



Concept Paper

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June 2015

Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 Indonesia: Sustainable and Inclusive Energy Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 9 June 2015)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.0000749120
\$1.00	=	Rp13,349.00

ABBREVIATIONS

ADB	–	Asian Development Bank
ASEAN	–	Association of Southeast Asian Nations
PLN	–	Perusahaan Listrik Negara (State Electricity Company)
RPJMN	–	Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)

NOTE

In this report, "\$" refers to US dollars.

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CONTENTS

	Page
PROGRAM AT A GLANCE	
I. THE PROGRAM	1
A. Rationale	1
B. Impact, Outcome, and Outputs	3
C. Program Costs and Financing	3
D. Indicative Implementation Arrangements	3
II. DUE DILIGENCE REQUIRED	4
III. PROCESSING PLAN	4
A. Risk Categorization	4
B. Resource Requirements	4
C. Processing Schedule	4
IV. KEY ISSUES	4
APPENDIXES	
1. Design and Monitoring Framework	5
2. Problem Tree	8
3. Initial Poverty and Social Analysis	9
SUPPLEMENTARY APPENDIXES (available upon request)	
1. Linkages between the Sustainable and Inclusive Energy Program and the Infrastructure Reform Sector Development Program (2006–2010)	
2. ADB Energy Sector Assessment (Summary)	
3. Energy Sector White Paper	

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 49043-001	
Project Name	Sustainable and Inclusive Energy Program (Subprogram 1)	Department /Division	SERD/SEEN
Country Borrower	Indonesia Republic of Indonesia	Executing Agency	Coordinating Ministry for Economic Affairs
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Energy	Energy sector development and institutional reform		300.00
		Total	300.00
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Medium
Environmentally sustainable growth (ESG)	Global and regional transboundary environmental concerns		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional systems and political economy	Some gender elements (SGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
Partnerships (PAR)	International finance institutions (IFI)		
Private sector development (PSD)	Official cofinancing Conducive policy and institutional environment Promotion of private sector investment Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Nation-wide	High
6. Risk Categorization:	Complex		
7. Safeguard Categorization	Environment: B Involuntary Resettlement: C Indigenous Peoples: C		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		300.00	
Sovereign Program loan: Ordinary capital resources		300.00	
Cofinancing		850.00	
ASEAN Infrastructure Fund		50.00	
Agence Francaise de Developpement		100.00	
To Be Determined		200.00	
World Bank		500.00	
Counterpart		0.00	
None		0.00	
Total		1,150.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROGRAM

A. Rationale

1. Indonesia under a new president and executive team has set an annual economic growth rate target of 8% by 2019. Achieving this target will depend to a large extent on the government's ability to revive a severely underperforming energy sector.¹ Having transitioned from a net energy exporter to a significant importer of energy, the country has until recently been unable to put in place an appropriate policy framework to adapt to this situation. In late 2014 to early 2015, the government removed subsidies on gasoline and increased the price of diesel by nearly 30%. In the same period, it also removed power tariff subsidies and put in place automatic price adjustment for all but a few consumer categories. During 2015–2019, the government seeks to enact a series of subsector reforms aiming to (i) expand energy production through greater private sector investment and more effective public sector investment, (ii) bolster the sustainability of the energy sector through increased reliance on domestic gas and renewable energy and increased energy efficiency, and (iii) expand energy access to all Indonesians.

2. The proposed Sustainable and Inclusive Energy Program (SIEP) is aligned with the priorities of the Asian Development Bank (ADB) country partnership strategy, 2015–2019 for Indonesia and the draft energy sector assessment, strategy, and road map, both of which are being finalized. The program is also in line with ADB's midterm review of Strategy 2020, which emphasizes the need for inclusive economic growth, infrastructure development, and policy-based engagements in middle-income countries.² By focusing on a series of subsector reforms, the Sustainable and Inclusive Energy Program addresses the unfinished agenda of translating the high-level sector regulatory reform that was implemented under ADB's Infrastructure Reform Sector Development Program during 2006–2010³ into sustained subsector actions. The program is included in the draft country operations business plan 2015–2019. The draft design and monitoring framework is in Appendix 1; the problem tree is in Appendix 2.

