

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Program Title:	Sumatra Power Grid Strengthening Program
Lending/Financing Modality:	Results-based lending	Department/Division:	Southeast Asia Department Energy Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Indonesia's ability to harness and manage sustainable energy sources is a critical prerequisite for the country to continue on its growth trajectory. Having realized that the energy sector may well become an impediment to the country's future economic prospects, the government is refocusing its efforts on the sector. Accordingly, one of the priorities in the Government of Indonesia's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional, or RPJMN*) 2015–2019, which is committed to reduce poverty rates to 7%-8% by 2019, is to enhance domestic energy security. Measures to achieve this include expanding energy infrastructure and investments, increasing energy efficiency and energy accessibility, diversifying the energy mix with new and renewable energy sources, reducing greenhouse gas emissions and increasing private sector participation.

The program is also aligned with the priorities of ADB's country partnership strategy 2015–2019 for Indonesia and the draft energy sector assessment, strategy, and road map, both of which are being finalized. Furthermore, ADB recently developed an energy sector white paper which supports the RPJMN. The program is in line with ADB's *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*, which emphasizes the need for inclusive economic growth and infrastructure development.

B. Poverty Targeting

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

The program will provide more sustainable and inclusive access to electricity and foster the country's efforts to increase the sustainable economic growth and alleviate poverty.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

Indonesia's national electrification ratio is low relative to its neighbors in Southeast Asia. More than 40 million people, or about 16% of the nation's population, continue to lack access to modern forms of energy in 2014. In many small power markets, supply is limited to few hours a day. Moreover, nearly every second household in Indonesia depends on solid fuels for cooking, causing indoor air pollution. Sumatra accounts for about 25% of Indonesia's gross domestic product (GDP) and has the second-largest electricity system in the country with an installed capacity of about 6,000 megawatts (MW) in 2013. Northern Sumatra is continuing to see power shortages (with an average deficit of 250 MW) and outages. The distribution network has begun to deteriorate for lack of upkeep, and it is reported that several areas—particularly those with high load densities—are facing regular overloading and unreliability issues. The government's plans to improve access to electricity and increase electrification ratio around the country are already tightening pressure on the country's already stretched distribution capacity, urgently requiring heavy network investment to ensure that additional generation capacity can actually translate into the delivery of more and better quality supply to consumers.

The primary beneficiaries of the program will be the 1.7 million new customers connected to the distribution grid - these will benefit from having electric lighting and the ability to connect small appliances such as television, rice cookers, hot water jugs and the like. At the same time children will be able to read and study in the evenings and their health environment improved with the elimination of kerosene lamps and open fires. Schools and health centres in villages can also benefit from connection to electricity, especially with the ability to use refrigeration for storage of medicines. All existing customers (11.179 million in 2014) in Sumatra are expected to also benefit from the improved power reliability and quality of supply.

2. Impact channels and expected systemic changes.

The relationship between energy and poverty is a vicious cycle in which people who lack access to cleaner and affordable energy are often trapped in a re-enforcing cycle of deprivation, lower incomes and the means to improve their living conditions while at the same time using significant amounts of their very limited income on expensive and unhealthy forms of energy that provide poor and/or unsafe services.

The program will enhance the quality of life in Indonesian society by the sustainable use of electricity as a key driver of increased economic activity by achieving the adequacy and reliability of power supply for Sumatra.

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

In coordination with PLN, assessments will be undertaken which will include (i) the viability of results-based lending (RBL) modality; (ii) technical aspects including design, quality, quantity, and unit costs; (iii) financial and economic feasibility; (iv) country systems for environmental and social safeguards; (v) fiduciary aspects including fund flow mechanisms, program reporting, and disbursement-linked indicators (DLI) verification; and (vi) country procurement systems. Other aspects which may be considered relevant to the program will also be assessed.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this program or program?

