

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Indonesia	Program Title:	Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program
Lending Modality:	Results-based lending for programs	Department/ Division:	Southeast Asia Department Energy Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: Targeted intervention—geographic

A. Links to the National Poverty Reduction and Inclusive Growth 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 current growth trajectory. Having realized that the energy sector may impede the country's future economic prospects, the Government of Indonesia is refocusing its efforts on the sector. Accordingly, one of the priorities in the government's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah* [RPJMN]), 2015–2019, which aims to reduce poverty rates to 7%–8% by 2019, is to enhance domestic energy security. Measures to achieve this include expanding energy infrastructure and investment, increasing energy efficiency and accessibility, diversifying the energy mix with new and renewable energy sources, reducing greenhouse gas emissions, and increasing private participation.

The program is also aligned with the priorities of the country partnership strategy, 2016–2019 of the Asian Development Bank (ADB) for Indonesia, and the energy sector assessment, strategy, and road map. Furthermore, ADB recently developed an energy sector white paper that supports the RPJMN, 2015–2019. 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. Results from the Poverty and Social Analysis during Assessments of the Program and its Systems

1. Key poverty and social issues.

Indonesia's national electrification ratio of 84% is low relative to its neighboring countries in Southeast Asia. About 42 million people lacked access to electricity in 2014, and in many small power markets, supply is limited to a few hours a day. Moreover, almost 50% of households in Indonesia depend on solid fuels for cooking, causing indoor air pollution.

One of the pillars of the government's infrastructure investment plan is to improve access to electricity services significantly, including a nationwide target of adding 35 gigawatts of new power generation capacity and expanding power grids to raise the electrification ratio to 97% by the end of 2019. The biggest challenge in meeting these targets is found in Eastern Indonesia where power grids across the islands are isolated, of poor quality, and underdeveloped. Electrification ratios in some eastern provinces are particularly low—74% in West Sulawesi, 67% in Southeast Sulawesi, 68% in West Nusa Tenggara, 59% in East Nusa Tenggara, and 44% in Papua.

2. Beneficiaries.

The primary beneficiaries of the program will be the new customers connected to the distribution grid—these will benefit from having electric lighting and the ability to connect small appliances such as televisions, rice cookers, and hot water jugs. At the same time, children will be able to read and study in the evenings and the health of their environment will be improved through the elimination of kerosene lamps and open fires. Schools and health centers in villages can also benefit from connection to electricity, especially the ability to use refrigeration to store medicines and vaccines.

3. Impact channels.

The relationship between energy and poverty is a vicious cycle in which people who lack access to clean and affordable energy are often trapped in reinforced circumstances of deprivation, lower incomes, and the means to improve their living conditions while at the same time using significant amounts of their very limited incomes 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 through the sustainable use of electricity as a key driver of increased economic activity by making the power supply in Nusa Tenggara and Sulawesi adequate and reliable.

4. Other social and poverty issues.

The government is calling for expanding the country's power generation capacity by an additional 35 gigawatts from 2015 to 2019 to bolster economic growth and alleviate existing grid constraints. The State Electricity Corporation (*Perusahaan Listrik Negara* [PLN]), the program executing and implementing agency, is a 100% state-owned enterprise and vertically integrated monopoly that enjoys close government involvement in budgeting,

