### SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

<table>
<thead>
<tr>
<th>Country:</th>
<th>Indonesia</th>
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<tr>
<td>Project Title:</td>
<td>INO: Emergency Assistance for Rehabilitation and Reconstruction (EARR)</td>
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<tr>
<th>Lending/Financing Modality:</th>
<th>Sector Loan</th>
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<td>Department/Division:</td>
<td>Southeast Asia Department</td>
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#### I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

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

1. Disasters triggered by natural hazards cause significant loss of life and damage to assets in Indonesia. On 28 September 2018, a 7.4-magnitude earthquake struck Central Sulawesi Province in Indonesia. The earthquake triggered a series of cascading events—a near-field tsunami, landslides, and major liquefaction.\(^1\) The disasters killed 2,081 people, left 1,309 were missing, 4,438 injured, more than 200,000 people displaced, half of which are women.\(^2\) These disasters have extensively damaged housing, education facilities, health facilities, water supply and sanitation, irrigation, roads, ports, and an airport. Estimates show that the damage and losses totaled Rp24.1 trillion (equivalent to $1.7 billion),\(^3\) with the greatest damage to housing, education, health, water supply, irrigation, roads, bridges, and ports. Thus, rehabilitation and reconstruction of the damaged infrastructure is vital to restore essential services for the affected population.

2. The Asian Development Bank (ADB) proposes to support the Government of Indonesia through the Emergency Assistance for Rehabilitation and Reconstruction (EARR), which will build back better essential infrastructure damaged in the disasters. ADB's approach to support the government with the rehabilitation and reconstruction of critical infrastructure is in line with Indonesia’s National Medium-Term Development Plan, 2015–2019. The plan highlights the need to reduce disaster risk and sets ambitious socioeconomic targets, including increasing economic growth to 6%–8% annually and reducing poverty by 7–8 percentage points by 2019. The plan also seeks to reduce the Gini coefficient, increase the share of the population with access to health insurance and social assistance programs, and expand infrastructure investment programs. While substantial progress has been made to achieve the plan's objectives, these back-to-back disasters will pose a significant fiscal burden to the government and will require the government to allocate substantial financial resources for recovery, rehabilitation, and reconstruction. Any delay in undertaking rehabilitation and reconstruction will increase the impact of the disasters and may compromise the achievements of the plan.

3. The EARR is consistent with Indonesia’s country partnership strategy, 2016–2019.\(^4\) The strategy highlights that a large share of the Indonesian population lives in areas that are prone to disasters and that ADB’s support will help reduce disaster risk and promote faster and more inclusive growth in Indonesia. The EARR is also aligned with the operational priorities of ADB’s Strategy 2030: poverty reduction, gender equality, climate and disaster resilience, making cities livable, and promoting rural development and food security.\(^5\)

#### B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

4. **Social and poverty impact.** The disasters will have a disproportionate impact on the poor and vulnerable population in the affected areas. In March 2018, the percentage of the population living below the poverty line was 14.01% in Central Sulawesi—compared to the national average of 9.82%.\(^6\) The poverty gap, which measures how far an individual is below the poverty line, is substantially larger in Central Sulawesi than the national average.

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\(^1\) Liquefaction is a process where sand and silt that are saturated with water lose strength and acts as a fluid when shaken by an earthquake. Definition is from the United States Geological Survey.

\(^2\) ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management. 2018. *Situation Update No.15*. ASEAN is the Association of Southeast Asian Nations; and report of the Provincial Government as presented on 22 January 2019

\(^3\) Estimates from the National Disaster Mitigation Agency, the Government of Indonesia, and the United Nations Development Programme.


The poverty gap in Central Sulawesi is estimated at 2.64 compared with the national average of 1.71, partly because of the large share of the population that lives in rural areas.

The implication of this large poverty gap is that not only are the poor more likely to be impoverished by a disaster, but many may become more vulnerable and take longer to recover. Initial estimates suggest that poverty incidence will increase from 14.0% before the disaster to 16.6% after the disaster.

5. Most people in the affected areas rely on agriculture or services in the informal sector for their livelihood. The largest providers of employment in Central Sulawesi are agriculture (42%), trade (14%), and manufacturing (9%). The informal sector employs 68% of workers. Social assistance is limited, and labor force participation is high. Education attainment is low—primary school is the highest level of education for about 45% of the economically active population. The population in Central Sulawesi is extremely vulnerable because of the high level of informality and limited access to social safety nets, and the disasters will exacerbate this vulnerability. Research highlights that the poor, especially those in rural areas, are the most vulnerable to the effects of natural hazard-related shocks, with disasters having long-run economic consequences for those in the lowest income and wealth quintiles.

In addition, mass outward migration of people from the geographically affected areas has dispersed the social and economic impact of the disasters. More than 80,000 people left the disaster areas in Central Sulawesi after the event, to nearby cities such as Makassar and Gorontalo, depleting their savings and other family support mechanisms to cope with the crisis.

6. **Beneficiaries.** The primary beneficiaries include the affected population, including poor and vulnerable households who will benefit from the restoration of essential services and critical infrastructure. Women and men who lost their livelihoods from the disasters may benefit from short-term jobs created by rehabilitation and reconstruction efforts. The secondary beneficiary is government, who will benefit from improved capacity to design and manage resilient infrastructure.

7. **Impact channels.** The EARR will assist the government in rehabilitating and reconstructing essential infrastructure that will allow (i) affected households to connect to basic infrastructure, (ii) students to attend universities, (iii) farmers to restart agriculture; and (iv) sea and air transport facilities to be fully functional to support trade and passenger transport.

