

## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Timor-Leste	Project Title:	Electricity System Strengthening and Sustainability Program
Lending/Financing Modality:	Multitranchise Financing Facility	Department/ Division:	PARD/PATE

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The high cost, limited availability, and poor reliability of electric power service is a constraint to economic growth. The proposed investment program will reduce this constraint to economic growth by addressing these shortcomings. The country partnership strategy includes support to energy infrastructure development as fundamental to inclusive growth and economic competitiveness, and for its direct contribution to higher living standards. Expansion of access to electric power service will improve quality of life of the Timorese population and provide greater economic opportunity.

#### B. Poverty Targeting (Select one):

General Intervention    Individual or Household (TI-H)    Geographic (TI-G)    Non-Income MDGs (TI-M1, M2, etc.)

The proposed investment program is inherently pro-poor in its focus on extension of electric power service to rural and un-served households, who are primarily poor.

#### C. Poverty and Social Analysis

##### 1. Key issues and potential beneficiaries.

The investment program will help to free government budget resources for other uses by reducing the public subsidies that are required for electricity production and distribution. The entire population will benefit from improved service quality and reliability, and expansion to access to modern energy services although households in very remote areas may not derive direct benefits from the proposed investment program inasmuch as extension of power service to them will remain uneconomic.

The last comprehensive poverty assessment was completed in 2007 and found a national poverty rate of 50%. Analysis of a range of data sources suggests that poverty has fallen moderately since then with results from a new national poverty survey due in 2016.

In 2015, 71% of Timor-Leste's population had access to network electricity supply. Improved metering will mean that many households begin to pay for electricity for the first time. Electricity tariffs will need to be designed to ensure that a minimum service level is affordable to poor and low income households and that the roll-out of metering does not exacerbate poverty. There is a small chance that the implementation of metering and user charges could contribute to social unrest.

2. Impact channels and expected systemic changes. Beneficiaries will derive benefit from expanded access to electric power service at lower economic cost than at present, with concomitant improvements in quality of life and increased economic opportunity. During implementation of network-extension investments, some local employment may be generated.

3. Focus of (and resources allocated in) the PPTA or due diligence. Involuntary resettlement and land acquisition issues will be reviewed under the PPTA.

**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?  
There is likely to be a positive pro-female impact in the extension of electric power service to rural households, most of which are run by female members of household.

2. Does the proposed project or 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 Please explain. See #1 above.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes  No Please explain. See #1 above.

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 main stakeholders are the Government of Timor-Leste, the electric power utility and its employees, and the population of Timor-Leste that will benefit from improved, lower-cost, and expanded electric power service. Potentially negatively-impacted persons will be those subjected to involuntary resettlement (if such occurs). Stakeholder consultations and appropriate compensation frameworks will be included in project design.

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?

There is no immediately apparent systemic way to identify and engage poor, vulnerable, or excluded groups, except as described under #4 below.

3. What are the key, active, and relevant civil society organizations in the project area? What is the level of civil society organization participation in the project design?

No relevant civil society organizations are identified.

Information generation and sharing  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 shall they be addressed?  Yes  No

Rural communities that are not among the first identified for extension of electric power service may voice objections. Stakeholder consultations will address these communities' objections.

**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 NOT CURRENTLY KNOWN

Please explain, and provide information on the extent of land and assets acquisition and the estimated number of affected persons. Also describe actions/measures to be conducted during due diligence to address involuntary resettlement.

We do not anticipate significant involuntary resettlement under the MFF, especially under Tranche 1 investments (confined to network re-investment and extension).

2. What action plan is required to address involuntary resettlement as part of the PPTA 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  
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 PPTA 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     Adhering to core labor standards    L Labor retrenchment  
 Spread of communicable diseases, including HIV/AIDS     Increase in human trafficking    L 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?

The transition of Electricidade de Timor-Leste (EDTL) to commercially-oriented operations, and the installment of a private-sector operator under a PPP lease or concession, both of which the proposed program supports, may lead to a reduction in EDTL workforce.

The installation of end-use meters in households who currently use electricity on an un-metered basis, and the consequential imposition of fiscal discipline on such households, may prove unpopular.

Support to the Government of Timor-Leste in explaining the necessity and rationale of these measures in stakeholder consultations will be a necessary part of their implementation.

**VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT**

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during PPTA 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    If no, please explain why.

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 PPTA or due diligence? A social safeguards and gender specialist is included in the PPTA consultant roster.