

Policy Brief:

Asia Development Bank's (ADB) Financing COVID-19 Post-Pandemic Economic Recovery

2023



Policy Brief

ADB's Financing of COVID-19 Post-Pandemic Economic Recovery: The Case Study of the Road Network Improvement Project (Road #23/312)

Key message

- The COVID-19 pandemic has created much uncertainty for the world and has affected all sectors, either directly or indirectly. Policymakers in different countries have decided to develop different types of policies to respond to the post-COVID-19 economic recovery.
- The ADB's financing of COVID-19 post-economic recovery is one of the other policy interventions in Cambodia, especially the Road Network Improvement Project (Road 23/312). Positive and negative impacts that may affect vulnerable populations, degradation of indigenous peoples' living conditions, or intensifying local social conflicts need to be studied to prevent unintended impacts.
- The knowledge of community redress mechanisms for communities to give feedback in the context of "green economy policies measures" is still limited.
- GE and SF are complex, contentious, and conflicting topics, often presented in legalistic and technical language. Based on the KII interviews, several policy gaps have been identified that require attention, including:
 - Lack of awareness of key components of GE as well as SF.
 - The need for a comprehensive debate and increased motivation to promote both concepts.
 - The need for clearer indicators of GE and SF in practice.
 - The lack of a holistic approach and policy coherence.

To address these gaps, the following policy recommendations offer alternative approaches:

- **Policy engagement and the pathway of policy mainstreaming:** To influence policy agendas on GE and SF, a series of consultative workshops or policy dialogues involving key stakeholders is crucial. These workshops should aim to:
 - Reach agreement on common legalistic and technical languages, terms, and concepts accepted and employed for GE and SF. The debates should focus on establishing shared terminology and discussing how GE and SF contribute to climate mitigation, adaptation, better livelihoods, economic benefits, and employment of rural communities, especially women.
 - Strengthen institutions by integrating long-term institutional knowledge and skills through policy dialogues, training programs, and practical application of GE and SF concepts.
 - Encourage key actors to support and catalyze GE and SF by establishing common structures and principles. This entails developing appropriate tools for environmental assessment, social impact assessment, and environmental, social and governance, and green procedure standards.
 - Address policymakers' and practitioners' limited knowledge and skills regarding GE and SF through capacity development initiatives and training programs to bridge the knowledge gap.

- During the data collection process, which involved household surveys and focus group discussions, participants frequently voiced their concerns regarding compensation schemes. They reported insufficient information about the amount and timing of *compensation, relocations, and income restoration* schemes. Additionally, the participants raised concerns about ADB's involuntary resettlement policy, which includes safeguarding measures such as:
 - Compensation to replace lost assets, livelihood, and income,
 - Assistance for relocation, including providing relocation sites with appropriate facilities and services,
 - Assistance for rehabilitation to achieve the same level of well-being as before the project.

1. Why do green economy and sustainable finance matter?

The concepts of Green Economy (GE) and Sustainable Finance (SF) are increasingly recognized in academic literature, policy dialogues and policy agenda settings, and financial regulations. Many countries have adopted them since they contribute to improving local livelihoods and mitigating risks of climate change that have impacts on social and environmental inclusions, post-COVID-19 pandemic economic recovery, poverty reduction, and financial sustainability¹.

Both terms are additionally conceptualized and used for some potential solutions to multiple challenges, including climate change, biodiversity loss, resource scarcity, and financial instability². For instance, the Nations Division for Sustainable Development (UNDESA) published four Issues, including (i) Green Growth Planning Guideline (2016); (ii) A Guidebook to the Green Economy: Exploring Green Economy Principles (2012); (iii) A Guidebook to the Green Economy: Exploring Green Economy Policies and International Experience with national strategies (2012); and (iv) A Guidebook to the Green Economy: A Guide to International Green Economy Initiatives (2013). In Cambodia, policy and legal frameworks include (i) Law on Environmental Protection and Natural Resources Management; (ii) Cambodia Climate Change Strategic Plan (CCCSP) 2014-2023; (iii) Protected Area Law; and (iv) Law on Historical Monuments.

