



Initial Poverty and Social Analysis

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Indonesia: State-Owned Enterprises' Reform Program, Subprogram 1

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CURRENCY EQUIVALENTS

(as of 4 July 2022)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.000067
\$1.00	=	Rp14,967

ABBREVIATIONS

ADB	–	Asian Development Bank
BUMN	–	Badan Usaha Milik Negara (State Owned Enterprise)
CPS	–	country partnership strategy
GDP	–	gross domestic product
MDG	–	Millennium Development Goals
MOF	–	Ministry of Finance
MSOE	–	Ministry of State-Owned Enterprises
PBL	–	policy based lending
RPJMN	–	Rencana Pembangunan Jangka Menengah Nasional (Indonesia's National Medium-Term Development)
SOE	–	state-owned enterprise

NOTE

In this report, "\$" refers to United States dollars.

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Project Title:	State-Owned Enterprises' Reform Program, Subprogram 1
Lending/Financing Modality:	Policy-Based	Department/ Division:	Southeast Asia Department/ Public Management, Financial Sector, and Trade Division (SEPF)

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The Government of Indonesia's National Medium-Term Development Plan for 2020–2024 (RPJMN) seeks to strengthen economic resilience in support of “quality growth”.¹ The RPJMN targets a decrease in the poverty rate from 9.4% in 2019 to 6.5%–7.0% and a decrease in the unemployment rate from 5.3% to 3.6%–4.3%, all by 2024. It also targets an increase in the Human Development Index from 71.39 to 75.54 by 2024. The RPJMN identifies bureaucratic and regulatory reform, and economic transformation as key development goals. State-owned enterprises (SOEs) hold \$600 billion in assets (equivalent to over 52% of the GDP) and receive subsidies for development assignments that averaged roughly 8% of government expenditures from 2015–2020. Operating in critical sectors for the poor such as energy, gas, telecommunication, and food, the efficient and inclusive operation of SOEs is vital for poverty alleviation. As agents of government policy, SOEs have demonstrated inefficiencies in providing public goods, a lever in poverty alleviation. The SOEs' Reform Program adopts a programmatic approach with policy-based loans complemented by ongoing technical assistance and knowledge support to help improve the governance and operations of SOEs and ensure they deliver high quality public services efficiently. The program is aligned with the government's Vision of Indonesia 2045, Asian Development Bank's (ADB) Strategy 2030, and ADB's Country Partnership Strategy for Indonesia 2020–2024 (CPS).² The program will help the Ministry of SOEs meet its inclusion agenda by having more women on SOEs' boards of commissioners and directors, and further strengthening Srikandi, the women association of SOEs. The CPS places a strong emphasis on a structural transformation of the economy, building productive capacity, and developing human capital to improve Indonesia's global competitiveness by: (i) improving well-being; (ii) accelerating economic recovery; and (iii) strengthening resilience. The program will contribute to ADB's Strategy 2030 by: (i) addressing remaining poverty and reducing inequalities by helping SOEs improve their public service delivery; (ii) accelerating progress in gender equality by improving gender balance in SOEs management; (iii) tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability by improving climate related reporting and investments in green energy; and (iv) strengthening governance and institutional capacity by improving the governance of SOEs.³

B. Poverty Targeting:

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

SOEs have a unique role of being both a “commercial” and “development” agent, through which they contribute directly and indirectly to the poverty reduction agenda. The project will have an indirect contribution to the poverty agenda by improving the capability of SOEs to be more efficient and effective, with increased revenues and reduced pressures on the national budget. The project will enhance SOEs performance and resilience by improving their governance and narrowing their business focus. It will support greater diversity in SOEs management, increase women's leadership capacities, strengthen corporate policy and practices to support respectful workplaces, foster good corporate governance, as well as environmental and social governance. Particular attention will be paid to boosting women's leadership in SOEs that operate in key sectors that are strongly linked to poverty reduction such as energy, gas and electricity, water, health, and food sectors.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. Indonesia has made progress in poverty reduction, but challenges remain. Approximately 9.8% of the population lived below the national poverty line in 2020. The proportion of the employed population below the \$1.90 purchasing power parity a day is 3.5 % (2019), a significant drop from 10.4% in 2013. The average growth rate of household income per capita among the bottom 40% is 4.6% (2015–2019), higher than that of overall households which was 3.8 % in the same period. It is estimated that the coronavirus disease (COVID-19) pandemic has pushed between 75 and 80 million people into extreme poverty in the Asia Pacific in 2020. The poverty rate in Indonesia was 10% in 2021. The pandemic has hit women particularly hard since most of them

