

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The proposed Sustainable and Inclusive Energy Program focuses on strengthening Indonesia's energy sector by improving sector governance, enabling greater private sector participation in energy markets, and increasing access to clean energy and promoting energy efficiency. The program will build on the current portfolio and prior work in the sector by the Asian Development Bank (ADB), which is coordinated in Indonesia through the Indonesia Resident Mission.

2. The program will also take into account the assistance provided by other multinational and bilateral aid agencies and build on prior development partner collaboration.

3. Since 2005, ADB, the Japan International Cooperation Agency (JICA), and the World Bank Group have been the government's principal development partners in the energy sector. Other development and bilateral agencies have also supported activities in one or more subsectors. The table provides a summary of recent development partner activities in the core areas related to the proposed program. German development cooperation through KfW and Agence Française de Développement (AFD) of France have each provided nonsovereign loans directly to PLN in 2015 without the government's guarantee.

Major Development Partners

Development Agency	Project Name	Year Approved	Amount (\$ million)
Asian Development Bank	Policy and Advisory Technical Assistance to Indonesia for Sustainable and Inclusive Energy Program	2014	1.0
	Asia Energy Efficiency Accelerator	2013	2.9
	Java-Bali 500-Kilovolt Power Transmission Crossing	2013	224.0
	Planning a Pilot Carbon Capture and Storage Activity	2013	0.23
	Scaling Up Renewable Energy Access in Eastern Indonesia	2013	2.0
	Sustainable Infrastructure Assistance Program (grant from DFAT)	2013	20.0
	West Kalimantan Power Grid Strengthening Project	2013	50.0
	Geothermal Power Development Program (grant from DFAT)	2010	1.8
	Java-Bali Electricity Distribution Performance Improvement Project	2010	50.0
	Enhancing Private Sector Participation in Infrastructure Provision	2007	2.0
	Renewable Energy Sector Development Project	2002	161.0
Asian Development Bank—Private Sector Operations Department	Rantau Dedap Geothermal Power Project	2014	50.0
	Sarulla Geothermal Power Development Project	2013	300.0
	Loan to Indonesia Eximbank	2011	100.0
Japan International Cooperation Agency	Java-Sumatra Interconnection Transmission Line Project	2010	400.0
	Lahendong and Ulubelu Geothermal Power Plant Projects	2009	260.0
	Kamojang Geothermal Power Plant Extension Project (Engineering Services)	2009	10.0
	Asahan Hydroelectric Power Plant Construction	2009	276.4
	Peusangan Hydroelectric Power Plant Construction	2009	260.2
KfW (Germany)	1000 islands REEP—Phase 1	2015	~110
	Emission Reduction Investment Program	2015	100.0
	Energy Efficiency Programme-Rehabilitation of Power Plant	2014	200.0
	Rehabilitation of Kamojang 1-2-3 Geothermal Power Plant	2014	69.0
	Review and update of existing FS for 9 mini-hydropower plants	2014	1.0
	Sumatera Pumped Storage (with ADB)	2014	1.7
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	1.5
	Feasibility Study for Sustainable Hydropower Project	2012	2.9

Development Agency	Project Name	Year Approved	Amount (\$ million)
	Geothermal Exploration Seulawah Agam	2010	8.9
	Java-Sumatra Interconnection Transmission Line Project	2010	74.6
	Seulawah Agam Geothermal Power Plant		64.4
Agence Française de Développement (France)	Financing of a 500-Kilovolt transmission line in Jakarta	2013	109.1
	Financing of a Master Plan for the development of the power network of the Jakarta conurbation	2013	1.1
	Strengthen the electricity transmission network in Jakarta	2012	20.0
	Building of an electrical transmission line in West Kalimantan (co-financing with ADB)	2011	49.5
	Java-Bali Electricity Distribution Performance Improvement Project (with ADB)	2009	50.0
World Bank	Indonesia Second Power Transmission Development Project	2014	325.0
	Smart Grid Capacity Building	2014	N/A
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	N/A
	Carbon Capture and Storage	2013	N/A
	Geothermal Tariff Development	2013	N/A
	Quasi Equity to Supreme Energy (with IFC)	2013	6.0
	Clean Stove Initiative	2012	N/A
	Financing Options for Medium Hydropower Project in Outer Islands	2012	N/A
	Gas Development Master Plan	2012	N/A
	Implementation of Performance Based Regulation for Electricity Sector	2012	N/A
	TA for Capacity Building to Pertamina Geothermal Energy	2012	6.95
	Geothermal Clean Energy Investment Project	2011	300.0
	Upper Cisokan Pumped Storage Power Project	2011	640.0
Extended Deployment of an Enterprise Resource Planning System	2010	30.0	
Netherlands	Renewable Energy Program	2010	6.0
New Zealand	Geothermal Human Resources Development Plan	2014	3.8
	Development of Indonesia's Geothermal Human Capacity & Capability	2012	0.4
	New Zealand Association of Southeast Asian Nations Scholarships	2011	3.0/year
	Technical Assistance for Capacity Building Trust Fund	2011	7.4
Danida (Denmark)	Environmental Support Programme	2013	50.0
United Kingdom	UK Climate Change Unit Programming	2011	43.1

