



Initial Poverty and Social Analysis

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INO: High-Value Coconut Processing Project

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INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Project Title:

Lending/Financing Modality: Department/Division:

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The project is aligned with the country partnership strategy for Indonesia, 2016–2019 and the National Medium-Term Development Plan, 2015–2019, as it supports rural development through investment in higher-value agriculture, growth in rural productivity, and increased employment. The project will finance the construction, commissioning, and working capital needs of a coconut processing plant at Luwuk, Central Sulawesi; and sourcing of raw coconuts from about 9,500 smallholder farmers.

B. Poverty Targeting

General intervention Individual or household (TI-H) Geographic (TI-G) Non-income MDGs (TI-M1, M2, etc.)

The project will support the improvement in rural livelihoods by providing opportunities for low-income households to participate in economic growth through (i) the integration of smallholder farmers in the coconut value chain; and (ii) the creation of off-farm employment opportunities at the new plant..

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries. The expected beneficiaries of the project are the smallholder farmers and processing plant workers in the vicinity of Luwuk, Central Sulawesi who will benefit from improved incomes thanks to the project. As of March 2019, 9.4% of the country's population lived below the national poverty line, 12.9% of whom lived in rural areas.^a Many of these rural poor are engaged in low-productivity labor, mainly in agriculture, with no other means of livelihood.

2. Impact channels and expected systemic changes. The plant will procure fresh coconuts from local smallholder farmers at a premium compared with copra manufacturers, providing these farmers with a stable offtake and a higher source of income. Smallholder farmers will also benefit from various trainings on intercropping, efficient soil and water conservation, organic farming, and beekeeping to help improve and diversify their sources of incomes. The plant will also hire around 1,200 factory workers with salaries significantly higher than employment alternative available in the area.

3. Focus of (and resources allocated in) the transaction TA or due diligence. The due diligence will review the land acquisition for the project and look into the current situation of the farmers and workers, particularly women, at the project site.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Women's participation in agriculture, particularly in the coconut industry, is a critical consideration for this project. Protection of women against sexual harassment in the plant workplace is also a key gender issue.

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making? Yes No

The project will promote the hiring of more women in the plant, from lower-skilled workers to female supervisors and managers. Participation of women in staff development programs will likewise be encouraged. The company will also develop an anti-sexual harassment policy, establish private and gender-segregated sanitary facilities and provide safe transportation.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?

Yes No Adverse impacts are not anticipated, and gender measures will be implemented to support a gender-inclusive working environment.

4. Indicate the intended gender mainstreaming category:

GEN (gender equity) EGM (effective gender mainstreaming)
 SGE (some gender elements) NGE (no gender elements)

III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design. The main stakeholders of the project are the workers of the plant and the smallholder coconut farmers supplying the plant. They will be met during the due diligence.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded? A gender-inclusive stakeholder engagement plan commensurate with the nature and scale of the operations at the site will be established. The plan will include: (i) a communication plan with the community and suppliers; (ii) employee and contractor engagement, and (iii) grievance mechanisms.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design? Not applicable

Information generation and sharing Consultation Collaboration Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed? Yes No Currently, there is no formal stakeholder engagement program, hence, the development of a gender-inclusive stakeholder engagement plan. The project will consider all stakeholders and the surrounding communities in developing the plan.

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No The project is not expected to result in physical and economic displacement. The land for the project site was acquired from a private owner through willing buyer willing seller agreement.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

Resettlement plan Resettlement framework Social impact matrix
 Environmental and social management system arrangement None

B. Indigenous Peoples Category A B C FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? Yes No

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? Yes No Indigenous Peoples impacts are not envisaged for the project as the project site is not a tribal area.

3. Will the project require broad community support of affected indigenous communities? Yes No

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

Indigenous peoples plan Indigenous peoples planning framework Social impact matrix
 Environmental and social management system arrangement None

V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

Creating decent jobs and employment (H) Adhering to core labor standards (H) Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS (L) Increase in human trafficking Affordability
 Increase in unplanned migration Increase in vulnerability to natural disasters Creating political instability
 Creating internal social conflicts Others, please specify _____

2. How are these additional social issues and risks going to be addressed in the project design?

The project will generate employment and require compliance with core labor standards. A community health and safety risk assessment will be conducted to identify risks, which will be addressed through a health and safety program.

VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified?

Yes No

2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence?

A consulting firm will be engaged to conduct an independent environmental and social audit. ADB staff will join the consulting team during site visits.

^a Government of Indonesia, Statistics Indonesia. [Percentage of Poor People 2007–2019](#) (accessed 29 October 2019).