

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
<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 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).</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: ADB 2016 statistics show that 10.9% 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 high at 21.77%, more than double the national average.</p> <p>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.</p> <p>Most of Indonesia is exposed to maximum sun intensity year-round 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.</p> <p>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.</p> <p>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.</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 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.</p> <p>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.</p>

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 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.</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 42 MW of solar power 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>

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; 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.