



Initial Poverty and Social Analysis

Project Number: 51112-001
October 2018

INO: Jawa-1 Liquefied Natural Gas-to-Power 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 report and recommendation of the President.

Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

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| Country: | Indonesia | Project Title: | Jawa-1 Liquefied Natural Gas-to-Power Project |
| 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 proposed project will support the construction, operation, and maintenance of a 1,760-megawatt (MW) combined-cycle, gas-fired power plant, and associated facilities. It will increase power generated from local energy sources. One of the infrastructure gaps identified in the Indonesia country partnership strategy, 2016–2019 of the Asian Development Bank (ADB) is the inadequate supply of reliable energy.^a The project is aligned with this strategy in supporting the expansion of infrastructure and environment-friendly technologies for clean energy generation. The project is also consistent with ADB's Midterm Review of Strategy 2020, which emphasizes the need for inclusive economic growth and infrastructure development.^b The Government's National Medium-Term Development Plan, 2015–2019 focuses on meeting massive investment needs in infrastructure development, including increasing power generation, and targets electricity access to be 96.6%–100% by 2019. The project also contributes to the objectives of Indonesia's National Energy Plan.^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 need to increase access to reliable energy sources and contribute to economic growth. The project will generate local 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 project's footprint will impact 39 villages in three West Java Province regencies: Karawang (28), Bekasi (10), and Subang (1). Based on the information provided by the districts, the 2016 population figures for the impacted villages are 186,000 in Karawang, 110,000 in Bekasi, and 12,000 in Subang. The overall project area is largely surrounded by flat agricultural land, and the power plant area is adjacent to the village of Cilamaya. The transmission line's right of way is routed largely through paddy fields close to some residential areas, while the onshore pipeline corridor and access road traverse paddy fields and fishponds. The near-shore areas where the jetty and the onshore receiving facility will be located are currently used for fishing by nearby communities. The unemployment rate in West Java in 2017 was roughly 10%.^d All three regencies posted a double-digit unemployment rate: Karawang—about 11.5%, Bekasi—10%, and Subang—10%. The project's employment potential during construction will total about 4,800 jobs, and 125 jobs during operations. The project is expected to offer jobs to the local workers and provide additional income sources for the community.

2. Impact channels and expected systemic changes. The borrower will prioritize employment of qualified locals. The contractors are also expected to prioritize the locals for employment during construction. A social development program will be developed to deliver community capacity building and livelihood development.

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 that covers ongoing and future land procurement, indigenous peoples, labor, and gender aspects) and prepare a resettlement plan.

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 has made substantial progress in promoting gender equality—it has eliminated the male–female gap in the youth literacy rate, and gender-parity enrollment rates from elementary up to tertiary levels have been achieved.^e However, challenges remain. In the labor market, women still have a lower participation rate than men; in 2017, the female labor force participation rate was 50.74%, compared with 81.8% for males.^f When women do participate in the labor force, they often work temporarily as “unpaid family workers” in agriculture or the industry and trade sector, and exit the labor force frequently because of their domestic responsibilities (footnote a). In addition, women's limited access to training as well as labor market gender segregation contributed to the limited engagement of women in the labor market. An initial study on gender mainstreaming in the energy sector, conducted by the Institute for Essential Services Reform,^g found that (i) women have limited access to information, (ii) women's participation in consultations is limited, and (iii) renewable energy technology needs to be women-friendly and proper training on the technology must be made available. During the land procurement negotiations, the project involved

women landholders and the wives of men landholders. The project will involve women in consultations and will offer equal employment opportunities to qualified women during construction and operations.

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. The project will offer opportunities to improve women's livelihood and access to labor market. It will (i) explore employing women during construction and during operations, (ii) provide assistance to vulnerable women affected by land acquisition, (iii) tap women's groups to meet local procurement needs, and (iv) women to benefit from training on livelihood and skills development.

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?

Consultations were conducted as early as February 2017 and involved the national and local government agencies, district leaders, village leaders and representatives, fisherfolk groups, nongovernment organizations (NGOs), academe, business enterprises, landowners and land users, women's groups, and local military and police officials. During the consultations, the borrower, PT. Jawa Satu Power, presented and discussed the project description, the likely project impacts, the measures to minimize the environmental and social impacts, promotion of a community partnership, and prioritization of local employment. Discussions revolved around the land acquisition process, which emphasizes the willing-seller-willing-buyer approach, and compensation for the affected landowners. NGOs were also involved in the discussion of issues and concerns related to fisherfolk. In addition, participants raised concerns about the impact of radiation from the transmission line and the danger of electricity lines during rainfall. Participants were reassured that the project carries out periodic maintenance and monitoring to secure the safety of the communities around the transmission line. The borrower prepared a stakeholder engagement plan (SEP) to guide the consultation activities during construction and operations.

