



Initial Poverty and Social Analysis

Project Number: 47937
June 2014

INO: Rantau Dedap Geothermal Development Project (Phase 1)

An initial poverty and social assessment (IPSA) is prepared in the early stage of the project cycle to assess the significance of social issues for a project. In accordance with ADB's public communications policy (PCP, 2005), the IPSA is disclosed upon completion. The final summary social assessment is included as an appendix to the project's report and recommendation of the President.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	Rantau Dedap Geothermal Development Project (Phase 1)
Lending/Financing Modality:	Project	Department/ Division:	Private Sector Operations Department / Infrastructure Finance Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Indonesia's National Medium-Term Development Plan (RPJMN), 2010–2014 highlights the country's need to diversify its energy sources, maximize renewable energy such as geothermal and hydropower, and minimize reliance on low-efficiency coal-fired plants. Included in the Main National Development Targets of the RPJMN is the increased use of geothermal power stations, to reach 2,000 megawatts (MW) in 2012 and 5,000 MW in 2014. The project fully supports the energy targets set in the RPJMN. By enabling deployment of concessional financing during the high-risk phase of initial geothermal resource exploration, the project will be instrumental in overcoming key financing and development hurdles in Indonesia's geothermal sector. Based on the success of Phase 1, the project will achieve commercial financing for Phase 2 (steamfield development and power plant construction).

The project is in line with the strategic pillars of inclusive growth and environmental sustainability in the country partnership strategy, 2012–2014 (CPS) of the Asian Development Bank (ADB) for Indonesia, which prioritize projects that develop and promote renewable energy. The project is also consistent with the CPS summary energy sector assessment, which states that for every 1% increase in gross domestic product, electricity demand will increase by about 2%, making the country's growth prospects contingent on increasing access to reliable sources of energy. The CPS also recognizes the importance of private sector development for ensuring access to finance for clean energy, and for adequate energy infrastructure.

B. Targeting Classification:

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

Phase 1 constitutes the initial geothermal resource exploration, involving the drilling of wells across well pads to better ascertain steam reservoir characteristics and capacity. A separate phase 2 project will follow to complete drilling of production and injection wells, and power plant construction. The successful completion of phase 1 activities will help address the country's immediate and urgent need to increasing access to reliable energy sources with involvement of the private sector, and contribute to economic growth. The project will generate employment both direct (during Phase 1 and the subsequent stages) and indirect (promotion of local businesses and other opportunities) and help improve incomes of people in surrounding areas.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The Rantau Dedap geothermal prospect is located in the Muara Enim, Lahat Regencies and Pagar Alam City of South Sumatra, approximately 225 km from Palembang, the capital city of the South Sumatra province. The population in the project area largely relies on coffee plantations. While unemployment rates in the districts are not very high (at 5.40% in Muara Enim and 4.44% in Lahat in 2009), underemployment is prevalent in agriculture and jobs are limited in industry. The project area also lacks basic health, education, and infrastructure facilities. The project will generate jobs and provide additional income sources for the community. The due diligence will explore opportunities to manage social issues and bring together the interests of the borrower with the interest of local communities. Opportunities to enhance the skill levels and capacities of the local communities through targeted skills development program will be developed in consultation with the borrower.

2. **Beneficiaries.** While the opportunities for employment generation to the local communities during the exploration phase are expected to be limited, the project will benefit people in the surrounding areas. In addition to the employment opportunities created during the exploratory phase, the borrower will identify opportunities to manage maximize project benefits (including infrastructure creation and community development measures) through working with the communities, affected persons, village institutions and local governments.

2. Impact channels and expected systemic changes.

The project will work out measures to maximize benefits to the local population and surrounding communities, with active participation of the affected communities, village leaders and representatives apart from the local government agencies.

3. Focus of (and resources allocated in) the PPTA or due diligence.

Consultancy and staff resources are allocated to conduct an audit and due diligence for safeguards and other social dimensions.

4. Specific analysis for policy-based lending. Not Applicable.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? The exploration phase offers limited opportunities for inclusion of specific gender measures, apart from the employment of women by the borrower and the contractor during construction. The due diligence will explore the incorporation of gender measures in the subsequent project stages in consultation with the Borrower.

2. Does the proposed project or program have the potential to make a contribution 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?

Yes No Please explain.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Please explain

4. Indicate the intended gender mainstreaming category:

GEN (gender equity theme) 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 project stakeholders apart from the affected people and the local communities include local government agencies, village institutions, leaders and elected representatives at village and regency levels, and nongovernment organizations (NGOs).

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?

The proposed social safeguards audit will assess the current stakeholder participation mechanism and will provide guidance on how consultation and participation with various stakeholders including communities and civil society organizations will be undertaken during the project implementation.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

Information generation and sharing Consultation Collaboration Partnership

While no major civil society organizations have been active in the project area, opportunities and mechanisms for participation of the civil society organizations in project design will be discussed with the borrower during due diligence.

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

Participation of the poor and vulnerable, especially the affected persons whose lands have been acquired, is important. The social safeguards compliance audit and the corrective action plan will propose measures to ensure participation of the communities, especially the poor and vulnerable.

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 affects 108.5 hectares of land owned or occupied by 153 households. Preliminary discussions with the sponsor regarding the land acquisition for the project informs that the sponsor has acquired 100% of that land through negotiated settlements and that there will be no physical displacement of housing or commercial assets. A social safeguards compliance audit to verify whether the actions taken up are compliant with the requirements of the Safeguards Requirement 2 on Involuntary Resettlement will be carried out.

2. What action plan is required to address involuntary resettlement as part of the PPTA 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

The two subdistricts in which the project activities are proposed—Kota Agung (Lahat Regency) and Semendo Darat Ulu (Muara Enim Regency)—are mainly occupied by the Semendo ethnic group. While the exploration activities are proposed on forest land that the Semendo communities have used for coffee plantation since the 1980s, construction of the access road occurs on private land. The due diligence and the social safeguards compliance audit will confirm whether impacts on Semendo ancestral land or on land with customary and traditional rights are expected. Based on the audit findings, the due diligence will agree with the borrower, the need for an action plan for community development, especially for the affected population, to boost livelihood opportunities and employment in the project.

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the PPTA 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 Labor retrenchment
 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 _____

The due diligence will take forward the following social issues: (i) creation of employment opportunities for locals during construction, through provisions in the agreements with civil works contractors and subcontractors; and (ii) adherence to core labor standards by the Borrower and monitoring of the compliance by the contractors, subcontractors.

2. How are these additional social issues and risks going to be addressed in the project design?

ADB will require the Borrower and their contractors and subcontractors to comply with the national labor laws and will take measures to adhere to the internationally recognized core labor standards in compliance with ADB's Social Protection Strategy (2001). ADB will require the Borrower to report on (i) the employment opportunities provided to the local communities, especially the affected persons, (ii) progress on the development of the skill development program and (iii) capacity building and training initiatives proposed to enhance the skill set of the local communities.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA or due diligence process to better analyze (i) poverty and social impact; (ii) gender impact, (iii) participation dimensions; (iv) social safeguards; and (vi) other social risks. Are the relevant specialists identified?

Yes No

3. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social and/or gender analysis, and participation plan during the PPTA or due diligence?

The Borrower shall appoint consultants to conduct a compliance audit on the process adopted with respect to (i) involuntary resettlement and indigenous peoples safeguards, and (ii) social protection and gender requirements. Based on the audit findings the consultants shall prepare a corrective action plan to ensure compliance with ADB requirements.