ADB = Asian Development Bank, DFAT = Department of Foreign Affairs and Trade, IFC = International Finance Corporation, REEP = Regional Energy Efficiency Program, TA = technical assistance

Note: Amount in US dollar equivalent.

Source: Asian Development Bank.

B. Institutional Arrangements and Processes for Development Coordination

4. A regular, formal development partners' forum has not been reestablished in Indonesia since the dissolution of the Consultative Group for Indonesia process in 2007. However, ADB missions regularly conduct dialogue with development partners to exchange information. Cooperation by development partners in the energy sector is generally fluid. Each of the key development partners, including AFD, JICA, KfW, and the World Bank Group, regularly invite the other to participate in meetings or missions. They also regularly exchange information and documents. ADB has joined development partners in conducting policy dialogue with the government on several occasions, which has been well received by the government.

C. Achievements and Issues

5. ADB, the International Bank for Reconstruction/World Bank (IBRD), and JICA collaborated on the Infrastructure Reform Sector Development Program, which was initiated in

2005 and completed in 2010.¹ It involved a policy-based loan that supported reform in several sectors, including the electricity sectors. The program focused on key policy action items integrated into a common agenda that covered tariff review, establishment of an independent regulator for the electricity sector, and more effective public–private partnerships for independent power producers. ADB and the World Bank Group also jointly an investment plan that aimed to blend in their own funds with concessional funds from the Clean Technology Fund to provide \$400 million for geothermal and other renewable energy projects and energy efficiency investments. In addition, ADB and the IBRD have continually collaborated during 2012–2015 in their policy and regulatory support work across areas relating to tariff subsidies, renewable energy, and energy access. Their collaboration in the geothermal subsector supported the issuance of a new geothermal Law in 2014 and adoption by the government of a new tariff scheme based on the avoided cost of fossil-fuels based generation.²

D. Sustainable and Inclusive Energy Program Coordination

6. The program represents a coordinated effort by several development partners to support the government’s reform agenda. Efforts began in August 2014 when ADB initially proposed a policy-based energy sector loan to the government. In November 2014, the government held a seminar in Jakarta on reform in the power sector that was hosted by the Coordinating Ministry for Economic Affairs and supported by ADB and IBRD. ADB and IBRD subsequently began working closely with the government in planning a policy-based loan program to strengthen the energy sector. Both have also been providing coordinated, grant-financed technical assistance to further support the development and enactment of key policy actions.³

7. In 2015, the government accepted offers by KfW and AFD to parallel cofinance the program, and these institutions have been attending program coordination meetings. The contributions of these groups will be the following: IBRD – \$500 million; KfW – \$200 million equivalent, and AFD – \$113 million equivalent. AFD and KfW will also provide technical assistance grants that will support the enactment of specific policy actions in coordination with ADB’s own policy advisory technical assistance. The program will serve as a platform for close coordination between development partners and enable a more consistent approach to strengthening the energy sector.

E. Summary and Recommendations

8. The program builds on the lessons learned generally from previous ADB and development partner policy-based loans to Indonesia and the successes generated by their complementary approach and multi-partner dialogue. The program’s implementation strategy is based on a continuing dialogue between the government and development partners in support of medium-term reforms that will strengthen the country’s energy sector.

¹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Loans, Technical Assistance Grant, and Administration of Grant from the Government of Netherlands to the Republic of Indonesia for the Infrastructure Reform Sector Development Program*. Manila.

² ADB. 2010. *Technical Assistance to Indonesia for Geothermal Power Development*. Manila.

³ ADB. 2013. *Technical Assistance to Indonesia for the Sustainable Infrastructure Assistance Program*. Manila; ADB. 2015. *Policy and Advisory Technical Assistance for the Sustainable and Inclusive Energy Program*. Manila; ADB. 2010. *Technical Assistance to Indonesia for the Geothermal Power Development Project*. Manila; ADB. 2013. *Technical Assistance to Indonesia for Scaling Up Renewable Energy Access in Eastern Indonesia*. Manila; ADB. 2013. *Technical Assistance to Indonesia for Planning a Pilot Carbon Capture and Storage Activity*. Manila.