



Initial Poverty and Social Analysis

October 2019

Cambodia: Grid Reinforcement Project

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 18 September 2019)

Currency unit	–	riel (KR)
KR1.00	=	\$0.00024
\$1.00	=	KR4,111

ABBREVIATIONS

ADB	–	Asian Development Bank
EDC	–	Electricite du Cambodge

NOTE

In this report, "\$" refers to United States dollars unless otherwise stated.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Cambodia	Project Title:	Grid Reinforcement Project
Lending/Financing Modality:	Proposed Loan and Administration of Grant	Department/Division:	SERD/SEEN

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Cambodia is at an early stage of urbanization with 23% of people living in urban cities. It is expected that 28% of the population will live in urban areas by 2030 and 40% by 2050.¹ The bulk of urbanization is taking place in Phnom Penh which serves as a regional economic center. The government aims to transform especially Sihanoukville Province into a multi-purpose Special Economic Zone.² Phnom Penh currently accounts for 57% of the total 9,307 gigawatt-hour electricity consumed in 2018. About 23% of total electricity consumption is used in the other urban areas including Preah Sihanouk, Siem Reap, Kampong Cham, Takeo and Battambang.

Besides the commendable efforts in addressing rapidly growing demand and reducing costs in recent years, electricity services continue to be unreliable and of poor quality. Households and businesses face frequent unpredictable power shortages and experience appliance damage due to voltage fluctuations. This severely constrains quality of life. Domestic firms and foreign investors name the high costs and supply shortages of electricity as a main constraint in 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.³ Relevant key energy policy objectives include (i) expanding supply coverage, (ii) enhancing power reliability by constructing additional sub-stations closer to economic growth centers, and (iii) further reducing electricity tariffs.

The outcome of the Project is adequate supply of electricity in the greater Phnom Penh area. A reliable, affordable and sustainable supply of energy will improve the business environment and encourage additional investment, employment opportunities and economic growth. The Project is aligned with the Asian Development Bank's (ADB's) energy sector assessment, strategy and road map, which will be integrated into the country partnership strategy, 2019–2023 which will aim to reduce income poverty, multidimensional poverty, and poverty vulnerability, and to promote inclusive growth by focusing on rural areas and rural–urban–regional linkages.

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

The availability of electricity has an indirect but strong link with reducing poverty and promoting economic growth. The classification therefore recognizes that while power itself will not explicitly decrease poverty, it is a critical stepping stone to attracting other means of economic investment and development that will provide the foundation for concrete poverty reduction strategies in the future. This proposed Project is expected to contribute to poverty reduction through the improvement of essential infrastructure and provision of reliable energy supply in the greater economic growth areas of Phnom Penh. It will support the continuation and further development of direct and indirect local business opportunities.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The poverty and social analysis assesses impacts at the sector level, since identifying specific consumers is challenging in the context of transmission network expansion. Households and businesses face frequent unpredictable power shortages and experience appliance damage due to voltage fluctuations. This severely constrains quality of life. Domestic firms and foreign investors name the high costs and supply shortages of electricity as a main constraint in doing business in Cambodia. It undermines the country's effort to diversify into a manufacturing destination. Households, commercial businesses, and industry will be the core beneficiaries

¹ World Bank Data. <https://data.worldbank.org/indicator/SP.URB.GROW>. Accessed 12 July 2019.

² Royal Government of Cambodia. 2015. *Cambodia Industrial Development Policy 2015–2025. Market Orientation and Enabling Environment for Industrial Development*. Phnom Penh.

³ Royal Government of Cambodia. 2018. *Rectangular Strategy for Employment, Equity and Efficiency, Phase IV: Building the Foundation toward Realizing the Cambodia Vision 2050*. Phnom Penh.

