will acquire lands through leasing and voluntary sale on a willing seller-willing buyer basis, there may be cases that land will be acquired through government expropriation if purchase or long-term lease on land will not be possible. AC Energy will develop an Environmental and Social Management System (ESMS) that will determine the impact and risk associated with the subprojects.

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 Future solar and wind farm subprojects of AC Energy may be located within ancestral domain or may impact ethnic groups in Philippines, Indonesia, and Viet Nam. Site selection process of AC Energy includes specific criteria that will identify if proposed area for development is located within ancestral domain lands and occupied by ethnic groups. The ESMS that will be developed will also include assessment of impact and risk of the subprojects to the Indigenous Peoples.

3. Will the project require broad community support of affected indigenous communities?  Yes  No In subprojects that will result to physical displacement of ethnic groups from their traditional or customary lands, consent of affected ethnic group communities will be required to be obtained.

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     Adhering to core labor standards (L)     Labor retrenchment (L)  
 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? AC Energy, through the project, is expected to further ensure full compliance with the national labor laws and will take measures to ensure adherence to international labor standards as well as with ADB's Social Protection Strategy.

**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    An external expert will be engaged to carry out an environmental and social audit at the corporate and subproject level that will cover environmental and social safeguards and other social dimension including gender and social.

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 external expert will carry out the environmental and social audit and the ADB team will participate in the conduct of due diligence.

Sources: ADB. 2018. *Strategy 2030*. Manila; ADB. 2016. *Country Partnership Strategy: Indonesia, 2016–2019—Towards a Higher, More Inclusive and Sustainable Growth Path*. Manila; ADB. 2011. *Country Partnership Strategy: Philippines, 2011–2016*. Manila; ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016–2020—Fostering More Inclusive and Environmentally Sustainable Growth*. Manila; T. Trawson et al. 2017. *Financing Sustainable Development Goals in ASEAN: Strengthening integrated national financing frameworks to deliver the 2030 Agenda*. World Economic Form. 2017. *Insight Report: The Global Gender Gap Report 2017*. Geneva.