

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Indonesia	Program Title:	Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program Phase 2 (EGDP II)
Lending Modality:	Results-based lending for programs	Department/ Division:	Southeast Asia Department Energy Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: **Geographic/household/SDG targeting:** The program's geographic target includes poor, remote, and disadvantaged areas. Poverty is also targeted at the household level through support for part of the connection and installation costs for poor households. The program responds to Sustainable Development Goal (SDG) target 7.1 of increased access to affordable, reliable, and modern energy services.

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy Indonesia's ability to harness and manage sustainable energy sources is essential for its continued growth. The Government of Indonesia's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*) 2020-24 aims to reduce poverty rate to 6.5%-7% by 2024, and enhance domestic energy security, including by expanding energy infrastructure, increasing energy efficiency and accessibility, and diversifying the energy mix with renewable sources^a. The proposed results-based lending (RBL) program (i) will enhance sustainable, equitable, and reliable access to electricity for the population in nine provinces; (ii) is in ADB's country operations business plan 2018–2020, and aligns with the country partnership strategy 2016–2019; and is also aligned with ADB's Strategy 2030, which emphasizes inclusive economic growth and infrastructure development.^b The RBL will finance a slice of the broader program in the Electric Power Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik*), 2017–2026 of the State Electricity Corporation (Perusahaan Listrik Negara [PLN]).^c Additionally, the RBL will provide support to PLN during the COVID-19 crisis, due to which the President announced electricity discounts for all poor households across the nation in March 2020.^d

B. Results from the Poverty and Social Analysis during Assessments of the Program and its Systems

1. **Key poverty and social issues.** The nine target provinces in Kalimantan, Maluku, and Papua lag in key determinants of well-being, such as access to services, human development outcomes, and environmentally sustainable growth. Papua is the poorest and least developed, with 23%–28% of population living below the poverty line of \$35 per person per month. Kalimantan's high provincial gross domestic product per capita masks the poverty in many remote subdistricts, where up to a fifth of population living on less than \$55 per person per month. Households not electrified or only poorly electrified account for 56% of those in Papua; 15% in West Papua; 20% in both Maluku and North Maluku; and 28% in Central, 18% in West, and 21% in North Kalimantan.^e

2. **Beneficiaries.** The primary program beneficiaries will be about 893,700 new household customers in Kalimantan, Maluku, and Papua, including about 112,428 poor households (of which 10% are headed by women) who will benefit from electric lighting and appliances such as television, rice cookers, refrigerators, and hot water jugs. Children will be able to study in the evenings and their environment will be made healthier with the elimination of kerosene lamps and diesel generator fumes. Community centers, schools and health centers will benefit from electricity, which will enable extended evening hours, cold chain storage for essential drugs and vaccines, proper sterilization of medical instruments, the use of small machines for home enterprises, and refrigeration facilities for food transport and sales.

3. **Impact channels.** 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 on welfare impacts of rural electrification in Vietnam and Bhutan show that per capita income increases with electrification, while in the long term, children's school attendance improves.^f 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.

4. **Other social and poverty issues** Not applicable

5. **Design features.** The RBL program is designed to address key poverty and gender issues through its disbursement-linked indicators (DLIs) (Section VI) and poverty focused grant for poor households' connection.

II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and proposed program activities.** Consultations were conducted during the program preparation and program safeguards system assessment (PSSA) and will continue during program implementation. Views and concerns of affected persons and stakeholders, including customary communities, were used to identify potential impacts and prepare mitigation measures (safeguard action plans). PLN's headquarters and regional offices, provincial and district government agencies, universities, non-governmental organizations (NGOs), local communities, religious leaders, customary leaders (including customary councils) and members have been consulted. Women and youth participated in the consultations. The affected persons, including program