<p>benefiting from reliable and efficient power supply. It will strengthen economic growth and contribute to poverty alleviation.</p>
<p>2. Impact channels and expected systemic changes.</p> <p>The Project aims to increase power reliability in the greater Phnom Penh area. It will therefore contribute to strengthening adequate supply of electricity for industrial development and economic growth in Cambodia. In addition, the testing of energy storage applications and smart sensor technology to ensure grid stability can reduce operations and maintenance costs and total cost of electricity supply to consumers. It can contribute to reducing electricity tariffs in the longer term.</p> <p>3. Focus of (and resources allocated in) the transaction TA or due diligence.</p> <p>To ensure an accurate and participatory due diligence, and to reduce conflicts with affected people and other stakeholders, the project will employ a multi-stakeholder engagement approach involving all concerned groups through local consultations and dialogues as early as possible. Involuntary Resettlement and Indigenous Peoples due diligence and preparation of related safeguards instruments as required under ADB Safeguard Policy Statement (2009), will be conducted.</p> <p>4. Specific analysis for policy-based lending.</p> <p>Not applicable.</p>
<p>II. GENDER AND DEVELOPMENT</p>
<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?</p> <p>Ensuring reliable power supply will support the continuation and further development of direct and indirect local business opportunities including employment opportunities for women. In many of the 16 Special Economic Zones (SEZ) in Cambodia, a majority of jobs are held by women. Women working in accounting, finance, procurement and engineering currently account for 17% of the 5,516 people employed by EDC. Currently there are only 3 women represented at director level.</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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>To contribute to more gender equality, the project will involve and train women employed by EDC in key project implementation roles including the operation of advanced technology and analyzing data on energy storage and smart sensor system. A gender equality strategy and policy will be designed and implemented by EDC to increase the representation of women in management and key decision-making roles. Gender awareness trainings including on preventing sexual harassment, exploitation, and abuse will be conducted for all employees of EDC at least once per year throughout the project implementation.</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</p> <p>There is no significant risk identified on women/girls.</p> <p>4. Indicate the intended gender mainstreaming category:</p> <p><input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input checked="" type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> NGE (no gender elements)</p>
<p>III. PARTICIPATION AND EMPOWERMENT</p>
<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.</p> <p>Ministry of Mines and Energy, Electricity Authority of Cambodia, EDC, Phnom Penh, Sihanoukville and Kampong Cham municipalities, local communities and households within the construction vicinity. Information sharing and consultations through stakeholder workshops and community mobilization will take place during pre-feasibility and detailed engineering design.</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?</p> <p>The proposed project will need to ensure that Safeguard Policy Statement involuntary safeguards objectives are met and that poor and marginalized groups are meaningfully consulted and covered under project entitlements. Priority and special care shall be given to the poor, female-headed, and/or excluded households, identified through a socio-economic survey of Right-of-Way occupants. Monitoring will be undertaken to verify the extent of the participation and decision-making of affected households.</p>

<p>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? <input checked="" type="checkbox"/> (M) Information generation and sharing <input checked="" type="checkbox"/> (M) Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership Stakeholder civil society organizations in potential project areas yet to be identified.</p>
<p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No There are no significant issues during project design identified for which participation of the poor and excluded is important.</p>
IV. SOCIAL SAFEGUARDS
<p>A. Involuntary Resettlement Category <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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No Due to extension of the transmission grid people might need to be displaced or might lose their productive assets. The impact is not known at this time but impact is likely to be limited as transmission lines will be constructed underground within populated areas.</p> <p>2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input checked="" type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p>
<p>B. Indigenous Peoples Category <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 impact is not known at this time but impact likely to be very limited. In general, population in Cambodia is fairly homogenous with distinct ethnic groups not living within the Project areas.</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 transaction TA 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>
V. OTHER SOCIAL ISSUES AND RISKS
<p>1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> (L) Creating decent jobs and employment <input checked="" type="checkbox"/> (L) Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? The Project Environment Plan and civil works contracts will require compliance with Core Labor Standards during construction. The project will extend its support to deliver longer-term benefits through hiring and training local professionals during the construction and operation phase.</p>
VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT
<p>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? <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 transaction TA or due diligence? International and national environment specialists will undertake an initial environmental examination as part of the feasibility study. International and national social development/safeguards specialists will conduct involuntary resettlement and indigenous peoples due diligence and prepare required social safeguards instruments.</p>