Given the financial sustainability, the ASEAN Taxonomy for Sustainable Finance has been adopted³. It serves as a common building block that enables an orderly and fosters sustainable finance adoption by the ASEAN Member States (AMS). It is used as a common language across different fields to communicate and coordinate labeling for economic activities and financial instruments. In Cambodia, the Cambodian Sustainable Finance Principles Implementation Guidelines⁴ have been adopted and implemented. The purpose of this implementation guideline is to serve as a basis for Cambodian banks and microfinance institutions (MFIs) to develop their own sustainable finance approaches. In this guideline, there are nine principles to be introduced to the banks, microfinance Institutions, and other investors.

¹ Center for Sustainable Finance. 2021. "Inclusive Green Finance: From Concept to Practice." Accessed 26 March 2023 https://www.afi-global.org/wp-content/uploads/2020/12/AFI_IGF_policy-brief_AW.pdf.

² Jackson, Tim and Victor, Peter A. 2013. "Green Economy at Community Scale." Accessed 20 March 2023. <https://metcalfoundation.com/wp-content/uploads/2013/10/GreenEconomy.pdf>

³ ASEAN. 2021. "ASEAN Taxonomy for Sustainable Finance." Accessed 26 March 2023 <https://asean.org/wp-content/uploads/2021/11/ASEAN-Taxonomy.pdf>.

⁴ Association of Banks in Cambodia. 2019. "Cambodian Sustainable Finance Principles Implementation Guidelines." Accessed 26 March 2023. <https://www.ifc.org/wps/wcm/connect/8ce9ddc0-2422-4e69-aa8b-e4f3c8cc3eec/Cambodia+SF+Principles+-+Implementation+Guidelines.pdf?MOD=AJPERES&CVID=mGdMKuz>.

Table 1: The relationship between green economy and sustainable finance principles

| No. | I. Relevant Principles of Green Economy Policy | Readiness assessment | | II. Nine Principles of Sustainable Finance in Cambodia | | | | | | | | |
|----------|--|----------------------|----|--|----|----|----|----|----|----|----|----|
| | | | | Principle | | | | | | | | |
| | | Yes | No | #1 | #2 | #3 | #4 | #5 | #6 | #7 | #8 | #9 |
| A | Main legal framework | | | | | | | | | | | |
| 1 | Land Acquisition and Resettlement | x | | x | x | | | | | | x | |
| 2 | Legal Framework and Entitlements | x | | x | | | | | | | x | |
| 3 | Consultation and Participation and Disclosure | x | | x | | | | | | | x | |
| 4 | Grievance Redress Mechanism | x | | x | x | | | | | | x | |
| 5 | Institutional Arrangements and Implementation | x | | x | | | | | | | x | |
| B | National policy framework | | | | | | | | | | | |
| 1 | ADB Safeguard Policy Statement (SPS) 2009 | x | | x | x | x | | | | | x | |
| 2 | Other Considerations | x | | x | x | | | | | | x | |
| 2.1 | Indigenous Peoples | x | | x | x | | | | | | x | |
| 2.2 | Gender and development | x | | x | x | | | | | | x | |

Table 1 illustrates the utilization of key policies and legal frameworks by ADB and the Ministry of Public Works and Transport, as outlined in the reports of the Road Improvement Project. It demonstrates the correlation between the green economy and sustainable finance through the implementation of Principles 1, 2, 3, and 8 among regulators and implementors.

2. Linking the ADB's financing of the COVID-19 post-pandemic economic recovery with GE and SF

Cambodia has been at the forefront of introducing important elements of a green economy as well as principles of sustainable finance. There is an increasing debate on making finance greener and fairer. Policymakers, practitioners, international organizations, and academia are starting to examine the interrelationship between GE and SF.

This study uses the infrastructure project (Road #23/312) as a case study (i) to assess both positive and negative impacts on communities from the ADB's financing of the COVID-19 post-pandemic economic recovery; (ii) to gain an understanding of the community redress mechanisms and feedback channels available within the context of green economy policies measures; (iii) to explore the mechanisms for receiving feedback from the communities; (iv) to assess the policy gaps on green and sustainable economy and or related policies; and (v) Assess the gap between the policies and practices for a green and sustainable economy, and provide key recommendations.