Women have an important role for domestic activities including cooking and arrangement of wood or other alternative fuel for cooking and lighting. Women have also capacity to meet their families' basic needs through income-earning activities. Reliable, sustainable, and affordable supply of electricity will significantly reduce the time and effort spent by women for domestic activities by reducing the labor required to obtain and use other fuels, and increase time for income-generating activities, family and leisure. In addition, women running home industries, businesses, and other enterprises might experience lower production costs and increased revenue. Therefore, energy provision is a critical input for improvement of women's life.

2. Does the proposed 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

While energy provision is identified as a critical input for improvement of women's life, the program aims at improvement of the infrastructure for the electricity to be supplied to the population in Sumatra irrespective of gender, and benefits will be generalized allowing very little opportunity for gender design features. Therefore, it is not foreseen that the program will specifically promote gender equality or empowerment of women.

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

Yes No

Strengthening of the power transmission and distribution networks in Sumatra will impact positively on the population as a whole in a generalized manner, but will not have a direct gender impact nor widen gender inequality.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the program, including beneficiaries and negatively affected people? Identify how they will participate in the program design.

Main stakeholders are the State Electricity Corporation (PLN or Perusahaan Listrik Negara) which is the executing and implementing agency of the program, the national government, local governments, private sector such as power companies, and independent power producers, as well as industrial and commercial establishments, and residential households. They are all potential beneficiaries resulting from a strengthened power grid in Sumatra.

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the program design require participation of the poor and excluded?

The stakeholders will be consulted through meetings, interviews and surveys in order to increase awareness about the program and seek inputs to the program. Consultation with the poor, vulnerable and excluded groups will focus on issues associated with environment, involuntary resettlement, if any, and other social issues that may affect them.

3. What are the key, active, and relevant civil society organizations (CSOs) in the program area? What is the level of CSO participation in the program design?

Information gathering and sharing Consultation Collaboration Partnership

Because the social benefits of the program are primarily indirect, CSOs relevant to social impact and development will have a limited role in the program; if any such CSOs express interest in being involved, the program will ensure that information flows are fully transparent and will seek their advice as appropriate.

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

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C

1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

Reconductoring of existing transmission lines might require removal of trees and crops for access roads.

The program's activities related to extension of substations, installation of reactors and capacitors, and expansion of switchgear will take place in the existing substations' premises already owned and managed by PLN, and will not require any involuntary resettlement. Those activities which require land acquisition, if any, will be excluded from the program.

The expansion of the distribution network usually involves (i) the installation of concrete poles using no more than 0.2 m² of land (mostly government's land beside the roads) and (ii) the stringing of conductors possibly requiring the cutting/trimming of trees. Impacts of involuntary resettlement will be identified during program implementation.

2. What actions are required to address involuntary resettlement as part of the PPTA or assessment process?

Program safeguard system assessment and actions None

B. Indigenous Peoples Category A B C

1. Does the proposed program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

The island of Sumatra is inhabited by a variety of ethnic groups with diverse languages, however, none of the program's activities is expected to have impacts on indigenous peoples.

All the existing substations in Sumatra are not located in an area (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain. While the general areas are known, the program's subprojects' sites for the expansion of the distribution network have not been selected and will be determined during program implementation. The program will exclude activities in an area (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

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

4. What actions are required to address risks to indigenous peoples as part of the PPTA or the program assessment process? Program safeguard system assessment and actions None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the program 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 _____

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

- (a) Creating decent jobs and employment: the proposed RBL program will contribute to the national economy through and generate additional employment as a result of expanded supply and reliability of electricity supply. Factories will be able to operate with greater certainty, for more hours per day, thereby increasing productivity;
(b) affordability: the program will support the government's medium term plan to expand access to electricity nationwide.

VI. PPTA OR ASSESSMENT RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or program assessments) contain key information needed to be gathered during PPTA or the program assessment 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?
 Yes No

2. What resources (e.g., consultants, survey budget, and budget for workshop(s)) are allocated for conducting poverty, social and/or gender analyses, and participation plan during the PPTA or the program assessments?

Two social safeguards specialists (one international specialist and one national specialist) will be engaged to conduct the country system's assessment and prepare a program safeguard system assessment report. Initial and summary poverty and social assessment will also be completed by the experts.