

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Indonesia	Project Title:	Neighborhood Upgrading and Shelter Project
Lending/Financing Modality:	Project	Department/Division:	Southeast Asia Department Indonesia Resident Mission

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: targeted intervention— MDGs

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

Poverty reduction is a key focus of the government's current national medium-term development plan (RPJMN), 2010–2014 with the target of reducing poverty to 7%–9% by 2014. The plan identifies insufficient investment in infrastructure as one cause of poverty, thus improving basic infrastructure in poor communities is considered a key strategy to contribute to improving living conditions and access to social services, closing gaps in income inequality, and stimulating economic opportunities. In 2005, the government launched the National Strategy for Poverty Alleviation, which includes specific strategies for social assistance and protection: community empowerment, provision of credits for small and microenterprises, and provision of housing and other services for the poor and marginalized groups. The project will support the government's poverty alleviation strategy and program, particularly under the community empowerment, housing, and other services themes. The project will also contribute to achieving the Millennium Development Goal (MDG) targets, in particular MDG target 7D: "Significant improvement in the livelihood of at least 100 million slum dwellers by 2020," and MDG target 7C: "Halve the proportion of households without sustainable access to safe drinking water and basic sanitation by 2015." These MDGs need special attention as they are falling behind targets. The project will contribute to government efforts to reduce poverty and achieve the MDG targets by (i) providing resources to local governments and communities for upgrading slum areas, (ii) strengthening planning and management capacity of local administrations for urban infrastructure planning, (iii) establishing sustainable mechanisms to engage communities in urban development planning processes, and (iv) launching public–private partnerships to establish affordable housing areas for poor families. By focusing particularly on improving the living conditions and economic opportunities of slum dwellers, the project directly targets the urban poor. The project will address infrastructure issues specifically faced by poor families in urban neighborhoods, including deteriorating roads and pathways, inadequate clean water supply, unsafe sanitation facilities, perennial flooding, lack of electrification, and insufficient solid waste management systems.

The project is in line with the country partnership strategy (CPS), 2012–2014 of the Asian Development Bank (ADB) for Indonesia, and is included in the ADB country operations business plan, 2013–2014. Pillar I of the CPS includes support for government efforts for more inclusive growth by improving infrastructure and, in particular, support for catalytic projects to (i) develop community-driven basic infrastructure for poor communities, and (ii) improve access to water supply and sanitation in selected cities. The project will contribute to achieving the CPS results framework and ADB's Strategy 2020 targets, and is supported by the forthcoming urban assessment strategy and road map.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. Average annual economic growth of about 6% since 2007 over the past 6 years has helped to lift 8.6 million people out of poverty. Yet 29 million Indonesians continue to live below the government poverty line; another 30 million would fall back into poverty with even a small reduction in their incomes. In 2011, overall poverty incidence fell to 12.4% from 13.3% in 2010; the urban poverty rate was 9.1%. By 2025, 68% of the population is projected to be living in urban areas. However, many of Indonesia's growing cities face issues in coping with the rapid growth of in-migrants seeking new economic opportunities in cities but forced to settle in slums, due to limited financial resources, lack of affordable adequate housing, and/or failure to find well-paid jobs. In 2011, about 12% of the urban population was forced to live in slum areas. Infrastructure and public services in poor neighborhoods are inadequate to serve the needs of the growing number of poor inhabitants. Environmental and social problems related to accessibility to adequate services for people's daily needs are increasing due to widespread constraints in the provision of clean water; insufficient sanitation facilities; deteriorating roads, pathways, and drainage; ineffective flood control; lack of constant power supply; and poor solid waste management. Only about 40% of the urban population has access to safe water; about 28% do not have access to improved sanitation facilities. About 35% of urban areas lack proper drainage systems.

2. Beneficiaries. Through the project, about 670,000 poor families living in slums will benefit from improvements in basic services and infrastructure, including better roads and pathways, bridges and culverts, water supply and sanitation facilities, drainage works, and power supply. Investments in basic infrastructure are expected to significantly improve living conditions in slum neighborhoods, improve mobility and productivity of informal enterprises, create the basis for economic growth, and improve the welfare of the local population.

3. Impact channels. The close links between infrastructure development; reduction in the incidence of poverty; and improvement of productivity, economic growth, and general living conditions are well established. More than 3.3 million poor residents of low-income households will benefit from the project. The expected economic benefits of the project include (i) improved public health status and reduced per capita costs for health care and medical

treatment due to increased coverage of sanitation services, improved access to safe drinking water, and improved hygiene particularly in densely populated neighborhoods; (ii) increased income-generating opportunities by improving essential infrastructure; and (iii) generation of considerable short-term employment. The community participation approach applied by the project will ensure that perspectives of both men and women are represented in planning, designing, and implementing the infrastructure upgrading activities.

4. Other social and poverty issues. None.

5. Design features. The project will use a community-driven development (CDD) approach. Evaluations of CDD programs confirm that the participation of community members in decision making and implementation of infrastructure investments improves the quality of facilities and strengthens ownership, leading to improved sustainability and regular maintenance of constructed infrastructure. The project will take a catalytic role to develop examples for replication and promote public–private alliances whereby (i) local governments will provide land; (ii) the Ministry of Public Works will establish the basic infrastructure financed by the loan proceeds; (iii) private developers will prefinance house construction, and coordinate connections to the main networks of service providers; (iv) local commercial banks will provide loans to poor families to buy new houses; and (v) nongovernment organizations, in close cooperation with the local administration, will organize socialization campaigns to explain the scheme to poor families, and develop transparent criteria to select beneficiaries eligible to apply under the new site development scheme.

