

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	Muara Laboh Geothermal Power Project
Lending/Financing Modality:	Nonsovereign loan. Project finance	Department/ Division:	Private Sector Operations Department / Private Sector Infrastructure Division 2

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project will contribute to the objectives of Indonesia's National Energy Policy (2014). The project is prioritized under the long-term power development plan of Perusahaan Listrik Negara (PLN), the national power utility, and is also part of the third accelerated development program for the power sector launched by the Government of Indonesia in 2015. The project is aligned with Strategy 2020 of the Asian Development Bank (ADB) by promoting environmentally sustainable growth and private sector development through the expansion of geothermal baseload power generation.^a The project will displace and offset greenhouse gas emissions generated by coal-fired or diesel-fired power stations. The project is also consistent with the Strategy 2020 Midterm Review's recommendations and ADB's 2015 interim country partnership strategy for Indonesia by supporting the expansion of infrastructure and environmentally friendly technologies for clean energy generation and energy efficiency.^b

B. Targeting Classification:

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

The project 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 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 project is located at the southern end of Kecamatan district in the Pauh Duo subdivision, which is one of seven civil subdivisions of Solok Selatan Regency. Pauh Duo has a population of around 15,000 people, or about 10% of the regency's population. The business opportunities in the area are limited because low availability of infrastructure. Most farmers are subsistence farmers, and only a small part of crop production is sold in the market. 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, PT. Supreme Energy Muara Laboh (SEML). 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, traditional institutions and representatives apart from the local government agencies.

2. Impact channels and expected systemic changes.

The borrower, will be expected to prioritize the local labor force for any positions they are qualified for. In addition to the employment opportunities created during the construction 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.

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

Consultancy and staff resources are allocated to conduct an audit of safeguards and other social dimensions.

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 environmental and social compliance audit will assess the gender measures taken up by SEML till date. Gender issues expected to be relevant to the project design include (i) involvement of women members in all key consultations and negotiation meetings for land procurement, (ii) payment of compensation through joint bank accounts of husband and wife and, (iii) provision of opportunities by SEML and its contractors, without discrimination, for the engagement of local women in construction activities. The due diligence will also explore in consultation with the borrower, opportunities for increased participation of women in non-agriculture sector employment opportunities.

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

The direct benefits are expected to be (i) gender equality in compensation and land procurement process, (ii) employment opportunities to women during construction and the operation. The due diligence will further explore and discuss these opportunities with the borrower.

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

Yes No

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 persons due to land procurement for the project and the local communities will include local government agencies, village institutions, leaders and elected representatives at village and regency levels, and nongovernment organizations (NGOs). Based on preliminary information available, the borrower has been engaged in stakeholder consultations and social mobilization since 2011 and has carried out extensive stakeholder consultations. This will be verified as part of the social safeguards compliance audit and confirmed during the due diligence. The due diligence will also include guide the preparation of a stakeholder engagement plan to ensure meaningful stakeholder participation during subsequent project stages.

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 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. These findings will be incorporated in the stakeholder engagement plan for the project, and ensure a systemic engagement of engaging stakeholders and beneficiaries, especially the poor and vulnerable sections of the population.

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?

[M] Information generation and sharing [M] Consultation Collaboration Partnership

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

The borrower's land procurement and negotiations procedures will be assessed during due diligence to ensure that any asymmetry in price negotiations, especially with poor and vulnerable landowners does not result in adverse social or economic impacts. The existing procedures adopted will be assessed as part of the social safeguards compliance audit and corrective actions will be discussed and agreed with the borrower to ensure effective and meaningful participation of 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

Preliminary information from the borrower indicates that all land required for the project will be state-controlled land, categorized as free lands, that has been formerly part of a tea plantation run by Peconina Corporation, which ceased operations upon expiry of their cultivation rights in the late 1990s. After the closure of the tea plantation, local communities in the vicinity began cultivating the area by planting rice, oranges, and coffee. The borrower has acquired 100% of lands required for the project through negotiated settlements and physical displacement of housing or commercial assets is not envisaged.

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

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. Corrective actions, as required will be

identified and agreed upon with the borrower during the due diligence.

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

Information provided by the borrower on the profile of the communities in the project area indicates that (i) the households using the project area are not native to the project area and have moved into the area after the closure of the tea plantation in the 1990s, (ii) none of the households maintains collective attachments or claims the project area as their ancestral territories, (iii) the project area is not recognized as traditional land or land with customary rights, and is not claimed or owned by the Minang households occupying the area for cultivation purposes, and (iv) the Minang households do not have a collective attachment or rights in the project area, and do not qualify for consideration as a distinct, vulnerable social and cultural group. These will be further assessed as part of the social safeguards compliance audit and confirmed during the due diligence.

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 due diligence and the social safeguards compliance audit will verify and confirm whether impacts on Minang ancestral land or on land with customary and traditional rights are expected.

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

This will be further assessed as part of the social safeguards compliance audit and confirmed during the due diligence. Any action plans, if required to address impacts on indigenous peoples will be prepared.

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

[L] Creating decent jobs and employment [M] Adhering to core labor standards [L] 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 and risks anticipated in the project: (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 all contractors, subcontractors for the project.

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

The borrower's existing procedures will be assessed for compliance with the national labor laws and core labor standards. Deployment of qualified staff to monitor the social issues and risks, including compliance to labor standards will be discussed and agreed with the borrower during due diligence.

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 (v) other social risks. Are the relevant specialists identified?

Yes No

The terms of reference for the social safeguards compliance audit include the requirements to carry out social and poverty analysis in addition to social safeguards risks.

2. 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 scope of works for environment and social assessments include deployment of social development specialists to carry out the social, poverty and gender analysis.

^a ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila; and ADB. 2015. *Indonesia: interim country partnership strategy*. Manila.

^b ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.