



Initial Poverty and Social Analysis

February 2018

INO: Rantau Dedap Geothermal Power Project – Phase 2

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	Rantau Dedap Geothermal Development Project – Phase 2
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

One of the infrastructure gaps identified in the Asian Development Bank's Indonesia Country Partnership Strategy (CPS), 2016-2019^a is the inadequate supply of reliable energy which negatively affects the people's quality of life and discourages private investment. The government of Indonesia's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah* [RPJMN]), 2015–2019 focusses on meeting massive investment needs in infrastructure development including increase of power generation and targets electricity access to be 96.6% to 100% by 2019.^b The project is aligned with ADB's Indonesia CPS, 2016-2019 priority area on improving infrastructure services. ADB will contribute to improving energy supply and access through support to better policies, institutional arrangements, and strategic investment programs. The project is also consistent 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.^c

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs

The project will help address the country's immediate and urgent need to increasing access to reliable energy sources and contribute to economic growth. The project will generate employment both direct (during construction and operations phase) 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 project is located in the Muara Enim, Lahat Regencies and Pagar Alam City of South Sumatra. The primary beneficiaries of the project will be the citizens and industries who will have an improved access to reliable power. The project will also offer new job opportunities to the surrounding communities; 270 during the construction and 81 during operations. SERD will also be working with the affected communities and the village apparatus to manage social risks and maximize project benefits.

2. Impact channels and expected systemic changes. The borrower, in line with its corporate policy, has prioritized employment of locals in the jobs created. The contractors on the project are expected to prioritize and engage locals for employment. During the exploratory stage, the contractors have hired workers from the project villages. An integrated social development program (ISDP) has been developed in 2016 which focused on Community Capacity Building and Livelihood Development. The Community Capacity Building Program aims to develop the capacity for the most affected communities through the building of life skills based on the employment needs of the local economy and the availability of local skills. This acts as a mechanism to improve the livelihoods of project-affected people, as well as to provide broader project benefits to the surrounding communities.

3. Focus of (and resources allocated in) the transaction TA or due diligence. An environment and social consultants were hired to conduct a due diligence. A social audit report was conducted to assess the project's social impacts (land procurement, indigenous peoples, labor, and gender aspects) as well as evaluate the the project's compliance with national laws and regulations and with ADB policies.

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

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Indonesia is noted to have achieved substantial improvement in promoting gender equality — male-female gaps in the youth literacy rate have been eliminated and gender parity enrollment rates in elementary up to tertiary levels has been achieved.^d However, there are remaining challenges. In the labor market, female workers exhibited lower participation rate than men; in 2016, female labor force participation rate is at 50.9% compared to males at 83.8%.^e "Women's low labor force participation also reflects their limited access to childcare services and a lack of flexible work time arrangements that are needed to support involvement by women in the labor market. When women do participate in the labor force, they often work temporarily as "unpaid family workers" in the agriculture or trade sector and exit the labor force frequently in accordance with their domestic responsibilities.^f In addition, women's limited access to training and labor market gender segregation contributed to the limited engagement of women in the labor market.

2. Does the proposed project or program have the potential to contribute 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 project has the potential to offer opportunities to women in the community. Measures were developed to help women to improve their livelihood activities and access to labor market opportunities, through the ISDP program. The project will (i) encourage women to attend livelihood and skills development training as part of ISDP implementation; (ii) support at least 5 women entrepreneurs from the surrounding communities to supply some of the project requirements; and (iii) provide technical and financial support on livelihood opportunities to women groups from at least 5 project villages.

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) 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 social compliance audit assessed the project's stakeholder participation procedure. 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. A Stakeholder Engagement Plan (SEP) was developed by SERD in December 2016 and documents stakeholder analysis and identification, planned stakeholder engagement activities based on short, medium and long-term planning timetables, responsibilities, grievance mechanism and reporting procedures. It also includes specific identification, analysis and methods related to the engagement of vulnerable people and women's organizations.

3. What are the key, active, and relevant civil society organizations (CSOs) 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 should they be addressed? Yes No

Participation of the poor and vulnerable, especially the affected persons whose lands have been acquired, is important. The project encourages participation of the communities, including the poor and vulnerable, through the ISDP.

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 lands required for the project has been obtained by the borrower through negotiated settlements on a willing-buyer willing-seller basis, between 2011 and 2017. The audit noted that the asset evaluation methodology is consistent with (and in some regard, exceeds) the requirements of SR2. No residential lands or commercial establishments were impacted from the land acquisition. Coffee is the major crop in the project area. PLN is undertaking the land acquisition for the 40 km long transmission line, an associated facility to the proposed project, connecting the power plant. Alignment has been selected, land owners have been identified, measurement survey and inventory has been undertaken and an independent market valuation process has commenced. No physical displacement is required for the construction of the TL.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? Implementation of corrective action plan based on the social compliance audit.

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. No project site is located on Semendo ancestral land or on land with customary and traditional rights. The borrower is implementing an ISDP toward community development of the project area, especially of the affected population, to boost livelihood opportunities and potential employment in the project. The social safeguards compliance audit (2018) confirmed that (i) the Semendo communities in the project area do not qualify as vulnerable social and cultural groups which can be defined as social and cultural groups that experience a higher risk of poverty and social exclusion than the general population, and (ii) although Semendos do show to a certain degree some of the characteristics of “Indigenous Peoples”, the Semendo communities in the project area do not fully meet the ADB SPS definition of “Indigenous Peoples”, and therefore the policy is not triggered.

3. Will the project require broad community support of affected indigenous communities? Yes No
The Semendo communities in the project area do not fully meet the ADB SPS definition of “Indigenous Peoples”, and therefore the policy is not triggered.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? Implementation of Integrated Social Development Plan

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 (Medium) Labor retrenchment Spread of communicable diseases, including HIV/AIDS (Medium) 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 project design? Project construction activities will increase the population in the affected villages, which currently have limited access to health facilities. An increase in communicable diseases (such as HIV/AIDS) may be expected. The project will conduct HIV/AIDS awareness raising campaigns for the workers (both migrant and local workers).

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA 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

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 transaction TA or due diligence?

Environmental and social consultants were engaged to conduct an environmental and social compliance audit covering social aspects such as (i) involuntary resettlement and indigenous peoples safeguards, and (ii) social protection and gender requirements. A corrective action plan was prepared to ensure compliance with ADB requirements.

^a ADB. 2016. *Country Partnership Strategy: Indonesia, 2016–2019: Towards a Higher, More Inclusive and Sustainable Growth Path*. Manila.

^b Presentation by the Director of Forestry and Water Resources Conservation, Bappenas on Medium Term Development Plan: RPJMN 2015-2019. March 9, 2015. Jakarta. http://redd-indonesia.org/pdf/BAPPENAS_Forestry_and_Water_Ressources_UNORCID_Dialogue_Series_9_March_2015.pdf

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

^d Hoque, Uzma. October 2015. *Summary of Indonesia’s Gender Analysis*. ADB Papers on Indonesia. No.6. Manila. Asian Development Bank.

^e The Global Economy. Com. Economic Indicators for Indonesia. Available: <http://www.theglobaleconomy.com/Indonesia> (accessed 30 January 2018)

^f See footnote a.