



Initial Poverty and Social Analysis

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Indonesia: Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program Phase II

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Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Program Title:	Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program (EGDP II), Kalimantan
Lending/Financing Modality:	Results-based lending	Department/ Division:	Southeast Asia Department Energy Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

Indonesia's ability to harness and manage sustainable energy sources is a critical prerequisite for the country to continue its growth trajectory. The Government of Indonesia's National Medium-Term Development Plan (*RPJMN*) 2015–2019 aims to reduce poverty rates to 7%–8% by 2019, and enhance domestic energy security, by expanding energy infrastructure and investments, increasing energy efficiency and accessibility, and diversifying the energy mix with new and renewable sources. The program is aligned with ADB's country partnership strategy 2015–2019 for Indonesia, the Indonesia Energy Sector Assessment, Strategy and Road Map (ADB, 2016),¹ and the Energy Sector White Paper supporting the RPJMN.² The program is also aligned with ADB's *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*, which emphasizes inclusive economic growth and infrastructure development and *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*, on addressing remaining poverty and reducing inequalities, tackling climate change, and accelerating progress in gender equality.

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.) The program focus includes geographic areas that are poor, remote, and left-behind. Poverty is also targeted at household level by supporting part of the connection and installation costs for poor households.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

The nine target provinces in Kalimantan, Maluku, and Papua lag behind in key determinants of well-being, such as access to services, human development outcomes, and environmentally sustainable growth. The provinces also have inadequate access to electricity: with non-electrified or poorly electrified households accounting for 21% (North Kalimantan) to 56% (Papua). The primary beneficiaries of the program will be over 6 million new customers in Kalimantan, Maluku, and Papua who will benefit from electric lighting and appliances such as television, rice cookers, refrigerators, and hot water jugs. Children will be able to read and study in the evenings and their environment made healthier with the elimination of kerosene lamps and diesel generator fumes. Community centers, schools and health centers will benefit from electricity, which will provide extended evening hours, cold chain storage for essential drugs and vaccines, proper sterilization of medical instruments, small machines for home enterprises such as packaging and processing of food and non-timber forest products, and refrigeration facilities for food transport and sales.

2. Impact channels and expected systemic changes.

The impact will be most marked on poor communities that lack access to affordable energy, are deprived of the means to improve their living conditions, and must use significant amounts of limited income on expensive and/or unhealthy forms of energy, such as diesel generators and kerosene lamps. Longitudinal studies elsewhere (e.g., Viet Nam) show that per capita income increases with electrification, while in the long term, children's school attendance improves. The Program will address the inability of poor communities to afford initial connection costs through a grant to cover incremental connection costs and employ off-grid and/or solar solutions to overcome the barriers of remoteness and distance from established grids. The RBL Program thus contributes towards Sustainable Development Goal 10 of reducing inequality by empowering and promoting the social, economic, and political inclusion of all (SDG Target 10.2).

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

Assessments to be undertaken include: (i) program technical soundness; (ii) financial and economic feasibility; (iii) environmental and social safeguards system assessments against applicable policy principles,³ (iv) fiduciary aspects, including fund flow, program reporting, and DLI verification; (v) PLN's procurement systems; and (vi) social and gender assessments.

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?

Low gender development indices (GDI) and gender empowerment measures (GEM) indicate that women in Kalimantan, Maluku, and Papua women are far behind men.⁴ All provinces except Maluku are well below the national average in the gender development index (GDI). Papua, West Papua, East Kalimantan, North Kalimantan, and West Kalimantan have the lowest GDIs in Indonesia, while Papua, West Papua, East, and North Kalimantan

are among the six provinces with the lowest GEM in Indonesia. The 2014 Community-based Welfare Monitoring System Survey (SPKKBK)⁵ across 17 provinces found that around one-quarter of households was headed by a woman. Since Marriage Law No. 1/1974 specifies men as household heads, women are often not recognized as household heads, leading to discrimination in their social and political life. The ADB Reconnaissance Missions found that only women who are widowed or divorced are recognized as heads of household. The SPKKBK showed that nearly half (49%) of families at the lowest welfare level are headed by women, usually poorly educated. Both men and women may be self-employed or employed as casual laborers or salaried workers. Proportionately more men engage in paid work than do women. The mission found electricity connection and installation costs to be two to three times the monthly budget of the poorest households.

2. Does the proposed 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

Reliable, sustainable, and affordable electricity will significantly reduce the time and effort spent by women for domestic activities by reducing the labor required to collect water, and obtain and use other fuels, thereby increasing time for income-generating activities, family, and leisure. In the villages visited by ADB, women wanted electricity for productive activities. Energy provision is a critical input for women's empowerment and improved status. In Viet Nam and Bhutan,⁶ electrification was shown to lead to time savings and improved time use by women for productive and educational activities, an enhanced women's role, and increased self-confidence, in part due to productive and educational activities (such as TV programs for women) made possible by electrification. Among households eligible for electrification, the program design prioritizes female-headed households.