3. **Inadequate investment in the energy sector.** Widespread subsidies and the inability to recover costs have led to underinvestment by the public sector. Low tariffs and market prices combined with challenges in permitting, licensing, land acquisition, environmental approvals, and the perceived financial risk posed by monopolistic and subsidized public sector off-takers has resulted in inadequate private sector investment. For example, low domestic prices, aging fields, and an uncertain regulatory framework that discourages private sector investment have together constrained investment in upstream and downstream gas markets. In the power subsector, relatively low investment has been compounded by delays in completing the few large and small fossil-fired, geothermal, and hydro power projects initiated in recent years.⁴

4. **Constraints on scaling up renewable energy and energy efficiency.** Renewable energy deployment is lagging, despite an abundance of various forms of renewable energy and national targets to increase renewables in the energy mix from just 5% of the country's primary

¹ Recent analyses of the energy sector which highlight the persistent challenges and provide potential policy solutions and road maps include the following: (i) National Development Planning Agency (BAPPENAS). 2014. *Medium-Term Economic Infrastructure Strategy–Background Report for RPJMN, 2015–2019*. Jakarta; (ii) Asian Development Bank (ADB). 2014. *Energy Sector White Paper*. Manila. Jakarta; and (iii) International Energy Agency. 2015. *Energy Policies Beyond IEA Countries: Indonesia 2015*. Jakarta.

² Asian Development Bank (ADB). 2014. *Midterm Review of Strategy 2020*. Manila.

³ ADB. 2006. *Infrastructure Reform Sector Development Program*. Manila. See Supplementary Appendix 2 for a description of the linkages between the two programs.

⁴ The State Electricity Company (PLN) has estimated the power sector's investment needs (by PLN and the private sector) during 2015–2019 to be nearly \$100 billion, of which PLN expects to raise and deploy around \$50 billion.

energy mix to 25% by 2025. The Ministry for Energy and Mineral Resources has tried to attract private sector investment to the renewable energy subsector by issuing feed-in tariffs for small-scale hydro power, biomass, and waste-to-energy systems, and ceiling prices for solar. However, tariff levels were not always appropriate and project developers still face difficult negotiations and delays due to permitting issues. Similarly, the government set economy-wide energy efficiency targets and published the National Energy Conservation Master Plan in 2005 but is yet to enact guidelines which, for example, promote energy efficient equipment or appliance standards and labeling in the household and commercial sectors. These circumstances, combined with low economy-wide energy costs, have resulted in energy efficiency measures being considered financially unviable.

5. Impediments to achieving 100% modern energy access. Indonesia's national electrification ratio of 84% in 2014 is low relative to its neighbors in Southeast Asia.⁵ In many small power markets and parts of eastern Indonesia, supply is limited to a few hours a day. The high cost of delivering fossil fuels to small islands and remote areas—combined with low power loads, limited household ability to pay, lack of interconnected grids that can support larger generating units, and a constrained policy environment—have made State Electricity Company (PLN) reluctant to add new consumers. Nevertheless, the rich renewable energy potential of these regions could support a range of grid-connected, mini grid, and household systems. The government's electrification effort overall lacks a comprehensive regulatory framework that incorporates the private sector, a national program, an institutional framework, and the necessary budgetary resources.

6. ADB's engagement in the energy sector. The Sustainable and Inclusive Energy Program will build on ADB's extensive recent engagement in the sector that is focused on three areas: (i) knowledge and awareness, (ii) policy and mainstreaming best practices, and (iii) financing energy infrastructure. ADB has supported the development of (i) new tariff regimes for geothermal, solar photovoltaic rooftop, and wind systems; (ii) regulations for energy service companies; and (iii) a planning and regulatory framework for expanding electricity access. Other knowledge-related activities include the country's first carbon capture and storage pilot and an analysis of the prospects for strengthening transmission grids in Kalimantan and interconnecting Sumatra with Malaysia.⁶ ADB is also involved in financing large geothermal power plants and power transmission lines between Java and Bali and between Sarawak (Malaysia) and Kalimantan, and is supporting energy-savings-based loans through a state-owned bank.⁷

7. Sustainable and Inclusive Energy Program design. SIEP is closely aligned with the government's National Medium-Term Development Plan (RPJMN), 2015–2019, the goals of which include (i) expanding electricity access to all Indonesians and increasing per capita consumption from 843 kilowatt-hours to 1,200 kilowatt-hours per year as key goals; (ii) bolstering domestic energy security through expanded production of gas, improved security for downstream oil and oil products, and increased utilization of renewable energy; and (iii) scaling up energy efficiency. The program is also designed to support PLN via the company's Electricity Power Supply Business Plan, 2015–2024. Realizing these goals will require a sustained and multi-year effort. SIEP will be ADB's first policy-based operation in Indonesia that is fully

⁵ Forty million people still do not have access to electricity; most other large Association of Southeast Asian Nations (ASEAN) countries have close to 100% access.