<p>beneficiaries, will participate in program planning, implementation, and monitoring including through consultations, meetings, and focus group discussions. These participatory approaches have been reflected in the PSSA.</p> <p>2. Civil society organizations. There are many NGOs addressing concerns related to the environment, energy, and customary communities, and several indigenous councils address concerns for indigenous peoples' rights. Program preparation involved consultations with customary councils and NGOs, who will continue being consulted during implementation.</p> <p>4. Forms of civil society organization participation envisaged during program implementation M <input checked="" type="checkbox"/> Information gathering and sharing M <input checked="" type="checkbox"/> Consultation L <input checked="" type="checkbox"/> Collaboration L <input checked="" type="checkbox"/> Partnership</p> <p>5. Participation plan. The social safeguards action plan emphasizes strengthening consultations with the communities and ensuring participation of indigenous peoples and customary communities. PLN will need to obtain written land use agreements for the installation of distribution transformers, and land donation for the installation of solar photovoltaic, mini and micro-hydro, and small biogas plants. PLN's standard operating procedures include consultations for the preparation and implementation of their distribution line program. <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<p align="center">III. GENDER AND DEVELOPMENT</p> <p>Gender mainstreaming category: effective gender mainstreaming</p> <p>1. Key issues. Gender development indices (GDI) and gender empowerment measures (GEM) indicate that women in Kalimantan, Maluku, and Papua are significantly disadvantaged compared with men.⁹ A larger proportion of men engage in paid work than women and time spent on productive work varies by livelihood and gender; for example, women may work for up to 4 hours and men up to 7 hours per day as hired labor. The most common livelihoods are fisheries, agriculture, and trading. The time spent on household chores varies. In Kalimantan household chores are mostly done by women and include collecting firewood, cooking, fetching water, and child-rearing duties. In Papua both women and men perform household chores. The evenings may be spent on making items for sale (e.g., rattan products), preparing fishing nets, or watching communal television, but these activities are generally constrained by the limited hours of lighting. Government data indicates that women head 5%–26% of poor households in the nine provinces (15% on average). For poor households, energy expenditures are significant and include kerosene, batteries, and fuel for generators (shared or self-owned). Children, including girls who are already burdened with household chores, are constrained in their studies and homework by the limited hours of light from batteries or generators. In schools without electricity, teachers are unable to use modern teaching and learning tools, or submit monthly administrative reports online to the district education department. Students cannot take part in online tests. Schools without electricity lack adequate water and sanitation facilities, and hygiene facilities, particularly for girls. The limited lighting and the daily chores reduce study time for students (particularly girls) at home and school. The lack of stable and adequate electricity also heightens risks for women's health during childbirth and compromises the efficacy of vaccines, essential drugs, and the sterilization of surgical equipment in health centers.</p> <p>2. Key actions. A grant has been designed to support the gender-related targets of the program, namely (i) DLI 2: supporting incremental costs of connection and in-house wiring for poor households, including 10% that are households headed by women, (ii) DLI 5: training local women and men on basic maintenance for solar photovoltaic systems in remote locations; (iii) DLI 7: developing training materials on safe and productive energy use, and ensuring community workshops have a minimum of 30% female participation, (iv) conducting a baseline study and an impact evaluation to measure social and gender outcomes, including improved time use for women and men. <input type="checkbox"/> Gender actions <input checked="" type="checkbox"/> Other actions or measures <input type="checkbox"/> No action or measure</p> <p>The project is expected to promote gender equality and women's empowerment in the geographic area. Key gender targets have been incorporated in DLIs and will be monitored for results over time.</p>
<p align="center">IV. ADDRESSING SOCIAL SAFEGUARD ISSUES</p> <p>A. Involuntary Resettlement Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C</p> <p>1. Key impacts. The expansion of the distribution line involves the (i) use of 0.2 square meters (m²) of land for the installation of electric poles for the medium- and low-voltage lines, (ii) use of 2–24 m² for installation of each distribution transformer, and (iii) possible cutting or trimming of productive trees for the stringing of the conductors within a right-of-way 4 meters in width. In addition, the program will include; (i) the installation of village-level solar photovoltaic systems that will require 1,600–2,500 m² (up to 10,000 m² per megawatt) of land; (ii) construction of micro hydropower plants that may require about 2,500 m²–20,000 m² of land; (iii) installation of diesel generators with a relatively small footprint (less than 2,500 m²). If possible, PLN will locate program facilities on its premises; otherwise PLN will acquire the land through (i) donation either from the communities themselves, or from local governments; or (ii) negotiated land acquisition with compensation at market rate. Physical relocation of people because of the project is not envisaged.</p> <p>2. Strategy to address the impacts. The PSSA and action plan have been prepared to ensure that resettlement safeguards objectives and principles are met. The PSSA was prepared in coordination with PLN and in consultation with the affected persons and stakeholders. Document reviews complemented field visits to selected program sites (completed, ongoing, and planned program activities) in Kalimantan, Papua, and Maluku, and key weaknesses have been identified. Program actions related to resettlement have been prepared to address the gaps (weaknesses) and discussed with PLN headquarters and regional offices.</p> <p>3. Actions</p>

