



Initial Poverty and Social Analysis

Project Number: 50227-001
September 2016

REG: Distributed Energy Storage Solutions Project

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 FAST report.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

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| Country: | Regional | Project Title: | Fluidic Incorporated Distributed Energy Storage Solutions |
| 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

The transaction involves an equity investment of up to \$5 million in Fluidic Incorporated (Fluidic, the investee), a privately-owned, provider of distributed energy storage solutions established in 2006. Investment proceeds will support the upgrade, retooling and capacity expansion of the Indonesian production and assembly plant to the demand of Fluidic's growing order book in 2016-2017, as well as associated increase in research and development, field support, customer management and business development. The investment is closely aligned with ADB's Strategy 2020, which aims to reduce poverty and improve living conditions and quality of life by scaling up private sector development and supporting environmentally sustainable models through projects that reduce greenhouse gas emissions and tackle climate change challenges. ADB's country partnership strategies for various ADB DMCs (including target DMC, Indonesia) echo the themes of the energy policy, including the promotion of energy security and environmentally sustainable economic development.

B. Poverty Targeting

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

ADB's Energy Outlook for Asia and the Pacific 2010-2035, projects energy demand in the region to double by 2030. The project is pro-poor and inclusive in that it will contribute in providing low-cost, reliable and safe energy storage in the region, consistent with ADB's Energy Policy which supports wider access to energy through investments in energy efficiency and renewable energy projects.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Fluidic currently targets two market segments: (i) telecom tower power systems, and (ii) storage systems for rural electrification of remote villages. Fluidic supplies to Indosat, the leading telecom operator in Indonesia as well as to all remaining telecom operators in the country. It is also engaged with the government of Indonesia for rural electrification. Fluidic also has a presence in other countries in Southeast Asia, as well as Africa and Latin America.

2. Impact channels and expected systemic changes. The investment will support the development of wider access to low-cost, reliable, and safe energy storage in remote rural villages. Fluidic's clean technology offers advantages over traditional batteries as it has a longer life, higher ambient temperature operating range, deeper depth of discharge and lower total cost of ownership. Universal electrification will largely depend on government initiatives and policies on both grid and off-grid connection. In Indonesia, Fluidic is exploring a partnership with the government to implement the "500 Island Project" which will provide electricity to more than 1.5 million people and will help the Indonesian Government achieve its rural electrification targets faster than otherwise possible. Together with machinery and equipment company Caterpillar and Indonesia's state-owned electricity company, PT Perusahaan Listrik Negara, Fluidic will provide reliable and renewable based electricity to 500 remote villages and islands, utilizing more than 35MWp of photovoltaic panels and in excess of 250 MWh of energy storage.

3. Focus of (and resources allocated in) the due diligence. Due diligence will focus on opportunities for Fluidic to contribute to poverty alleviation in Indonesia through increased employment and deployment of its distributed energy storage solutions to rural electrification projects and telecommunications systems.

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 most relevant gender issue to the project is access to electricity, especially in remote rural villages, which greatly reduces domestic labor requirements and contributes to the improvement of the quality of life of women who are often assigned domestic roles. The project will support expansion plans of Fluidic, which will explore partnership with government to support initiatives to provide universal electrification through off-grid connection. Fluidic's expansion will also increase employment opportunities for women at its plant in Indonesia.

2. Does the proposed project 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 Fluidic complies with relevant national policies on the promotion of women in the workplace. Due diligence will however investigate the potential for further contributions to the promotion of gender equity.

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| <p>3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The proposed investment is unlikely to have an adverse impact or widen gender inequality.</p> <p>4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input checked="" type="checkbox"/> NGE (no gender elements)</p> |
| III. PARTICIPATION AND EMPOWERMENT |
| <p>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 main stakeholders of the proposed investment are employees of Fluidic's expanded operation in Indonesia, users of Fluidic electricity storage hardware and customers of telecommunications companies and electricity utilities that will benefit from the use of efficient and cheaper distributed energy storage solutions.</p> <p>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? Fluidic invites representatives from the local community (e.g. community leaders and head of neighborhood) to its Bogor facility on an annual basis. The purpose of the meeting is to provide an opportunity for representatives to discuss the facility, CSR activities and register any grievances.</p> <p>3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization (CSO) participation in the project design? Due diligence will ascertain the presence of any CSOs with interests in Fluidic but initial documentation indicates there are none. <input checked="" type="checkbox"/> L Information generation and sharing <input type="checkbox"/> NA Consultation <input type="checkbox"/> NA Collaboration <input type="checkbox"/> NA Partnership</p> <p>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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No As the project is a proposed investment in a battery manufacturing and installation solutions company, there is no opportunity for participation of the poor and excluded in its design however due diligence will investigate pro-poor and inclusive design potential in Fluidic's planned future subprojects.</p> |
| IV. SOCIAL SAFEGUARDS |
| A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI |
| <p>1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Both plant facilities in Bogor and Scottsdale have lease contracts entered on a willing lessor – willing lessee basis. Due diligence will ensure that Fluidic is able to adopt an ESMS compliant with ADB SPS prior to initial subscription to ensure compliance across its operations.</p> <p>2. What action plan is required to address involuntary resettlement as part of the PPTA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> |
| B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI |
| <p>1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Ethnic minorities reportedly residing near the project facilities in Bogor and Scottsdale have adopted general customs and practices of each local area. Due diligence will confirm that the proposed investment presents no risks or impacts to any currently unaccounted for distinct or vulnerable groups. Given the investee's expansion plans, due diligence will ensure that Fluidic is able to adopt an ESMS compliant with ADB SPS prior to initial subscription to ensure compliance across its operations.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>4. What action plan is required to address risks to indigenous peoples as part of the PPTA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social Impact matrix <input checked="" type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> None</p> |
| V. OTHER SOCIAL ISSUES AND RISKS |
| <p>1. What other social issues and risks should be considered in the project design? <input checked="" type="checkbox"/> L Creating decent jobs and employment <input checked="" type="checkbox"/> L Adhering to core labor standards <input type="checkbox"/> Labor retrenchment <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify</p> <p>2. How are these additional social issues and risks going to be addressed in the project design? During due</p> |

diligence, the investee's human resources policy and plans for local employment during expansion will be assessed to ensure maximum potential benefits can be delivered to the local community. As the investee is an operational company with a strong performance record in employment of staff and contractors, policies and procedures will be reviewed to determine any opportunity to deliver longer-lasting benefits.

VI. DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the due diligence contain key information needed to be gathered during 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 ADB and its co-financier Asia Climate Partners (ACP) have developed terms of reference for an environmental and social due diligence audit that addresses SPS and other policy requirements.

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 due diligence? The investee has agreed to a site inspection at its facilities in Bogor and Scottsdale and an audit report will inform poverty, social and gender analysis. Due diligence will also establish that the investee has the technical capacity to successfully implement its expansion plans to achieve its financial projections and therefore deliver on social benefits and protection commitments.