⁶ Refer to ADB. 2013. *Prospects for Carbon Capture and Storage in Southeast Asia*. Manila; ADB. 2014. *An Evaluation of the Prospects for Interconnections among the Borneo and Mindanao Power Systems*. Manila; ADB. 2015. *Unlocking Indonesia's Geothermal Potential*. Manila; ADB. 2015 (expected). *Achieving Universal Electricity Access in Indonesia*. Manila; ADB. 2015 (expected). *Support Tariffs for Wind and Rooftop PV*. Manila.

⁷ Investments in the draft country operations business plan (2015–2019) include geothermal power plants, a pumped storage hydro power plant in Sumatra, and results-based lending for power grid strengthening programs.

focused on the energy sector. The proposed program takes a chronological approach over the 5-year RPJMN period with three subprograms.

B. Impact, Outcome, and Outputs

8. The impact of the program will be a more sustainable and inclusive energy sector in Indonesia. The outcome will be increased supply from sustainable and more accessible energy options. The reform areas are (i) **Output 1: Sector governance improved.** Economic tariffs for electricity will be adopted and performance of public sector enterprises in the energy sector improved; (ii) **Output 2: Markets for private participation enabled.** Gas and power markets will be opened to private sector investment, and the licensing and permitting of private sector projects in the power sector streamlined; and (iii) **Output 3: Access to clean energy increased.** Power generation from geothermal energy and other renewable energy sources will be scaled up, the enabling environment for energy efficiency efforts will be improved, an institutional planning and budgeting framework for scaling-up electricity access will be established, and the performance of new fossil fuel plants will be improved.

C. Program Costs and Financing

9. The program comprises three subprograms envisaged as single-tranche policy-based loans. The loan amounts reflect the indicative costs of reform and the government's budget support financing needs.⁸ ADB will provide \$300 million from its ordinary capital resources and \$50 million from the Association of Southeast Asian Nations (ASEAN) Infrastructure Fund (AIF)⁹ to help finance subprogram 1. Subprograms 2 and 3 are expected to require the same amount of ADB financing, subject to confirmation by the government.

Table 1: Tentative Financing Plan
(\$ million)

Source	SP 1, 2015	SP 2, 2017	SP 3, 2019	Total	Share (%)
ADB	300	300	300	1,200	5
AIF	50	50	50	150	1
World Bank	500	500	500	1,500	8
To be determined	200	200	200	600	3
AFD	100	100	100	300	2
Government ^a	5,000	5,000	5,000	15,000	81
Total	6,150	6,150	6,150	18,450	100

ADB = Asian Development Bank, AFD = Agence Française de Développement (French Development Agency), AIF = ASEAN Infrastructure Fund, Government = Government of Indonesia, SP = subprogram.

^a Only includes estimated subsidy reduction and investment to expand the power subsector. Further due diligence will be done to estimate the cost of other reforms.

Source: Asian Development Bank estimates.

D. Indicative Implementation Arrangements

10. The Coordinating Ministry for Economic Affairs will be the executing agency. The Ministry for Energy and Mineral Resources, Ministry of Finance, Ministry of Environment and Forests, and the Investment Coordination Board will be the implementing agencies. The

⁸ The government's financing gap to address the additional budget deficit for 2015 is estimated to be about \$6.6 billion. Development partners are expected to provide about \$3.6 billion, including about \$800 million from ADB.

⁹ Administered by ADB.

coordinating ministry will establish a program management unit to oversee overall program monitoring and reporting. The program implementation units at the implementing agencies will report to the program management unit and monitor the progress of reform implementation. The implementation period is June 2013–September 2015 for subprogram 1, October 2015–September 2017 for subprogram 2, and October 2017–September 2019 for subprogram 3. The policy-based loans will be disbursed upon accomplishment of agreed policy actions.