II. PARTICIPATION AND EMPOWERING THE POOR

1. Summarize the participatory approaches and the proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation. During implementation, the project will maintain broad stakeholder participation, including of the urban poor living in slums. It will support community empowerment and strengthen local capacity to implement priority programs. The project includes assistance to (i) conduct an awareness campaign to familiarize community members (including women and urban poor) with the project; (ii) conduct community facilitation, including poverty mapping in project communities, identification of problems and needs, evaluation of community implementation capacity, and development of planning mechanisms and decision-making processes; (iii) assist in establishing and building capacity of community implementation organizations; (iv) assist communities in formulating neighborhood upgrading plans and community project proposals for the provision of infrastructure to be financed under the project; (v) provide technical guidance in project implementation; and (vi) help communities formulate and implement operation and maintenance plans to ensure sustainability of completed facilities.

2. If civil society has a specific role in the project, summarize the actions taken to ensure their participation. Civil society (community-based organizations) will play significant roles during project implementation. A citywide slum improvement plan, which is the basis for the neighborhood investment plan, should be discussed with and agreed upon by community members. An investment plan that is not countersigned by the community representatives will not be financed by the loan proceeds. Communities will take a significant part during planning, implementation, and maintenance of the facilities. Community advisors will be recruited to help the community implement its roles and ensure that all community members are appropriately involved.

3. Explain how the project ensures adequate participation of civil society organizations in project implementation. Communities will take on a great role during planning, implementation, and maintenance of facilities. Community advisors will be recruited to help communities implement their roles and ensure that all community members are appropriately involved.

4. What forms of civil society organization participation is envisaged during project implementation?

Information gathering and sharing Consultation (high) Collaboration Partnership

5. Will a project level participation plan be prepared to strengthen participation of civil society as interest holders for affected persons, particularly the poor and vulnerable?

Yes. No. The project applies CDD planning and implementation mechanisms.

III. GENDER AND DEVELOPMENT

Gender mainstreaming category: effective gender mainstreaming

A. Key Issues

Various sectors have made progress in reducing gender gaps, including urban infrastructure development, yet challenges in enhancing gender equality remain. A key challenge relevant to the project is related to the lower participation and representation of women in public decision making. As a result, women's needs and priorities are not sufficiently considered and accommodated. Most sectors do not have gender-disaggregated data.

B. Key Actions

Gender action plan Other actions or measures No action or measure

IV. ADDRESSING SOCIAL SAFEGUARD ISSUES	
A. Involuntary Resettlement	
Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI	
1. Key impacts. Limited land acquisition for small community facilities may be needed, but no resettlement of people.	
2. Strategy to address the impacts. Any required land acquisition will be addressed during the formulation of slum upgrading plans. Community members can chose to donate or sell land. Under the new site development output, the participating local governments will own the land (land titles are a precondition for financing under the project).	
3. Plan or other actions.	
<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan
<input checked="" type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix
<input type="checkbox"/> No action	
B. Indigenous Peoples	
Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI	
1. Key impacts. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
No indigenous peoples were identified as residing within the targeted project areas. Thus the project is not expected to have impacts on indigenous peoples.	
2. Strategy to address the impacts. As no indigenous peoples will be impacted, no strategy was developed.	
3. Plan or other actions.	
<input type="checkbox"/> Indigenous peoples plan	<input type="checkbox"/> Combined resettlement plan and indigenous peoples plan
<input type="checkbox"/> Indigenous peoples planning framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework
<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary
<input type="checkbox"/> Social impact matrix	
<input checked="" type="checkbox"/> No action	
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
1. Relevance of the project for the country's or region's or sector's labor market.	
<input type="checkbox"/> unemployment <input checked="" type="checkbox"/> underemployment (low or not significant) <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards	
2. Labor market impact. The project will create temporary jobs for the urban poor living in slums. Given the nature and complexity of the civil works, the project is not expected to impact the labor market.	
B. Affordability	
The poor may have difficulty accessing houses in the new sites due to high prices and the need to provide advance payment (a condition imposed by commercial banks for the signing of loan agreements). The project will encourage, as much as possible, local governments to fully finance or subsidize the cost of land, thus reducing the cost of houses. The project will select only commercial banks that offer the lowest interest rates and advance payments (if possible, no advance payments). In coordination with related government agencies (e.g., the Ministry of People's Housing), the financing scheme will be combined with government programs, such as interest rate subsidies.	
C. Communicable Diseases and Other Social Risks	
1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA):	
<input type="checkbox"/> Communicable diseases (L) <input type="checkbox"/> Human trafficking (NA)	
<input type="checkbox"/> Others (please specify) _____	
2. Describe the related risks of the project on people in the project area. The project is not expected to expose people to risks, but rather to improve the environment and reduce the incidence of communicable diseases (e.g., diarrhea).	
VI. MONITORING AND EVALUATION	
1. Targets and indicators. Targets are set for women to have equal opportunities for access to project benefits and participation in community mobilization and facilitation activities.	
2. Required human resources. The project will finance central, district, and community gender specialists to ensure achievement of the targets.	
3. Information in PAM. The PAM outlines the main poverty, social, and gender issues and includes a gender action plan.	
4. Monitoring tools. These include quarterly progress reports, review missions' memorandums of understanding, and the project monitoring and information system.	