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

The SEP has conducted stakeholder identification and also sought to identify any potentially vulnerable or disadvantaged individuals and groups in local communities. Vulnerable groups are those who may be differently or disproportionately affected by the Project, or whose situation may mean that special care is needed, will also be part of the consultation and disclosure activities. They may include female headed houses, the elderly, disabled people or those residing below the poverty line.

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 project will acquire 76.3 hectares (ha) of land through negotiation on a willing buyer-willing seller basis for the power plant, onshore pipeline, jetty, pumphouse, transmission line tower footings, and the substation. This will involve about 132 landowners and 27 land users. In addition, about 174 ha of land below the transmission line will be subject to land use restriction, affecting 727 landowners, of which 724 are individuals and 3 are government entities. The land for the transmission line tower footings (totaling 11.6 ha of paddy field) and the substation (8 ha of paddy field) were acquired between 2017 and 2018 on a purely willing seller-willing buyer basis, involving 124

landowners and 23 land users. All 124 landowners have received at least 80% of the compensation and, based on the purchase agreement, the remaining 20% will be paid when the land transfer is formally completed. About 174 ha for the transmission line's right of way will impose land use restrictions on 727 landowners, requiring them to limit the height of trees and structures. As the line footings positions have been definitely defined, people under the transmission line alignment will not have a choice to refuse. The land below the line is used for paddy cultivation, trees, residential houses, a cattle farm, a fishpond, a family graveyard, part of a prayer room, warehouse, food stall, and public sanitation. Landowners will be compensated based on the Ministry of Energy and Mineral Resources Regulation No. 38/2013, which is linked to the market price of assets in computing the basis rate for compensation. The land for the power plant (36.7 ha), which is currently vacant, will be acquired from Pertamina Gas (Pertagas) through transfer of land ownership. Pertagas, as part of its corporate social responsibility program ending in November 2016, had given a written permission for 36 people to temporarily cultivate the land. For the time being, the vacant land is being used for goat grazing by random goat owners who would usually roam around different villages. The land for the onshore pipeline and access road will be partly acquired (17.3 ha) and partly leased (18 ha), involving about 12 landowners and land users. The area is being used for paddy and fishponds. Administratively, the land belongs to the Ministry of Environment and Forestry (MOEF) and is categorized as a protected forest. However, the surrounding communities have cultivated the land for years and some of them already obtained a proof of ownership from the National Land Agency and from the village authority. As such, the project will both apply for the necessary permit (IPKHH) from MOEF and buy the land from the private owners on a willing seller-willing buyer basis. During construction of the transmission line, the project will rent land plots for the temporary use as laydown areas for the onshore pipeline and access road if the existing land is not available.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? Resettlement plan and livelihood restoration program.

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

No recognized indigenous peoples in the operational sense of ADB's Safeguard Policy Statement live in the vicinity of the proposed project sites in West Java. The Java island itself is considered as the mainstream island in Indonesia, having been the center of government and socioeconomic development since before colonial times. Most of the landowners and people in the Karawang area, including Cilamaya, belong to the Sundanese ethnic group or a mixture of Sundanese and Javanese, while those in the Bekasi area are Sundanese and Betawi. These people do not necessarily display a collective attachment to the areas which they use. While each of the groups may speak their distinct local language, all of them communicate smoothly in the national Indonesian language for the day-to-day interaction with each other. The people in the project area are generally involved in mainstream economic activities—such as farming, fishing, trading—while others are artisans, low-wage laborers, civil servants, teachers, midwives, nurses, politicians, and office workers. These people are well included in the formal decision-making bodies, as they are well represented in the local House of Representatives and in the local governance system. Furthermore, there is no evidence of any of the ethnic groups being historically, socially, or economically marginalized because of their ethnic identity.

3. Will the project require broad community support of affected indigenous communities? Yes No
There are no recognized IPs in the vicinity of the project area.

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? Not applicable

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? Cases of communicable diseases (such as HIV/AIDS) may increase given the influx of people. The borrower will conduct HIV/AIDS awareness-raising campaigns for the 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 resettlement plan has been prepared to cover the ongoing and future land procurements.

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- ^a ADB. 2016. *Indonesia 2016–2019: Towards a Higher, More Inclusive and Sustainable Growth Path*. Manila.
- ^b ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.
- ^c Government of Indonesia. 2017. *National Energy Plan (Presidential Regulation No. 22/2017)*. Jakarta.
- ^d West Java in Figures. 2017.
- ^e U. Hoque. 2015. Summary of Indonesia's Gender Analysis. *ADB Papers on Indonesia*. No. 6. Manila: ADB.
- ^f The Global Economy. com. [Economic indicators for Indonesia](#) (accessed 1 June 2018).
- ^g Institute for Essential Services Reform – Indonesia. 6 January 2017. *Focus Group Discussion: Gender Mainstreaming in the Energy Sector*. <http://iesr.or.id/2017/01/fgd-gender-mainstreaming-in-the-energy-sector/?lang=en>