II. DUE DILIGENCE REQUIRED

11. The following due diligence will be undertaken: (i) sector assessment focusing on specific policy measures to be taken, (ii) economic and financial analysis, (iii) risk assessment and management plan, (iv) program impact assessment, (v) environmental assessment, and (vi) fiduciary safeguards assessment.¹⁰ The program is expected to be classified category B for environment and C for social safeguards. The initial poverty and social analysis is in Appendix 3.

III. PROCESSING PLAN

A. Risk Categorization

12. The program is categorized *complex* as the reforms are challenging and involve a number of key actors. The proposed loan exceeds \$50 million.

B. Resource Requirements

13. A total of 10.0 person-months of staff resources will be required, comprising a team leader (5.5 person-months), public finance specialist (2.0 person-months), energy economist (1.0 person-month), environment specialist (0.5 person-months), social development specialist (0.5 person-months), and program counsel (0.5 person-months).

C. Processing Schedule

14. The proposed processing schedule is in Table 2.

Table 2: Proposed Processing Schedule

Milestone	Expected Completion Date
Concept clearance	June 2015
Loan fact-finding mission	June-July 2015
Management review meeting	August 2015
Loan negotiations	September 2015
Board circulation	October 2015
Board consideration	20 November 2015

Source: Asian Development Bank.

IV. KEY ISSUES

15. The proposed reforms are substantial and some are politically difficult to implement. Therefore, the timeline may be delayed or actions in the policy matrix may need to be adjusted to enable reforms to meet the program objectives.

¹⁰ ADB is supporting preparation of this program through a policy and advisory technical assistance grant for \$1 million (ADB. 2014. *Technical Assistance to Indonesia for Sustainable and Inclusive Energy Program*. Manila). The technical assistance will also support the preparation of subprogram 2.

DESIGN AND MONITORING FRAMEWORK

Impacts the program is aligned with:

- Strengthen the availability of primary energy for domestic use through increased production of gas (RPJMN, 2015–2019).*
- Increase the extent of domestic energy infrastructure for electricity and gas provision (RPJMN, 2015–2019).*
- Increase access to modern forms of energy among underserved sections of the population (RPJMN, 2015–2019).*

Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
Outcome Supply from sustainable and more accessible energy options increased	By 2020: a. Number of large IPP-led new power projects that reach financial closure increased to at least five per year (2015 baseline: TBD) b. FDI in the oil and gas subsectors increases by at least 15% per annum (2015 baseline: TBD) c. Percentage of the population with access to electricity increases to 96% (2015 baseline: ~86%) d. PLN able to raise at least \$3 billion annually in capital from private and public sources (2015 baseline: TBD) e. Energy efficiency investments from public and private sector are at least \$0.5 billion per year (2015 baseline: TBD)	a. Bank of Indonesia annual report b. Annual RUPTL (PLN), ^a MEMR annual report c. Central Bureau of Statistics website ^b and development partner reports d. BKPM annual report	Reduced oil prices and a lowering of gas prices limits private sector interest in increased oil and gas exploration Downward pressure on the rupiah increases PLN's debt service rates and constrains borrowing
Outputs 1. Sector governance improved	By 2019: 1a. An economic tariff for power for all consumer classes adopted (2015 baseline: N/A) 1b. Performance-based regulation for PLN adopted (2015 baseline: N/A)	1a. Website of DG Electricity (MEMR) ^c 1b. RUPTL, MEMR annual reports	Risks Government reorganization or reallocation of functions Investors and lenders do not sustain their interest to lend to the private sector
2. Markets for private participation enabled	By 2019: 2a. At least three regulations that streamline the planning, financing, and delivery of projects in the power sector adopted (2015 baseline: TBD)	2a. Annual RUPTL (PLN)	Political commitment to private investments in

Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	<p>2b. Two power wheeling agreements by PLN signed (2015 baseline: N/A)</p> <p>2c. Three regulations that increase private sector investment and the production and supply of gas adopted (2015 baseline: TBD)</p>	<p>2b. Annual RUPTL (PLN)</p> <p>2c. Website of DG Oil and Gas (MEMR)^d, MEMR annual reports</p>	the energy sector wavers
3. Access to clean energy increased	<p>By 2019:</p> <p>3a. Three regulations to scale up geothermal energy-based power generation issued (2015 baseline: TBD)</p> <p>3b. Pricing mechanisms for one additional renewable energy technology established (2015 baseline: Three renewable energy feed-in tariffs established)</p> <p>3c. Two decrees establishing national electrification plans issued (2015 baseline: N/A)</p> <p>3d. At least two new regulations promoting energy efficiency and conservation enacted (2015 baseline: TBD)</p> <p>3e. Regulation requiring CCS to be undertaken in gas processing plants and large coal-fired power plants enacted (2015 baseline: N/A)</p>	<p>3a. EBTKE website,^e MEMR annual reports, development partner reports</p> <p>3b. EBTKE website, MEMR annual reports, development partner reports</p> <p>3c. EBTKE website, MEMR annual reports, RUKN</p> <p>3d. EBTKE website, MEMR annual reports, development partner reports</p> <p>3e. EBTKE website, MEMR annual reports, development partner reports</p>	
<p>Activities with Milestones Refer to policy matrix, to be finalized in consultation with the government.</p>			
<p>Inputs</p>			

Program Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
Subprogram 1: Subprogram 2: Subprogram 3:	\$300 million \$300 million \$300 million		
Assumptions for Partner Financing			
Not applicable.			

BKPM = Badan Koordinasi Penanaman Modal (Indonesia Investment Coordinating Board), EBTKE = Directorate General of New and Renewable Energy and Energy Conservation, FDI = foreign direct investment, IPP = independent power producer, MEMR = Ministry of Energy and Mineral Resources, PLN = Perusahaan Listrik Negara (State Electricity Company), RPJMN = Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan), RUPTL = Rencana Usaha Penyediaan Tenaga Listrik (Electricity Power Supply Business Plan)

* Badan Pengawasan Keuangan dan Pembangunan. 2015. *Rencana Pembangunan Jangka Menengah Nasional, 2015–2019*. <http://www.bpkp.go.id/sesma/konten/2254/Buku-I-II-dan-III-RPJMN-2015-2019.bkp> (accessed 23 April 2015).

^a Current edition: PLN. 2014. *Rencana Usaha Penyediaan Tenaga Listrik (RUPTL), 2015–2024*. Jakarta.