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

9. **Design features.** The EARR takes a comprehensive approach to rehabilitation and reconstruction by focusing on essential infrastructure in a limited number of sectors. Such an integrated approach will allow the affected population to restore access to services and improve livelihoods. The design of physical infrastructure will strengthen disaster resilience and, where appropriate, incorporate inclusive features that meet the needs of women and men, children, the elderly, and people with disabilities.

### II. PARTICIPATION AND EMPOWERING THE POOR

1. **Participatory approaches and project activities.** As part of the EARR preparation, consultations were held with national and provincial government agencies. The government’s consultation and participation processes were used to engage with a wide range of stakeholders. The design of EARR has been anchored and guided by government’s priorities for rehabilitation and reconstruction of essential infrastructure. The government has led the assessment of the damage and needs, which has informed the selection of infrastructure to be rebuilt through the EARR. In formulating the Master Plan for Recovery and Reconstruction for Central Sulawesi, the government gathered input from local stakeholders—communities and local government—to identify and prioritize immediate and medium-term needs.

2. **Civil society organizations.** The EARR uses government processes to engage with a range of civil society stakeholders, such as the private sector, civil society, and other nongovernment organizations.

3. **Civil society organization participation during implementation:** Information sharing (L) Consultation (L) Collaboration (N) Partnership (N).

4. **Participation plan:** Yes No: The program supports government consultation and participation processes.

### III. GENDER AND DEVELOPMENT

Gender mainstreaming category: Effective Gender Mainstreaming

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7 70% of people aged 15 and over.
8 ADB staff estimates.
A. Key issues. Women and girls are often disproportionately affected by disasters because preexisting gender inequality, discrimination, and gender-based violence are exacerbated during such times. It is estimated that more than half of the internally displaced people in Central Sulawesi are women. Of the 1.4 million people affected in Central Sulawesi, more than 350,000 are women of reproductive age and thus at increased risk of sexual and gender-based violence; and 45,300 women were pregnant. Following the disaster, the burden of work on women and the time spent on household and caring responsibilities are expected to increase. By involving women in leading the recovery and reconstruction, they can become important agents of change. Indonesia's policy on gender mainstreaming in Disaster Management (Perka BNPB No. 13/2014) emphasizes the need to carry out gender analysis; compile sex-disaggregated data; and provide equal access to affected women, men, and other vulnerable groups to participate in consultation processes, job opportunities, capacity building, and other development benefits. However, the effective implementation of this policy remains limited. Post-disaster rehabilitation and reconstruction efforts that do not take gender issues and needs into account may unintentionally exacerbate existing gender inequalities.

B. Key actions. A gender action plan (GAP) was prepared that includes the following actions and targets: (i) reconstruction and rehabilitation of infrastructure (education institutions, water supply, irrigation, and transportation) to integrate gender-responsive and inclusive design features and/or safety measures for women, children, the elderly, and people with disabilities; (ii) safety standards for disaster-resilient infrastructure and disaster preparedness and response plans developed in consultation with local stakeholders including women (45% women’s participation). The national gender experts who will be hired to support effective GAP implementation will also ensure that women and girls actively take part in the rehabilitation and reconstruction processes. EARR-related results will be reported with sex-disaggregated data whenever relevant. The measures included in the EARR’s GAP are in line with government regulation on Gender Mainstreaming in Disaster Management, which mandates gender-responsive planning and budgeting during rehabilitation and reconstruction.

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<th>Safeguard Category:</th>
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<th>B</th>
<th>C</th>
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IV. ADDRESSING SOCIAL SAFEGUARD ISSUES

A. Involuntary Resettlement

1. Key impacts. Following the assessment of the proposed emergency assistance loan, the program will not have significant impact on involuntary land acquisition and physical or economic displacement of people.

2. Strategy to address the impacts. Not applicable.

3. Plan or other Actions.

- Resettlement plan
- Resettlement framework
- Environmental and social management system arrangement
- No action

- Combined resettlement and indigenous peoples plan
- Combined resettlement framework and indigenous peoples planning framework
- Social impact matrix

B. Indigenous Peoples

1. Key impacts. An assessment of the proposed emergency assistance loan indicates limited impact on indigenous peoples communities.

Is broad community support triggered? Yes No

2. Strategy to address the impacts. None

3. Plan or other actions.

- Indigenous peoples plan
- Indigenous peoples planning framework
- Environmental and social management system arrangement
- Social impact matrix
- No action

- Combined resettlement plan and indigenous peoples plan
- Combined resettlement framework and indigenous peoples planning framework
- Indigenous peoples plan elements integrated in project with a summary

V. ADDRESSING OTHER SOCIAL RISKS

A. Risks in the Labor Market

1. Relevance of the project for the country’s or region’s or sector’s labor market: ☒ unemployment (low) ☒ underemployment (low) ☒ retrenchment (low) ☒ core labor standards (low); 2. Labor market impact. No risks envisaged.

B. Affordability: Not applicable

C. Communicable Diseases and Other Social Risks

1. The impact of the following risks: ☐ Communicable diseases (not applicable) ☐ Human trafficking (not applicable) ☐ Others (not applicable); 2. Risks to people in project area: Not applicable

VI. MONITORING AND EVALUATION

1. Targets and indicators. By the end of 2023, 200,000 affected persons have access to infrastructure that is resilient, inclusive, and operational (Baseline 2019: 0); 2. Required human resources. The two executing agencies will lead the monitoring of the loan implementation; 3. Information in the project administration manual. Not applicable; 4. Monitoring tools. Periodic progress reports prepared by executing agencies.