



Initial Poverty and Social Analysis

April 2018

INO: Maternity and Child Care Hospital Project

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Asian Development Bank

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	Maternity and Child Care Hospital Project
Lending/Financing Modality:	General Corporate Finance	Department/ Division:	Private Sector Operations Department/ Office of the Director General

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project involves an equity investment through an initial public offering of shares in PT Medikaloka Hermina (Hermina) for the Maternity and Child Care Hospital Project in Indonesia. The project through its support for inclusive economic growth, supports strategic priority 1 of ADB's Midterms Review of Strategy 2020. It has a strong focus on providing health services to the poor and supports commitment to increase ADB's healthcare portfolio in line with strategic priority 1. It aligns with ADB's country partnership strategy (CPS) 2016-2019 for Indonesia which supports expansion of the universal health coverage program by strengthening local service delivery. By improving access and quality of health service facilities and facilitating the continued development of maternal and reproductive health, the project is further aligned with the 2015-2019 Strategic Plan of the Ministry of Health. It also catalyzes and enhances the effectiveness of private investment.

B. Poverty Targeting

☒ General intervention ☐ Individual or household (TI-H) ☐ Geographic (TI-G) ☐ Non-income MDGs (TI-M1, M2, etc.)

The project addresses key poverty and social issues associated with access to affordable and effective maternal and children's healthcare for Indonesia's growing urban population. Hermina was an early adopter of Indonesia's universal healthcare insurance program, the Jaminan Kesehatan Nasional (JKN), through which 34.3% of its revenue is derived. Enrollment in the JKN is compulsory for all residents of Indonesia. All members of the JKN can access a wide range of health services provided by public facilities, as well as private facilities that have opted to join the JKN scheme as providers.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The primary beneficiaries of the project are Hermina hospital women and child patients, other patients and the doctors who own, and the staff who are employed at, Hermina hospitals. The secondary beneficiaries are the businesses in Hermina hospital supply chains and local governments that can achieve improved public health targets due to the presence of a Hermina hospital within their jurisdiction.

2. Impact channels and expected systemic changes. Rising incomes and increasing congestion in large metropolitan areas such as Jakarta and Surabaya will significantly increase the demand for maternal and child health care facilities in these large cities as well as smaller cities in which Hermina hospitals are located. ADB's country partnership strategy (CPS) for Indonesia states that the country's urban population is increasing at about 4% per year; it more than doubled during 1990–2015, from 56 million to around 136 million, and is expected to grow to 183 million (68% of the total population) by 2025. ADB's CPS states further that several decades of solid economic growth have resulted in noteworthy progress in poverty reduction and social development. The absolute poverty rate has fallen from 22% in the mid-1980s to just 11% in 2015. According to the CPS, the poverty problem in Indonesia is now largely one of low incomes as opposed to access to basic needs.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will focus on affordability of Hermina services, patient utilization of the JKN, and Hermina hospital planning processes that ensure that Indonesia's poor can use its services.

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? CPS notes that Indonesia has made significant progress in promoting gender equality, yet challenges remain. Outside of the healthcare sector where women are the major source of employment, the female labor force participation rate is low, and working women continue to be concentrated in low-paid and low-skilled informal jobs. The maternal mortality ratio is also high.

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

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

The project will support the building of 12 new hospitals that provide specialist obstetrics and gynecology services. Hermina will increase its women's health awareness programs to promote specific women's health issues such as the importance of regular medical checkups during pregnancy, breast feeding, and reproductive health. Hermina will also increase the number of women employed as medical staff. A gender action plan will be developed in consultation with Hermina during due diligence and efforts will be made to consider ways in which the gender mainstreaming category can be increased from EGM to GEN.

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. Hermina views each of its hospitals as part of the community in which it is sited and aims to provide each surrounding community with the benefits of having a Hermina hospital in its area.

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 building of a Hermina hospital is initiated by doctors from within a specific area that require a venue in which to better service their patients. Hermina responds by providing business development services that include a range of consultative approaches with local communities and government to obtain information, feedback and permissions. These include specifically permission to build a hospital on selected land and consultation required as part of each hospital's environmental impact assessment

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?

☒ Information generation and sharing (M) ☒ Consultation (M) ☐ Collaboration (N) ☐ Partnership (N)

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

Hermina has systems in place as part of its hospital development and operation procedures that require consultation with the public and other stakeholders, including the poor and vulnerable. Hermina sets aside 1% of its consolidated gross profit to fund corporate social responsibility (CSR) programs, which include free operations, mobile clinics and health and hygiene counselling. As a public service provision business, Hermina marketing also includes public events and seminars, providing free social services, health checkups at local schools, awareness campaigns, and free prenatal and pregnancy exercise classes.

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 Hermina has reported that no involuntary resettlement impacts were created across its existing portfolio of 28 hospitals and none are anticipated by it for future developments. Private hospitals are not priority infrastructure that can utilize government expropriation authority under the Law No. 2 of 2012 on Land Procurement for Public Interest. According to Hermina, all purchased land has been by negotiated settlement on a willing-seller willing-buyer basis. The history of land purchases will be investigated during due diligence.

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

- ☐ Resettlement plan ☐ Resettlement framework ☐ Social impact matrix
☒ Environmental and social management system arrangement ☐ None

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 Hermina's primarily maternity and child care hospitals are in locations in cities that are adjacent to main roads, city centers or major residential or development areas. Hermina has reported that no distinct or vulnerable Indigenous Peoples groups have been identified in such urban areas that would be differently affected, either negatively or beneficially.

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 transaction TA or due diligence process?

- ☐ Indigenous peoples plan ☐ Indigenous peoples planning framework ☐ Social impact matrix
☒ Environmental and social management system arrangement ☐ None

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 (L)
 ☒ Adhering to core labor standards (L)
 ☐ Labor retrenchment
☒ Spread of communicable diseases, including HIV/AIDS (L)
 ☐ Increase in human trafficking
☒ Affordability (L)
☐ 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? Due diligence will investigate Hermina's compliance with national labor laws and regulations. Disease control measures will also be assessed. Affordability is directly connected to the national health insurance scheme (JKN), which is beyond Hermina's control. However, due diligence will investigate how Hermina provides beds and services to JKN patients to ensure affordable access to healthcare in its hospitals.

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? The team includes environmental and social specialists that will investigate Hermina's policy and procedures for ensuring its hospitals are built and operated in accordance with national laws and regulations and ADB policy. A corporate and site level safeguards audit will also be conducted by an external expert.