<p>capital expenditure plans and decisions, and coordinating the supply of primary energy for power generation (i.e., coal, gas, and oil). The government also supports PLN's capital investments through government guarantees, converting some of the company's debt to equity, debt restructuring, and subsidies.</p> <p>5. Design features.</p> <p>The program aims to support the development of electricity distribution networks to connect businesses and households, and to enhance the quality of life in Eastern Indonesia through the sustainable use of electricity as a key driver of increased economic activity. The program will complement a proposed sector loan for small- to medium-sized natural gas-fired power stations to deliver more sustainable energy services to communities across Eastern Indonesia. Natural gas is a much cleaner fuel than diesel, and the quick-responding nature of gas-fired engines and turbines makes them a good match for intermittent renewable energy sources such as solar and wind. Thus, it is an appropriate "transition fuel" in the move towards a low-carbon energy system.</p>
<p>II. PARTICIPATION AND EMPOWERING THE POOR</p>
<p>1. Participatory approaches and proposed program activities.</p> <p>The stakeholders will be consulted through meetings, interviews, and surveys in order to increase awareness of and seek inputs to the program. Consultations with poor, vulnerable, and excluded groups will focus on issues associated with the environment, involuntary resettlement (if any), and other social issues that may affect them.</p> <p>2. Civil society organizations.</p> <p>Because the program's social benefits are primarily indirect, civil society organizations (CSOs) will play a limited role; if any CSOs express interest in being involved, the program will ensure that information flows are fully transparent and will seek their advice as appropriate.</p> <p>3. Forms of civil society organization envisaged during program implementation.</p> <p><input type="checkbox"/> Information gathering and sharing <input type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>4. Participation plan.</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>
<p>III. GENDER AND DEVELOPMENT</p>
<p>Gender mainstreaming category: No gender elements</p>
<p>1. Key issues.</p> <p>Women play an important role in domestic activities, including cooking and the acquisition of wood or other alternative fuels for cooking and lighting. Women can also meet their families' basic needs through income-earning activities. A reliable, sustainable, and affordable electricity supply will significantly reduce the amount of time and effort spent by women in domestic activities by reducing the labor required to obtain and use other fuels, and provide them with more time to devote to 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 to improve women's lives.</p>
<p>2. Key actions.</p> <p>The program aims to improve the infrastructure for electricity to be supplied to the population in Nusa Tenggara and Sulawesi 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 the empowerment of women.</p> <p><input type="checkbox"/> Gender actions <input type="checkbox"/> Other actions or measures <input checked="" type="checkbox"/> No action or measure</p>
<p>IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</p>
<p>A. Involuntary Resettlement</p> <p>Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C</p> <p>1. Key impacts.</p> <p>The program's impacts are not deemed significant. The expansion of the distribution network will require (i) the use of no more than 0.2 square meters (m) of land for the installation of concrete poles; (ii) the possible removal of non-land assets (primarily trees) for the stringing of conductors; and (iii) about 4.5 square m (1.5 m x 3 m) of land for the installation of pole-mounted transformers on two utility poles.</p> <p>2. Strategy to address the impacts.</p> <p>The safeguard program actions include (i) monitoring the resettlement outcomes and their impacts on the living standards of displaced persons by reviewing complaints received and conducting consultations with the community, and (ii) implementing necessary actions if the impacts are found to affect the income and livelihood status of the affected persons.</p>

<p>3. Actions <input checked="" type="checkbox"/> Program safeguard systems improvements <input type="checkbox"/> No action</p>
<p>B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C</p> <p>1. Key impacts. Nusa Tenggara and Sulawesi are inhabited by a variety of ethnic groups with diverse languages. Some of the land used for the program is owned by indigenous peoples. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. The safeguard program actions include the strengthening of meaningful consultation. PLN will issue a guidance on meaningful consultation, which ensures the participation of indigenous peoples in tailoring project benefits for affected indigenous communities in a culturally appropriate manner.</p> <p>3. Actions <input checked="" type="checkbox"/> Program safeguard systems improvements <input type="checkbox"/> No action</p>
<p>V. ADDRESSING OTHER SOCIAL RISKS</p>
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the program for the country's, region's, or sector's labor market. <input checked="" type="checkbox"/> unemployment <input checked="" type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards</p> <p>2. Labor market impact. The program will contribute to the national economy by creating decent jobs and employment as a result of an expanded and more reliable supply of electricity. Markets, factories, offices, hotels, and restaurants will be able to operate with greater certainty, for more hours per day, thereby increasing productivity.</p>
<p>B. Affordability It is acknowledged that Indonesia's dispersed geography and population increases the costs of providing energy access. This is the rationale for the program's support for the RPJMN, 2015–2019, which aims to expand access to electricity nationwide, promote regional power trading and cross-border interconnections, and set electricity prices at levels that promote investments in the sector. The program will not result in the exclusion of people due to energy price mechanisms.</p>
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking <input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in program area. Population mobility and urbanization contribute to the spread of diseases such as HIV/AIDS, malaria, dengue, typhoid, and respiratory and neurological diseases, which are threats due to their potential to become epidemics and pandemics that severely affect poor people, both medically and economically.</p>
<p>VI. MONITORING AND EVALUATION</p>
<p>1. Targets and indicators. The design and monitoring framework stipulates that the program will increase the number of PLN customers in Nusa Tenggara and Sulawesi by at least 5.6% each year from the 2015 baseline of 5.3 million customers, thereby increasing the population's access to electricity. This will increase economic activities that generate employment.</p> <p>2. Required human resources. PLN will appoint focal persons at its headquarters and regional offices and units in Nusa Tenggara and Sulawesi to implement the program's safeguards activities.</p> <p>3. Information in the program implementation document. The implementation document will capture the DLIs and progress of safeguards-related actions.</p> <p>4. Monitoring tools. The safeguards focal persons at the regional offices and units will monitor the implementation of safeguards-related actions and periodically report the results to headquarters.</p>

Source: Asian Development Bank.