



Preliminary Poverty and Social Analysis

Project Number: 58152-001
June 2024

Regional: Southeast Asia Clean Energy Fund II, LP

This document is being disclosed to the public in accordance with ADB's Access to Information Policy

ABBREVIATIONS

ADB	–	Asian Development Bank
CSOs	–	Civil service organizations
GLI	–	Gender lens investing
ESMS	–	environmental and social management system

NOTE

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

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

PRELIMINARY POVERTY AND SOCIAL ANALYSIS

Country:	Regional	Project Title:	Southeast Asia Clean Energy Fund II, LP
Lending/Financing Modality:	Equity Investment	Department/Division	Private Sector Operations Department Investment Funds and Special Initiatives Division

1. Poverty Analysis

The proposed equity investment in the Southeast Asia Clean Energy Fund II (the “fund”) supports early-growth stage companies in renewable energy, energy solutions, and sustainable transportation companies that utilize scalable business models and proven low carbon technologies. The proposed project is consistent with the Asian Development Bank’s (ADB) Strategy 2030 on (i) promoting private sector participation in infrastructure through corporate financing, and (ii) expanding support for renewable energy to support its climate mitigation and adaptation objectives. Without strong support to accelerate the transition to clean energy sources, countries in Southeast Asia will increasingly rely on imported fuel that is expected to become more expensive.ⁱ Addressing energy insecurity ensures sustainable growth and even poverty alleviationⁱⁱ The project will increase access to affordable, reliable, and modern energy services and the share of renewable energy in Southeast Asia’s global energy mix. The project will reduce poverty by providing clean and sustainable energy to support productivity while improving the quality of life through reducing greenhouse gas emissions and improving local air quality.

2. Poverty targeting

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

The project will spur economic activities in the countries through its investments in renewable energy infrastructure, energy solutions, and sustainable transportation. Growth in economic activity can lead to job creation and revenues for the government, which will indirectly benefit the poor and vulnerable populations in need through improved services. Switching away from fossil fuel to renewables will improve air quality and reduce greenhouse gas emissions decreasing natural disaster risk losses, therefore improving the quality of life of the vulnerable poor.

3. Preliminary assessment of the project’s impact channels

Investments in renewable energy, through the project, support a more inclusive and sustainable economy. Access to long-term financing that is needed by early-growth stage companies is limited.ⁱⁱⁱ The project will provide long-term financing and de-risk early-stage companies by making them bankable. The project will help the investee companies expand and sustain their operations which directly benefit their employees and contractors. Accelerating the energy transition in Southeast Asia can increase the region’s gross domestic product by 3.4% and increase employment by 1.0% compared to scenarios based on existing renewable energy goals.^{iv}

4. Social Analysis The fund will invest in renewable energy infrastructure, utility scale, distributed energy, and sustainable transportation companies operating in Southeast Asia region. The fund will contribute to the generation of skilled employment within each portfolio company. During due diligence, the project team will assess the fund manager’s capacity to manage its portfolio companies and how it evaluates potential investments for impacts on involuntary resettlement and indigenous peoples. Due diligence will also consider how the fund manager ensures compliance with local labor requirements and core labor standards considering the generation of employment

opportunities, and how the fund allows for participation and civil society engagement in each subproject.

4.1. Gender and Development

Southeast Asia is expanding economic activities, and the region is projected to become the world's fourth largest economy by 2030.^v Over the past 15 years, impact investing has taken deep roots across region and impact investors have significantly enhanced their commitment to support impact entrepreneurs. Seven times more gender lens investing (GLI) capital was invested during 2020-2022 compared to 2017-2019, with an aggregate of \$6.9 billion in impact capital invested in enterprises in the region.^{vi} However, despite private and mainstream investors becoming increasingly interested in gender lens investing significant challenges remain. Gender lens is often contained from a compliance perspective and not as something integral to their investment strategy.^{vii} Additionally, there is a notable gap in integrating GLI into the provision of technical assistance for women-owned SMEs, encompassing advisory services, venture development, mentorship, and relationship establishment.^{viii}

Gender-responsive energy financing is scarce compared to other sectors and with the lowest share of gender-responsive or gender-specific financing among other sectors. Significant gender inequalities remain regarding access to finance for women's enterprises, including accessing contracts and benefiting from sustainable energy policy budgets, public investment programs and tax subsidies. The disproportionate unmet financial needs faced by women owned micro, small & medium enterprises and start-ups, compared to their male counterparts, significantly impact the capital-intensive sustainable energy sector. Applying a gender lens to investments would reduce the finance gap between women's and men's enterprises.^{ix} Gender-responsive energy financing also applies to financial resources and procurement offered by the private sector, including the provision of financial products, services, loans, and investments designed for women.^x Both public and private sector investment has the potential to contribute to gender equality and the empowerment of women. Investors can request companies to design and practice meaningful activities to promote gender equality, as a funding prerequisite.^{xi}

Gender due diligence will explore the project's potential to include application of a gender scorecard or similar method to the fund's investment process using benchmarks to identify potential gender gaps investee companies; investees implement new actions to advance gender equality; identify and recommend to investee companies' priority areas to address identified gender gaps; development and dissemination of case studies on gender lens investing approach and career development programs for women.