¹ Government of Indonesia. 2019. National Medium-Term Development Plan (RPJMN), 2020–2024. Jakarta; Government of Indonesia. 2019. Vision of Indonesia 2045. Jakarta.

² ADB. 2020. [Country Partnership Strategy for Indonesia, 2020–2024](#). Manila; and ADB. 2021. Indonesia: Indicative Country Pipeline and Monitoring Report (2021–2023). Manila.

³ ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

are employed in vulnerable sectors such as retail, hospitality, and garment manufacture with significant job losses or reduced working hours.

2. Impact channels and expected systemic changes. Improving the performance and resilience of SOEs and increasing gender diversity in management will help the government meet its poverty reduction agenda through their economic and social contributions. While the program does not directly address poverty or the impact of the pandemic, it has a strong contribution by strengthening SOEs so that they are able to deliver public goods and services more effectively and efficiently, particularly in sectors that are critical for reducing poverty and supporting the pandemic recovery efforts (e.g., energy, gas and electricity, telecommunication, health, food and agriculture, water, and transportation). Representation of women on SOEs boards and management will also be enhanced, as well as the working environment within SOEs with human resource policies that are gender sensitive and create ecosystems that empower women, including through existing corporate and social responsibility obligations.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The program will emphasize policy dialogue, technical assistance, and knowledge work with government and SOEs to strengthen governance and enhance the business model of SOEs.

4. Specific analysis for policy-based lending. The program seeks to strengthen SOEs and ensure equal opportunities for women in leadership by enhancing the role of SOEs in supporting inclusive and sustainable development, including poverty reduction. This will be done by: (i) supporting SOEs that work in highly relevant poverty reduction sectors such as gas, energy, electricity, water, food, health, transportation and communication; (ii) ensuring gender balance in the Board of Commissioners and Board of Directors of SOEs; (iii) enhancing the capacity of Srikandi BUMN, the SOEs women leaders association; and (iv) stronger linkages to small- and medium-sized enterprises through the SOEs value chain, where most of women and poor people are

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? There are three key gender issues in this program. First, the participation rate of women in influential decision-making positions of SOEs, such as the Boards of Commissioners and Directors, is low. Currently women represent only 14% of the Boards of Commissioners and only 9% of the Boards of Directors, all together representing only 12% of the Boards compared to 88% for men. Enhancing gender parity in SOEs will help improve their performance. Inclusion and diversity (defined as a greater proportion of women and ethnically/culturally diverse individuals), have a positive impact on a company's performance.⁴ Companies in the top-quartile for gender diversity on executive teams were 21% more likely to outperform on profitability and 27% more likely to have superior value creation (footnote 3). The highest-performing companies for both profitability and diversity had more women in line (i.e., typically revenue-generating) roles than in staff roles on their executive teams.⁵ Indonesia could add \$135 billion to its annual gross domestic product by 2025 if it can improve gender equality in the workplace. The government of Indonesia is committed to increase women on SOE Boards of Commissioners and Directors to 25% by 2024 and is considering to further increase to 30% by 2030. Indonesia exceeded the Asia-Pacific region's average on gender equality at work, though it still lags in several areas such as female labor force participation and leadership positions (footnote 4). Second, the labor turnover rate for women is higher compared to men. Srikandi BUMN data show that the number of recruited male and female employees are equal on average, but about 55% of female employees resign at the beginning of their careers (< 5 years). Female employees cite taking on domestic tasks such as child rearing and taking care of the elderly or sick family members as reasons for resignation. Third, there is a lack of policies to support an enabling environment for women's workforce participation, including in leadership roles. Corporate policies and practices as well as supporting infrastructure at the workplace, such as childcare facilities or lactation rooms, are absent. Corporate policies and practices also have not been accommodative to employees with infants and small children, which makes it even more difficult for female employees to maintain work life balance. This is exacerbated by the underlying gender bias at the workplace that prioritizes male employees in promotion or rotation and confines female employees in stereotypical jobs such as administration and treasury. This bias further limits women's roles, participation, and contribution, and reinforces gender stereotypes of women's and men's jobs. While many SOEs adopt Good Corporate Governance (63%) and a Code of Ethics (58%),⁶ few SOEs have respectful workplace policies in which anti-discrimination, harassment and bullying are defined and prohibited. While further assessment is required for SOEs, evidence from the 2018 survey suggests that as much as 94% of 1,240 respondents across 34 provinces claimed to have experienced sexual harassment at the workplace, of which 82.8% were women with 44% were physically harassed. Despite the magnitude of the issue, only 56% of female respondents said they would speak up.⁷