3. Key findings

3.1 Awareness of ADB's road project

The survey was conducted with 308 households (with 32% from Road 23 and 68% from Road 312), focus group discussions (FGDs), and key informant interviews (KIIs). All participants (100%) are aware of the road improvement project (Road 23/312) in their villages. Most respondents (about 99%) had been aware of the project for over six months. They indicated their knowledge about the road improvement projects was primarily obtained from local authorities, with village and commune chiefs being the primary sources of information (85%).

Figure 1: Problems of local transport

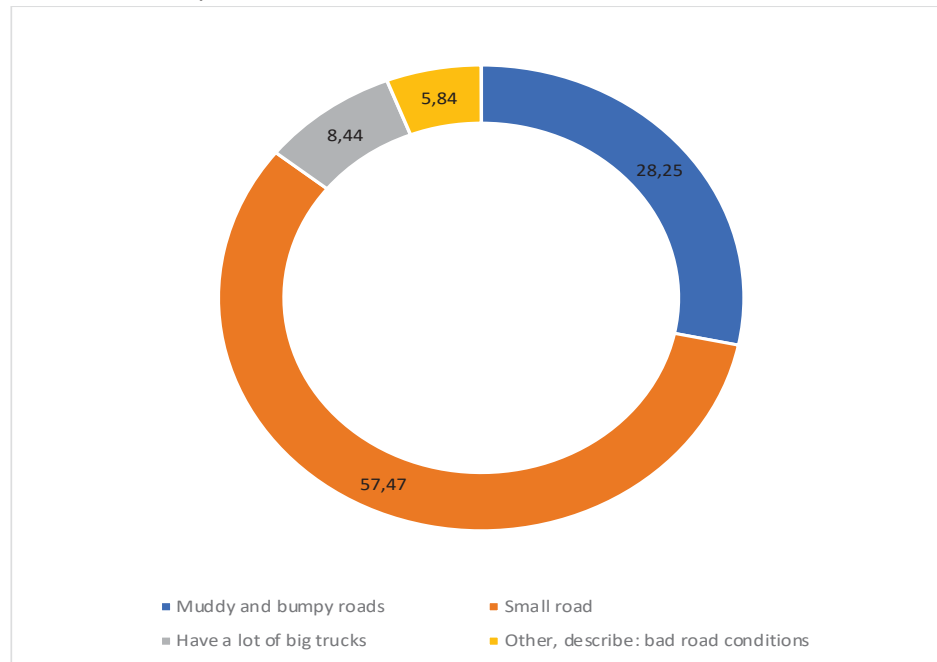


Figure 1 illustrates the primary and secondary issues related to transport services in the community before the implementation of the road projects, based on the data collected from the household survey. The participants expressed their desire for the construction of roads due to two main problems. The first problem 57.47% of respondents identified was the presence of small roads, indicating a need for broader and more accessible roadways. The second problem 28.25% of respondents mentioned was the poor condition of existing roads, characterized by mud and bumps, which made transportation challenging. Another concern raised by the participants, accounting for 8.44% of respondents, was the presence of large trucks traveling from Cambodia to the Vietnam border. This issue raised safety concerns, particularly for people living along the roads, especially Road 312, as they faced a higher risk of accidents due to the presence of these trucks.

