SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Indonesia	Project Title:	Eastern Indonesia Renewable Energy Project Phase 2		
Lending/Financing Modality:	Project	Department/ Division:	Private Sector Operations Department Infrastructure Finance Division 2		
I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY Poverty targeting: general intervention					
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy Indonesia's strong economic growth has significantly reduced the incidence of poverty across the country. In 2016,					
Indonesia's gross domestic product was estimated at \$932.3 billion, the largest in Southeast Asia. The country's steady economic growth is expected to decrease poverty incidence; create employment opportunities; and increase					
public expenditures in the areas of health, education, and infrastructure. A key component to sustain this growth is					
the ability to harness and manage sustainable sources of energy. Energy security is one of the focus areas of Indonesia's National Medium-Term Development Plan, 2015–2019, which targets the development of 35 gigawatts					
(GW) of new power generation capacity. This is supported by ADB's country partnership strategy for 2016–2019,					
which seeks to extend the reach, reliability, and efficiency of the national electricity grid while helping to develop					
clean energy infrastructure. The Eastern Indonesia Renewable Energy Project (Phase 2) is aligned with these policy					
objectives as it taps private sector investment to construct, operate, and maintain four solar power plants with a total generating capacity of 42 megawatts (MW) in Likupang (North Sulawesi) and Lombok (West Nusa Tenggara).					
B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due					
Diligence					
			0.9% of Indonesia's population lives below the		
poverty line, similar to Thailand (10.5%) but higher than in Viet Nam (7.0%). In September 2017, poverty incidence in North Sulawesi province was 6.12%, below the then national average (10.12%). In West Nusa Tenggara province					
poverty incidence is	poverty incidence is high at 21.77%, more than double the national average.				
As the country with the world's fourth largest population, Indonesia faces challenges in providing equitable access					
to modern energy services, particularly in small islands and other remote areas, where most of the country's poor live. Indonesia's overall strategy for its energy sector focuses on diversification, environmental sustainability, and					
maximizing the use of domestic energy resources to significantly reduce the use of oil by increasingly exploiting					
renewable energy, targeting a 23% share of the energy mix by 2025. The private sector is expected to support this					
target and pursue investments across the energy sector. Most of Indonesia is exposed to maximum sun intensity year-round with potential for solar energy estimated at 4.8					
kilowatt-hours per s	exposed to maximum sun intension of the project of	ect supplies ele	with potential for solar energy estimated at 4.8		
kilowatt-hours per square meter per day. As the project supplies electricity to the grid, it will contribute a supply of reliable and clean energy in North Sulawesi and in Lombok, help cut power losses, and reduce reliance on					
greenhouse-gas-emitting diesel fuel generation. By contributing to energy infrastructure, the project will also					
indirectly facilitate economic growth by increasing the likelihood of the region generating economic activities.					
2. Beneficiaries. The project will directly export electricity to the North Sulawesi and Lombok electricity grids and will					
contribute to the country's renewable energy targets. Additional benefits will include temporary jobs for local workers created during project construction, and permanent employment for skilled local workers during operation. Business					
opportunities for local suppliers of food, goods, and services will also be created during project construction and, to					
a much lesser extent, during project operation.					
3. Impact channels. Infrastructure developed by the project will contribute to improvement of the quality of life of the					
project community. Alongside the project, a community development program will be implemented in consultation					
with, and tailored to the needs of, project communities.					
4. Other social and poverty issues. Access to electricity, which is still a concern especially in rural areas, will be addressed separately by Perusahaan Listrik Negara, a state-owned enterprise that is the sole electricity distributor					
in Indonesia. The country aims to increase the electrification ratio across Indonesia from 89.1% in 2015 to 96.6% in					
2019. The electrification rate is high in North Sulawesi at 99.1% and in West Nusa Tenggara at 99.0% where the					
projects are located					
5. Design features. The project will install four solar power plants with a total generation capacity of 42 MW, create					
local employment, and support the growth of the local and national economy during construction and to a lesser extent during operation.					
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 Participatory approaches and project activities. Project information was disseminated to project communities through brochures, publication in local newspapers, and announcements on information boards in project villages. Public consultations carried out in July 2016 in Lombok and October 2016 in Likupang explained the activities to be undertaken in the construction, operation, and maintenance of each of the solar power plants. Civil society organizations. The role of the civil society organization is limited to participation in public consultations. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): X Information gathering and sharing X Consultation X Collaboration X Participation plan. 				
□ Yes. ⊠ No. Stakeholder engagement activities captured in the impact assessment for each solar power plant will be undertaken throughout the project. The project will also adopt a grievance redress mechanism and community development plan as additional avenues for community participation in each power plant area.				
III. GENDER AND DEVELOPMENT				
Gender mainstreaming category: some gender elements				
A. Key issues. Indonesia is ranked 105 out of 159 countries in the 2015 gender inequality index. Indonesia's Gender Development Indicator value (0.926) groups the country with Sri Lanka (0.934), Uzbekistan (0.946), Tajikistan (0.930), and Bangladesh (0.927) in terms of gender inequalities in achievement across three dimensions: health, education, and command over economic resources. Indonesia's Gender Inequality Index value (0.467), which represents the loss in human development due to inequality between female and male achievements in the stated dimensions, ranks it below the Philippines (0.436), Myanmar (0.374), and Viet Nam (0.337). As a direct comparison, Malaysia was ranked 40 in 2015 while Indonesia was ranked 105. The Human Development Index data also point to a relatively high labor participation rate for men (83.9%) compared with women (50.9%) in Indonesia. As the project is limited to the construction, operation, and maintenance of the solar power plants, there are limited opportunities to integrate proactive gender measures in the project design. However, it is expected that the project will reduce the demand for electricity from the national grid, help diversify the country's energy mix, and provide a reliable supply of electricity. Poor infrastructure and delivery of basic social services, such as electricity, often exacerbate women's vulnerability. Access to a stable electricity supply reduces domestic drudgery and the time burden of women and translates to a better quality of life for households.				