No negative impact or risks on women or on widening gender inequalities are expected from the project.

The project is aiming for Gender Equity Theme (GEN) gender categorization.

4.2. Participation and Empowering the Poor

This project's primary beneficiaries are the portfolio companies in the target industries and their employees. Indirect beneficiaries are the businesses and their employees within the supply chains of each portfolio company following the fund's investment as well as the other stakeholders the portfolio companies may engage. Due diligence will determine how beneficiaries in the target industries can benefit from the business activities of the fund's portfolio companies. Given that the nature of the investments is private commercial, there will be few opportunities for participation of others beyond immediate stakeholders. The activities of private equity funds limit opportunities for engagement with civil society organizations (CSOs) regarding the fund's investments in portfolio companies. CSO participation potentially involves information generation and sharing.

4.3. Social Safeguards

ADB will be allowed to opt out from investments that would have significant impacts on involuntary resettlement (IR) and indigenous people (IP). At the portfolio companies' level, business activities may entail physical or economic displacement due to land acquisition or restrictions on land use or access. There are also potential impacts on indigenous peoples due to investments' business activities, such as, establishment of new facilities. The fund's existing ESMS requires it to evaluate potential investments and manage identified impacts in line with internationally recognized environmental and social standards and guidelines. The fund will be required to fully align its ESMS with ADB safeguards and social requirements.

4.4. Other Social Issues and Risk

The project will create decent jobs and employment in compliance with core labor standards. Due diligence will assess the fund manager's capacity and resources to identify and manage labor risks in portfolio companies. At the portfolio companies' level, aside from generating employment and ensuring labor requirements compliance, the due diligence of portfolio companies will also consider risks related to the construction and solar PV supply chain management.

5. Social Plans to be Developed as part of the Poverty and Social Analysis

ADB will seek to work with the fund manager to develop a Gender Action Plan to support it to become a gender-smart investor developing and applying a gender equality scorecard to evaluate investee companies and provide recommendations to investees on actions they can take to reduce gender gaps. The fund manager's ESMS will have requirements to develop relevant social safeguards plans in case social requirements are triggered. The review and approval of such plans will be part of the due diligence for every investment.

6. Transaction Due Diligence Resource Requirement

The project team will conduct due diligence in line with ADB requirements for financial intermediaries. The project team shall confirm that following ADB's investment, the fund manager has adequate resources and capacity to undertake required due diligence and assessment of its target portfolio companies. The project team will also regularly monitor the fund's ESMS implementation.

-
- ⁱ International Energy Agency. 2022. [Southeast Asia Energy Outlook 2022](#).
 - ⁱⁱ F. Tagjizadeh, et. al. 2023. [Leveraging on Energy Security to Alleviate Poverty in Asian Economies](#). *The Singapore Economic Review*, Vol. 68, No. 4, pp. 1063-1090.
 - ⁱⁱⁱ ADB. 2023. [Climate Finance Landscape of Asia and the Pacific](#), Manila; and Q. Jiahui and M. Martinus. 2022. [Climate Finance in Southeast Asia: Trends and Opportunities](#). *Fulcrum*. 11 February.
 - ^{iv} International Renewable Energy Agency. 2023. [Socio-Economic Footprint of the Energy Transition: Southeast Asia](#). Abu Dhabi.
 - ^v Association of Southeast Asian Nations. 2023. [Investing in ASEAN. One Vision. One Identity. One Community](#). Bangkok.
 - ^{vi} Investing in Women. 2023. [Impact Investing In Southeast Asia. Update 2020-2022](#). Manila.
 - ^{vii} Calvert Impact Capital. 2021. [Gender Lens Investing: Legal Perspectives. How Investors Incorporate Gender Considerations into Deal Documentation](#). New York.
 - ^{viii} Global Impact Investing Network. 2021. [The Landscape for Impact Investing in Southeast Asia](#). New York.
 - ^{ix} SME Finance Forum. 2021. [Gender Lens Investing, the Quest for Gender Equality](#). Pennsylvania
 - ^x United Nations Industrial Development Organization. 2023. [Gender Equality in the Sustainable Energy Transition](#). New York and Vienna.
 - ^{xi} United States Agency International Development. 2019. [Powering Agriculture. An Energy Grand Challenge for Development](#). Washington.