Figure 2: Reasons for agreement with the road project improvement

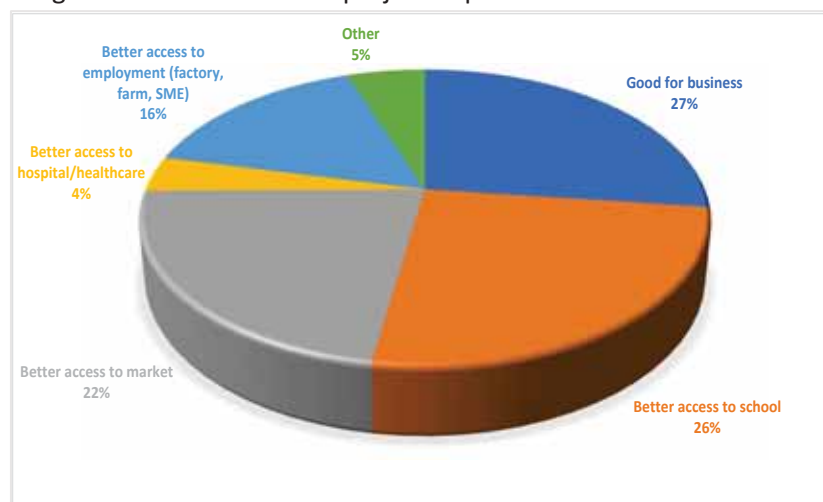
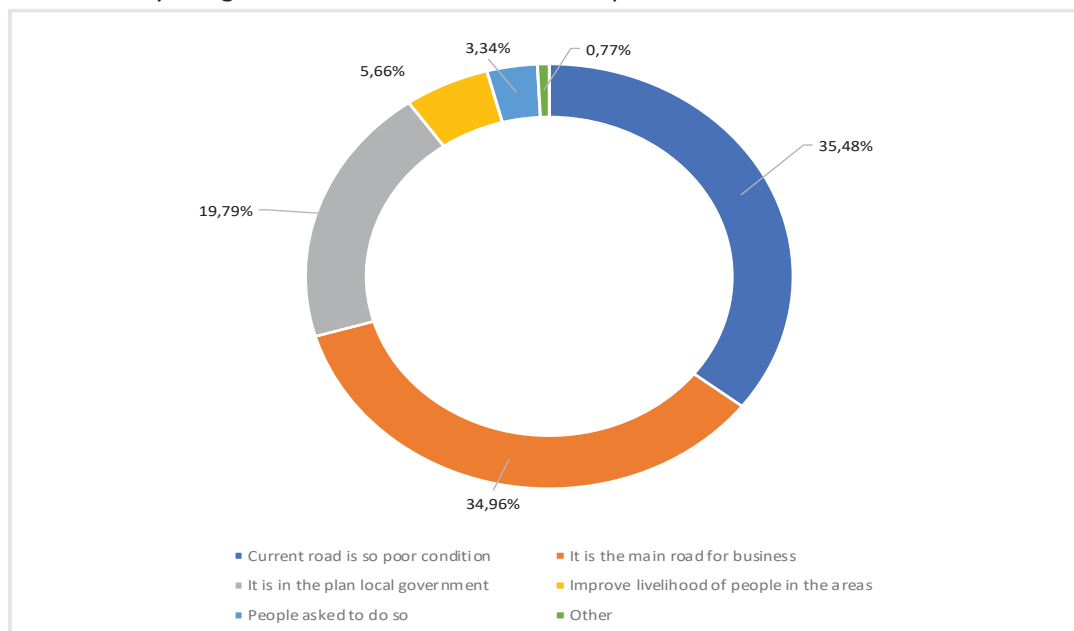


Figure 2 illustrates the reasons provided by those who agreed with the road improvement project. The main factors mentioned were the anticipated benefits for business activities (27%), improved access to schools (26%), and enhanced access to markets (22%). These reasons highlight the positive expectations of the respondents, particularly in terms of economic opportunities, education, and market accessibility resulting from road improvement initiatives.

3.2 Community redress mechanisms

From the household survey on communities to give feedback in the context of the project. Based on the household data collected, it was found that communities actively provide feedback within the project context. Approximately 70% of participants stated that they know why the government and ADB want to build or improve the road. The feedback provided by the FGD group echoed similar sentiments, indicating that the government and ADB aim to enhance economic activities and improve the livelihoods of people in the communities through this project. Additionally, it was noted that the project may contribute to local employment opportunities for the community members.