B. Key actions. Gender action plan Other actions or measures No action or measure The project will set targets for employment of women during both construction and operation. It will also implement capacity building initiatives, which include training on solar panel installations and developing entrepreneurial skills among women's groups in the project areas.				
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Gender action plan ☑ Other actions or measures □ No action or measure The project will set targets for employment of women during both construction and operation. It will also implement capacity building initiatives, which include training on solar panel installations and developing entrepreneurial skills among women's groups in the project areas. IV. ADDRESSING SOCIAL SAFEGUARD ISSUES A. Involuntary Resettlement Safeguard Category: □ A □ B ☑ C □ FI 1. Key impacts. The project components will be sited in four areas: one in Likupang, North Sulawesi and three in Lombok Island. Land for all project sites was purchased on a willing buyer. willing seller basis as determined in the environmental and social impact assessment and validated by the project's independent lenders' technical advisor. The project team's due diligence confirmed that the negotiated land acquisition process utilized offered a fair price for land and openly addressed information asymmetries and bargaining power risks. The borrower's legal counsel reviewed all land purchase transactions to ensure compliance with national laws. 2. Strategy to address the impacts. Not applicable, no involuntary resettlement impacts. 3. Plan or other actions. ☑ No action B. Indigenous Peoples Safeguard Category: □ A □ B ☑ C □ FI				
□ Gender action plan ☑ Other actions or measures □ No action or measure The project will set targets for employment of women during both construction and operation. It will also implement capacity building initiatives, which include training on solar panel installations and developing entrepreneurial skills among women's groups in the project areas. IV. ADDRESSING SOCIAL SAFEGUARD ISSUES A □ B ☑ C □ FI 1. Key impacts. The project components will be sited in four areas: one in Likupang, North Sulawesi and three in Lombok Island. Land for all project sites was purchased on a willing buyer. willing seller basis as determined in the environmental and social impact assessment and validated by the project's independent lenders' technical advisor. The project team's due diligence confirmed that the negotiated land acquisition process utilized offered a fair price for land and openly addressed information asymmetries and bargaining power risks. The borrower's legal counsel reviewed all land purchase transactions to ensure compliance with national laws. 2. Strategy to address the impacts. Not applicable, no involuntary resettlement impacts. 3. Plan or other actions. ☑ No action				

V. ADDRESSING OTHER SOCIAL RISKS				
A. Risks in the Labor Market				
1. Relevance of the project for the country's, region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L).				
🛛 L unemployment 🖾 L underemployment 🗌 retrenchment 🖾 core labor standards				
2. Labor market impact. The project will generate approximately 800 jobs during construction, and local workers will be prioritized for employment opportunities. The borrower's human resource policy reflects provisions compliant with national labor laws and provides a safe work environment in accordance with international best practices. The borrower will ensure that labor and working conditions for workers employed by contractors are in accordance with the requirements set out in their contractual agreement.				
B. Affordability Not Applicable				
C. Communicable Diseases and Other Social Risks 1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): □ NA Communicable diseases				
2. Risks to people in project area. The project will monitor the contractors' compliance with the requirements in the environment and social management plan on community health and safety. Education and training programs will be undertaken to prevent the transmission of communicable diseases.				
VI. MONITORING AND EVALUATION				
 Targets and indicators. The project will install 42 MW of solar power generation capacity, generate local employment, and support the growth of the local and national economy. Required human resources. The borrower will engage an environment and social officer to monitor the project's environment and social performance, as well as compliance with labor laws. Information in the project administration manual. Not applicable. Monitoring tools. The borrower will report the status and progress of its environment and social compliance in its annual environmental and social monitoring report to ADB. ADB's project team will review reports and conduct review missions to validate and monitor project progress. 				
Country Profile. https://www.adb.org/countries/indonesia/poverty (accessed 25 September 2017); ADB. 2016. <i>Country Partnership Strategy: Indonesia, 2016–2019.</i> Manila; Government of Indonesia. Statistics. Jakarta. https://www.bps.go.id/QuickMap?id=0000000000 (accessed 25 September 2017); Government of Indonesia. 2014. <i>Government Regulation No.</i> 79/2014 on National Energy Policy. Jakarta. https://www.iea.org/ policiesandmeasures/pams/indonesia/name-140164-en.php; ADB. 2016. <i>Indonesia: Energy Sectors Assessment, Strategy, and Road Map.</i> Manila; ADB. 2017. <i>Eastern Indonesia Sustainable Energy Access Sector Project: Poverty and Social Assessment.</i> Unpublished; Government of Indonesia. 2017; United Nations Development Programme. 2016. Human Development Report. http://hdr.undp.org/sites/all/themes/hdr theme/country-notes/IDN.pdf; United Nations Development Programme. Gender Inequality Index. http://hdr.undp.org/en/content/gender-inequality-index-gii (accessed 25 September 2017); World Bank. DataBank. https://data.worldbank.org/country/indonesia (accessed 25 September 2017).				

Source: Asian Development Bank.