3. Could the proposed program have an adverse impact on women and/or girls or widen gender inequality?
 Yes No

The program will impact positively on the whole population and will not widen gender inequality. On the contrary, it is expected to reduce the gaps between men and women in terms of time use, time poverty, and income.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

The program has two DLIs linked to the empowerment of women. It is the first time gender mainstreaming has been introduced into ADB-PLN collaboration. The possibility of having the program categorized as 'Effective Gender Mainstreaming' with these 2 DLIs and proposed gender sensitive indicators in the DMF will be actively sought during due diligence.

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the program, including beneficiaries and negatively affected people? Identify how they will participate in the program design.

Main stakeholders are the State Electricity Corporation (PLN), which is the executing and implementing agency of the program, the national government, local governments, independent power producers, as well as industrial and commercial establishments, and residential households. They are all potential beneficiaries resulting from a strengthened power grid in Kalimantan.

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable and excluded groups? What issues in the program design require participation of the poor and excluded?

The stakeholders will be consulted through meetings and in interviews and surveys to increase awareness about the program and seek their inputs. Consultation with poor, vulnerable, and excluded groups (including female household heads) will focus on social issues that affect them, such as affordability of electricity connection and issues associated with environment and involuntary resettlement, if any.

3. What are the key, active, and relevant civil society organizations (CSOs) in the program area? What is the level of CSO participation in the program design?

Information gathering and sharing Consultation Collaboration Partnership

Because the social benefits of the program are primarily indirect, CSOs relevant to social impact and development will have a limited role in the program; if any such CSOs express interest in being involved, the program will ensure that information flows are fully transparent and will seek their advice as appropriate.

4. Are there issues during program design for which participation of the poor and excluded is important? What are they and how will they be addressed? Yes No

During program design, poor households were consulted to assess the affordability of electricity connection and the pattern of household expenditures.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C

1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement?

Yes No

The expansion of the distribution network usually involves (i) the installation of concrete poles using no more than 0.2 m² of land and (ii) the stringing of conductors possibly requiring the cutting/trimming of trees. Impacts of involuntary resettlement will be identified during program implementation.

2. What actions are required to address involuntary resettlement as part of the PPTA or assessment process?

Program safeguard system assessment and actions None

B. Indigenous Peoples Category A B C

1. Does the proposed program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

While the general areas are known, the program's subprojects' sites for the expansion of the distribution network have not been selected and will be determined during program implementation. The program will not specifically target activities in areas (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No

3. Will the program require broad community support of affected indigenous communities? Yes No

4. What actions are required to address risks to indigenous peoples as part of the PPTA or the program assessment process?

Program safeguard system assessment and actions None

V. OTHER SOCIAL ISSUES AND RISKS

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

Creating decent jobs and employment Adhering to core labor standards 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 _____

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

The program will support the government's plan to expand access to electricity, including to poor households.

VI. PPTA OR ASSESSMENT RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or program assessments) contain key information needed to be gathered during PPTA or the program assessment 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 budget for workshop(s)) are allocated for conducting poverty, social and/or gender analyses, and participation plan during the PPTA or the program assessments?

Staff resources comprise an environmental specialist, social specialist, and gender specialist. Additionally, consultant inputs will be utilized. These experts will conduct environmental, poverty, social and gender analyses, prepare a program safeguard system assessment report as required, and complete initial and summary poverty and social assessments.

¹ <https://www.adb.org/sites/default/files/institutional-document/189713/ino-energy-asr.pdf>

² ADB and Bappenas, 2015. <https://www.adb.org/sites/default/files/project-document/176267/ino-energy-white-paper.pdf>

³ ADB, 2009. *Safeguard Policy Statement*. Manila.

⁴ GDI measures life expectancies, expected and mean years of schooling and income per capita. GEM measures women in parliamentary representation, female share of managerial, professional, administrative, technical positions, and women's share of earned income. Ministry of Women's Empowerment & Child Protection and BPS, 2016. *Pembangunan Manusia Berbasis Gender 2016*. Jakarta. Data updates from BPS-Indonesia. <https://www.bps.go.id/>

⁵ SMERU Research Institute & PEKKA National Secretariat, 2014: *Menguak Keberadaan Dan Kehidupan Perempuan Kepala Keluarga: Laporan Hasil Sistem Pemantauan Kesejahteraan Berbasis Komunitas (SPKBK-PEKKA)*. Jakarta. Women head of households as used by SPKBK-PEKKA are those who carry out roles and responsibilities as the family's breadwinners, household managers, guardians of family survival and decision makers (<https://www.pekka.or.id/>). However, in practice, local government officials apply the term only when the woman is widowed or divorced. This local definition has to be used, as data on it is regularly updated and available to PLN. The proportion of females among household heads is variable and may be as low as 3% in some villages.

⁶ Khandker, S.R., Barnes, D.F., Samad, H., and Minh, N.H., 2008. *Welfare Impacts of Rural Electrification: Evidence from Vietnam*. World Bank, Washington DC; and Asian Development Bank, 2010. *Asian Development Bank's Assistance for Rural Electrification in Bhutan—Does Electrification Improve the Quality of Rural Life?* Manila.