Figure 3: The reasons why the government and ADB want to improve the roads

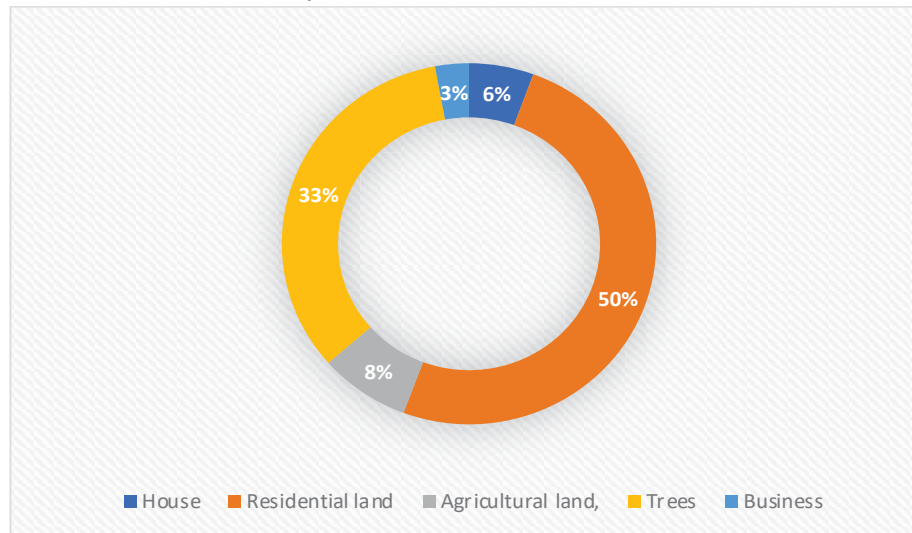


Additionally, **Figure 3** depicts that 35% of respondents are aware that the main roads will be used for businesses in the future. They agreed that the projects would help increase their incomes through business opportunities (29%). Moreover, 36% of interviewees believe that improved roads will facilitate more selling and economic activities, providing them with better access to local markets (35%). One of the FGDs stated, “When the roads are completed, our villagers who migrated to work outside the villages will come back”.

3.3 Impacts on communities

The section assesses the presumptive positive and negative impacts on communities before starting the project financed by the ADB's Financing of the COVID-19 post-pandemic economic recovery initiative. Local authorities and companies conducted the impact assessment. The communities are aware of the survey results. However, they are uncertain about the extent of compensation that will be provided for various categories, including houses, residential land, agricultural land, trees, and businesses. The impacts of the improvement projects are expected to affect different aspects: houses (6%), residential land (50%), trees (33%), and agricultural land (8%) (**Figure 4**).

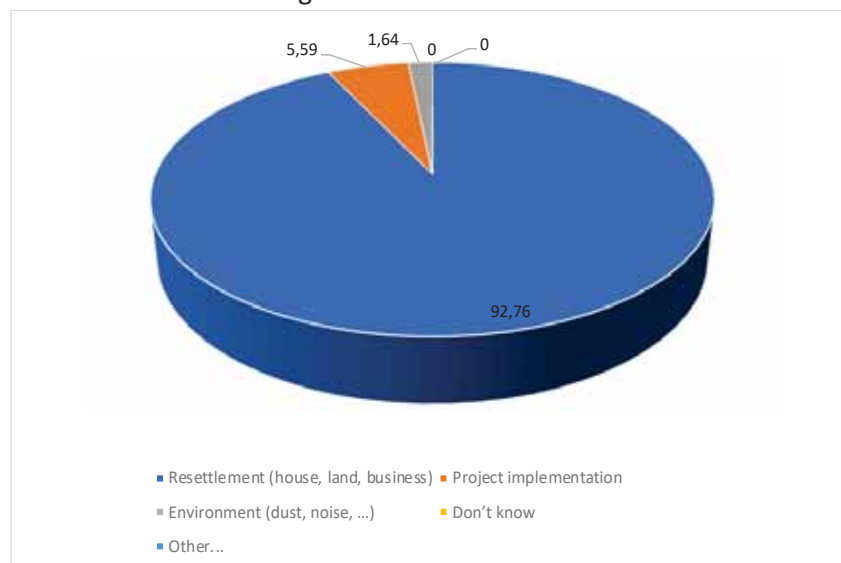
Figure 4: Impacts on the local community



3.4 Feedback mechanisms from the communities

As stated in ToR, this section aims to examine the feedback mechanisms in place for receiving input from communities, both within ADB and key regulatory bodies such as MEF and NBC. In response to the question, "Have you or your household been invited or involved in any consultations or meetings regarding road improvement?" approximately 92% of the interviewees confirmed that they were invited to attend relevant meetings or consultations. On the other hand, around 8% stated that they were not involved in the process, with some explaining that they had migrated to other cities or towns during the consultation period. During the consultation, the main topics discussed were resettlement (residential lands, farmland, and business), project implementation, and environmental issues. Around 93% of the respondents expressed that they primarily focused on discussing resettlement matters, including the impact on their residential lands, farmland, and businesses, as these were their main areas of concern.

