

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Indonesia	Project Title:	Eastern Indonesia Renewable Energy Project Phase 1
Lending/Financing Modality:	Project	Department/Division:	Private Sector Operations Department Infrastructure Finance Division 2

<p>I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY</p> <p>Poverty targeting: general intervention</p> <p>A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy</p> <p>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 1) is aligned with these policy objectives as it taps private sector investment to construct, operate, and maintain a 72-megawatt (MW) wind power plant in Jenepono (South Sulawesi).</p> <p>B. Results from the Poverty and Social Analysis during Project Preparatory Technical Assistance or Due Diligence</p> <p>1. Key poverty and social issues. Asian Development Bank (ADB) 2016 statistics show that 10.9% of Indonesia’s population lives below the poverty line, similar to Thailand (10.5%) but higher than Viet Nam (7.0%). In September 2016, poverty incidence in South Sulawesi province was 9.24%, below the then national average (10.7%). 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 the majority 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 reduce the use of oil significantly 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.</p> <p>Eastern Indonesia is said to be the windiest region in the country, with estimated potential wind resources of 113.5 GW; however, the region’s total installed capacity was just 9.4 MW at the end of 2016. The country aims to increase its wind capacity to 1.8 GW by 2025 with a wind project pipeline in the regions of Java, Timor, Sumba, and South Sulawesi where the project is located. As the project supplies electricity to the grid, it will contribute a supply of reliable and clean energy in South Sulawesi, help cut power losses, and reduce reliance on greenhouse gas-emitting diesel fuel. By contributing to energy infrastructure in the region, the project will also indirectly facilitate economic growth by making the region more conducive to the generation of economic activities.</p> <p>2. Beneficiaries. The project will directly export electricity to the South Sulawesi electric grid, 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.</p> <p>3. Impact channels. Infrastructure developed by the project will improve the quality of life of the project community. Alongside project implementation, a community development program will be implemented in consultation with and tailored to the needs of project communities.</p> <p>4. Other social and poverty issues. Access to electricity, which is still a concern especially in rural areas, will be addressed separately by PT Perusahaan Listrik Negara, a state-owned enterprise that is the sole electric power 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 in South Sulawesi, where the project is located, was 97.3% in 2015, the second highest in the Sulawesi region.</p> <p>5. Design features. The project will install a wind electricity power plant with a generation capacity of 72 MW in Jenepono, generate local employment, and support the growth of the local and national economy during construction, and to a limited extent during operation.</p>
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V. ADDRESSING OTHER SOCIAL RISKS
<p>A. Risks in the Labor Market</p> <p>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). <input checked="" type="checkbox"/> L unemployment <input checked="" type="checkbox"/> L underemployment <input type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards</p> <p>2. Labor market impact. The project will generate approximately 180 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.</p>
<p>B. Affordability Not Applicable</p>
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): <input checked="" type="checkbox"/> NA Communicable diseases <input checked="" type="checkbox"/> NA Human trafficking <input type="checkbox"/> Others (please specify) _____</p> <p>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.</p>
VI. MONITORING AND EVALUATION
<p>1. Targets and indicators. The project will install 72 MW of wind electricity generation capacity, generate local employment, and support the growth of the local and national economy.</p> <p>2. 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.</p> <p>3. Information in the project administration manual. Not applicable.</p> <p>4. 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.</p>

Source: Asian Development Bank.

Country Profile. <https://www.adb.org/countries/indonesia/poverty> (accessed 25 September 2017); ADB. 2016. *Country Partnership Strategy: Indonesia, 2016–2019*. Manila; Government of Indonesia. Statistics. Jakarta. <https://www.bps.go.id/QuickMap?id=0000000000> (accessed 25 September 2017); Government of Indonesia. 2014. *Government Regulation No. 79/2014 on National Energy Policy*. Jakarta. <https://www.iea.org/policiesandmeasures/pams/indonesia/name-140164-en.php>; ADB. 2016. *Indonesia: Energy Sectors Assessment, Strategy, and Road Map*. Manila; ADB. 2017. *Eastern Indonesia Sustainable Energy Access Sector Project: Poverty and Social Assessment*. Unpublished; Government of Indonesia. 2015. *National Medium-Term Development Plan: RPJMN, 2015–2019*. Jakarta; PT Greencap NAA Indonesia. 2017. *Tolo I Wind Farm. Environmental and Social Impact Assessment*.; 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).