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

⁴ McKinsey Global Institute. 2018. The Power of Parity: The Power of Parity: Advancing Women's Equality in Asia Pacific.

⁵ Harvard Business Review. 2016. [Firms with more women in the c-suite are more profitable](#)

⁶ ADB rapid gender assessment of SOEs being conducted for the Program (ongoing).

⁷ <https://neverokayproject.org/wp-content/uploads/2019/12/Survey-Report-2018.pdf>.

The program will support the development of corporate policies and practices to help SOEs move towards the goal of having 25% women in SOE leadership roles, the establishment of respectful workplace policies, and increased gender diversity.
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
4. Indicate the intended gender mainstreaming category: <input type="checkbox"/> GEN (gender equity) <input checked="" type="checkbox"/> EGM (effective gender mainstreaming) <input type="checkbox"/> SGE (some gender elements) <input type="checkbox"/> 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 main stakeholders and target beneficiaries of the project are the Ministry of SOEs (MSOE) and the SOEs in the MSOE portfolio. The project does not foresee adverse social effects.
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 program indirectly engages with the poor, vulnerable and excluded groups. Their interests are included in the public service delivery obligations of SOEs as well as through SOEs actions under corporate social responsibility.
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? Civil society was consulted on SOEs' reform as part of the consultations on the draft National Action Plan for Business and Human Rights (NAP) <input checked="" type="checkbox"/> M Information generation and sharing n/a <input checked="" type="checkbox"/> Consultation n/a <input type="checkbox"/> Collaboration n/a <input type="checkbox"/> 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? <input checked="" type="checkbox"/> Yes, Reforms of individual SOEs will involve a consultation plan for stakeholders n/a <input type="checkbox"/> No
IV. SOCIAL SAFEGUARDS
A. Involuntary Resettlement Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI
1. Does the project have the potential to involve involuntary and acquisition resulting in physical and economic displacement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No. The project does not involve any involuntary land acquisition resulting in physical and economic displacement.
2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process? <input type="checkbox"/> Resettlement plan <input type="checkbox"/> Resettlement framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None
B. Indigenous Peoples Category <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> 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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
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
3. Will the project require broad community support of affected indigenous communities? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process? <input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Social impact matrix <input type="checkbox"/> Environmental and social management system arrangement <input checked="" type="checkbox"/> None
V. OTHER SOCIAL ISSUES AND RISKS
1. What other social issues and risks should be considered in the project design? <input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> 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 checked="" type="checkbox"/> Others, please specify Not applicable
2. How are these additional social issues and risks going to be addressed in the project design? Not applicable
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? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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 project team is working with Indonesia Resident Mission's gender consultant to reflect key gender data and issues in program documents and to develop additional gender entry points for subprogram 2. A Gender consultant is hired for the SOEs PBL through SIAP2.