Figure 5: Main topics to be discussed during the consultation



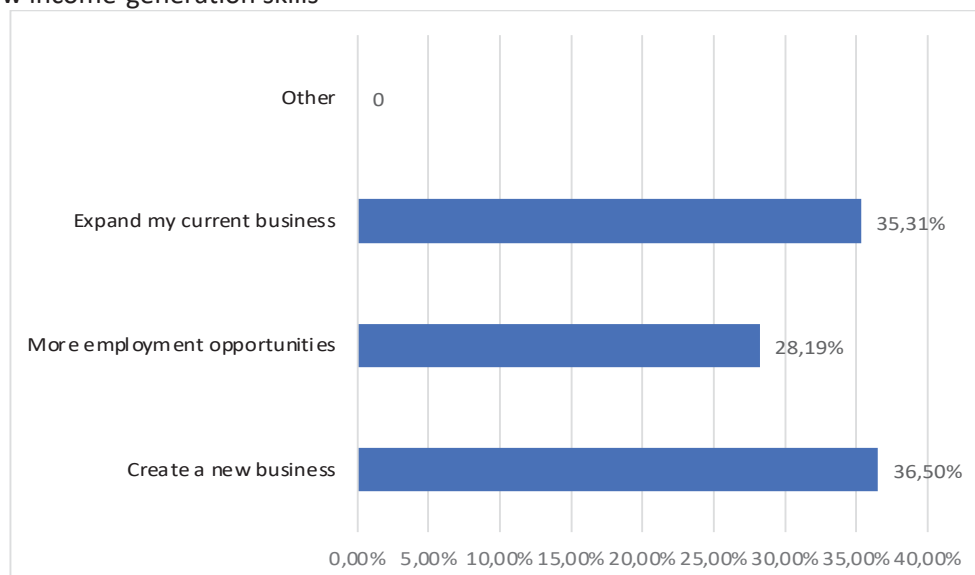
3.5 Opportunities for employment

According to the survey, approximately 71% of the people living along the roads express their expectation of obtaining employment opportunities from the project, while 29% do not have such expectations. The job categories present different opportunities for men, who may engage in heavy work, and women, who may find opportunities in light work. During one of the FGDs, a group expressed their hopes for acquiring new skills related to small businesses, agriculture, mechanic workshops, small vendors, beauty salons, and barbershops. The government and ADB should consider these demands and requests when formulating and designing social programs and safeguard measures.

However, some individuals have less hope for employment because construction companies already have their own staff. Additionally, some young laborers from the communities have already migrated to other areas for employment opportunities. Furthermore, many villagers lack the necessary skills to work with companies, and others are occupied with farming activities.

When asked about their expectations for acquiring new income-generating skills for the post-project and post-COVID-19 period, 70% of respondents expressed their desire to receive training in skills that would enable them to generate income. On the other hand, 30% did not have such expectations. **Figure 6** illustrates that 36.5% of participants anticipate the creation of new local businesses, 35% expect to expand their existing businesses, and 28% hope for increased employment opportunities in their local areas.

Figure 6: New income-generation skills



4. Conclusion

In conclusion, the road improvement projects on National Road 23 and 312 aim to support the government's infrastructure sector priorities by enhancing connectivity and promoting efficient movement within Cambodia and the GMS. These projects also focus on rehabilitating and developing national and provincial roads, implementing axle load control measures, promoting road safety awareness, and addressing potential social issues.

The key findings from the primary data indicate that the communities are in favor of the road improvement projects and emphasize the following points:

- The communities have accepted the impact assessment results conducted by local authorities and companies.
- The communities recognize the need for road project improvements, particularly concerning the current infrastructure conditions in their communities. They highlight that the roads are muddy and bumpy, and there is a specific need for Road 312 to accommodate cargo trucks effectively.
- The communities identify several benefits that would result from the road improvement projects. These include improved access to schools, markets, hospitals, and farms, crucial for their daily activities and economic endeavors. Easy access to farms, higher land prices, employment opportunities, and compensation are the main expectations from local people.