<input checked="" type="checkbox"/> Program safeguard systems improvements <input type="checkbox"/> No action	
B. Indigenous Peoples Safeguard Category: <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C	
<p>1. Key impacts. Various indigenous peoples groups live in Papua, Kalimantan, and Maluku, where customary communities constitute the majority of the population. Land to be used for program activities may be owned or belong to the territory of customary communities. However, the required amounts of land for the program are not large; therefore, impacts on people's livelihoods are not expected. For the distribution lines expansion and establishment of small renewable energy (solar photovoltaic, mini and/or micro-hydro and small biogas) plants, most if not all affected customary communities will also be program beneficiaries, who benefit from electricity connections to their households.</p> <p>Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. A PSSA completed with action plan has been prepared to ensure indigenous peoples safeguards objectives and principles are met. Program actions related to indigenous peoples have been discussed with PLN headquarters and regional offices.</p> <p>3. Actions <input checked="" type="checkbox"/> Program safeguard systems improvements <input type="checkbox"/> No action </p>	
V. ADDRESSING OTHER SOCIAL RISKS	
A. Risks in the Labor Market	
<p>1. Relevance of the program for the country's or region's or sector's labor market. L <input checked="" type="checkbox"/> unemployment L <input checked="" type="checkbox"/> underemployment L <input checked="" type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards: No risks envisaged</p> <p>2. Labor market impact. Not applicable</p>	
B. Affordability. Not applicable	
C. Communicable Diseases and Other Social Risks	
<p>1. The impact of the following risks are rated high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> NA Communicable diseases <input type="checkbox"/> NA Human trafficking <input type="checkbox"/> Others (please specify) _____ </p> <p>2. Risks to people in program area. Not applicable</p>	
VI. MONITORING AND EVALUATION	
<p>1. Targets and indicators. The following performance indicators address poverty reduction and inclusive social development: (i) DLI 1 on increased number of PLN customers; (ii) DLI 2 on poor households provided with PLN electricity, including at least 10% households headed by women; (iii) improved time use, especially for women; and (iv) DLI 7 on consumer education for safe and productive energy use, with at least 30% female participation, and incentives for at least 50% female participation. PLN systems are being strengthened to enable the tracking of all performance indicators.</p> <p>2. Required human resources. Focal persons at PLN headquarters and regional offices will implement safeguards activities of the program. The independent verification agent will have expertise in environmental and social safeguards to verify implementation and achievement of the safeguards action plan included in the PSSA.</p> <p>3. Information in program implementation document will cover the DLIs and safeguards-related actions.</p> <p>4. Monitoring tools. The safeguards focal persons at PLN regional offices and units will monitor the implementation of safeguards-related actions and periodically report the results to PLN headquarters.</p>	

H = high, M = medium, L = low, NA = not applicable

^a Government of Indonesia. 2020. *National Medium-Term Development Plan 2020-2024*. Jakarta.

^b ADB. 2019. *Country Operations Business Plan: Indonesia, 2020–2022*. Manila. ADB. 2016; *Country Partnership Strategy: Indonesia, 2016–2019—Towards a Higher, More Inclusive and Sustainable Growth Path*. Manila; and ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

^c Minister of Energy and Mineral Resources Decree n No. 1415K/20/MEM/2017 concerning Ratification of the Electricity Supply Business Plan of PT PLN (PERSERO) 2017 - 2026.

^d The Jakarta Post. 2020. [Jokowi announces free electricity, discounts for households hardest hit by COVID-19 impacts](#). Jakarta.

^e Poverty data are from [Central Statistical Agency \(BPS-Indonesia\)](#), 2017/18, and the [National Team for Acceleration of Poverty Reduction](#). Electrification data is from PLN, provided in October 2018.

^f World Bank. 2008. *Welfare Impacts of Rural Electrification: Evidence from Vietnam*. Washington, DC; and ADB. 2010. *Asian Development Bank's Assistance for Rural Electrification in Bhutan—Does Electrification Improve the Quality of Rural Life?* Manila.

^g 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, 2018. [Pembangunan Manusia Berbasis Gender 2018](#). Jakarta. [Data updates from BPS-Indonesia](#).