The primary data analysis also reveals some negative impacts on the residents along the roads, including the following:

- The affected residents, whose houses, residential land, agricultural land, trees, and businesses are impacted by the road improvement projects, are unaware of the amount of compensation they will receive from the government.
- The residents anticipate income losses due to the project's impact on their houses, residential land, agricultural land, trees, and businesses. These losses are expected to affect their existing sources of income, such as businesses and farming activities. The exact extent of these income losses is yet to be determined. The Basic Resettlement Plan, specifically in Chapter 5 (pages 33-38), outlines the entitlements for the affected communities concerning compensation, relocation, and income restoration. However, the affected communities need further understanding of the specific types of entitlements they are eligible for and the corresponding amounts they should expect to receive.

5. Recommendations

The ADB has a safeguarding policy that addresses involuntary resettlement, which includes:

- Compensation to replace lost assets, livelihood, and income.
- Assistance for relocation, including the provision of relocation sites with appropriate facilities and services.
- Assistance for rehabilitation to achieve the same well-being level as before the project.

However, most affected participants are still uncertain about their future employment, agricultural production, small-scale businesses and road safety, impacts of climate change, and gender-related issues.

- The ADB's involuntary resettlement policy should be introduced early stage of the project before road construction to the affected communities. Social assistance should be provided as cash transfers combined with support for income-generating activities and capacity building in agriculture during the transition of road construction. These measures can help prevent vulnerable women and men from giving up their farms and migrating from their villages. This scheme should look at the existing Government Social Protection initiatives.
- Since most affected families are women who primarily engage in domestic and unpaid care work, initiatives should be implemented to promote women's economic empowerment. Various financial and agricultural services to support backyard agricultural production, such as raising chickens, growing vegetables, and breeding frogs, should be considered. Training, coaching, and mentoring

services should be promoted to develop women's agricultural technical skills for new crops, livestock, and farming as their businesses.

- Another option is to encourage affected women to seize opportunities for education and training to enhance their existing experience and skills, thereby improving future job prospects.
- Women's access to financial assistance for backyard agricultural productions should be promoted through MFIs' rural credits. In collaboration with MFIs, the CCC and FFC are working to identify potential target small-scale farmers who effectively utilize loans. These farmers should be trained in financial planning and management and agricultural technological skills.

What are the policy options?

The concepts of GE and SF are complex and subject to contested and conflicting discourses, often using legalistic and technical language. Based on the KII interviews, there are several policy gaps, including:

- Lack of awareness of the key components of GE and SF.
- Inadequate comprehensive debate and motivation for promoting both concepts.
- Unclear indicators for measuring GE and SF in practice.
- The lack of a holistic approach and policy coherence requires further discussion.

To address these policy gaps, the following recommendations provide alternative policy options:

- **Policy engagement mainstreaming:** To influence policy agendas on GE and SF, organizing a series of consultative workshops or policy dialogues involving key stakeholders is crucial. These workshops should aim to:
 - Reach agreement on common legalistic and technical languages, terms, and concepts accepted and employed for GE and SF. The debates should focus on establishing shared terminology and discussing how GE and SF contribute to climate mitigation, adaptation, better livelihoods, economic benefits, and employment of rural communities, especially women.
 - Strengthen institutions by integrating long-term institutional knowledge and skills through policy dialogues, training programs, and practical application of GE and SF concepts.
 - Encourage key actors to support and catalyze GE and SF by establishing common structures and principles. This entails developing appropriate tools for environmental assessment, social impact assessment, and environmental, social, and green procedure standards.
 - Address policymakers' and practitioners' limited knowledge and skills regarding GE and SF through capacity development initiatives and training programs that bridge the knowledge gap.



Road situation during the research study



Location map of the road improvement project,
source: ADB 2021



About CCC

The Cooperation Committee for Cambodia (CCC) is a leading membership based organization for NGOs in Cambodia with 178 members working on various development sectors. CCC has been playing unique roles as the Governance Champion, Coordinator and Advocate to realize enabling environment for CSOs and sustained CSO Resource Hub at the national and sub-national levels.

Vision

Sustainable and democratic development for Cambodia.

Mission

As a membership based organization, CCC works in inclusive partnership for good governance, enabling environment and sustainability of civil society organizations in Cambodia.

Goals

- Improved enabling environment for CSOs
- Sustained functionality of CSO Resource Hub at the national and sub-national levels.

Values

- Integrity
- Responsiveness
- Quality
- Cooperation
- Inclusiveness

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