^b www.bps.go.id/

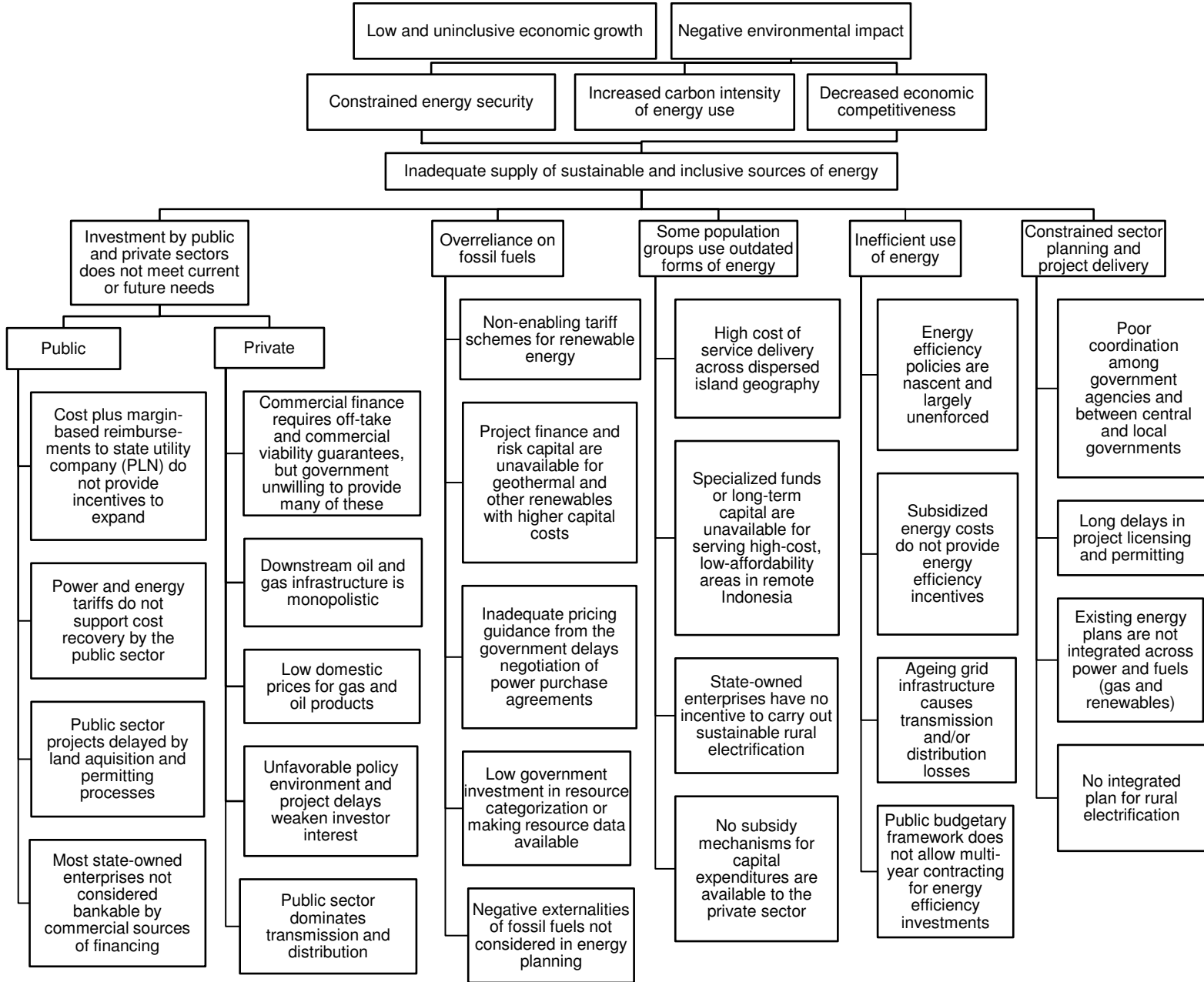
^c <https://www.djk.esdm.go.id>

^d www.migas.esdm.go.id/

^e <http://www.ebtke.esdm.go.id/>

Source: Asian Development Bank.

PROBLEM TREE



CAUSES

EFFECTS

INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Program Title:	Sustainable and Inclusive Energy Program
Lending/Financing Modality:	Policy-Based Loan	Department/Division:	Southeast Asia Department/Energy Division

I. POVERTY IMPACT AND SOCIAL DIMENSIONS

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

The national poverty reduction strategy of Indonesia is incorporated in the government's National Medium-Term Development Plan (RPJMN). The RPJMN, 2010–2014 indicates that insufficient investment in infrastructure including in the energy sector is one of the critical constraints on economic growth, and that infrastructure has been the primary driving factor in poverty reduction. The country partnership strategy (CPS) 2012–2014^a of the Asian Development Bank (ADB) is closely aligned with the RPJMN and supports the government's efforts to achieve higher levels of pro-poor sustainable growth and to enhance social development. Specifically, the CPS comprises two pillars: (i) inclusive growth, and (ii) environmental sustainability with climate change mitigation and adaptation.

The government is developing its next RPJMN for 2015–2019, which will highlight expanding electricity access to all Indonesians and increasing per capita consumption from 800 kilowatt-hours to 1,200 kilowatt-hours per year as key goals. It will also bolster domestic energy security through increased investment in the sector, expanded production of gas, increased utilization of renewable energy, and the scaling up of energy access. These priorities are to be reflected in ADB's draft CPS for 2015–2019 and the draft energy sector assessment, strategy, and road map, both of which are being finalized.

The program supports the government's measures to accelerate the country's pro-poor economic growth and reduce poverty by developing and improving infrastructure through more reliable, sustainable, secure, and affordable energy systems.

The program is also in line with ADB's midterm review of Strategy 2020, which emphasizes the need for inclusive economic growth, infrastructure development, and policy-based engagements in middle-income countries.^b

B. Poverty Targeting

General Intervention Individual or Household (TI-H) Geographic (TI-G) Non-Income MDGs (TI-M1, M2, etc.)

The program will provide a more sustainable and inclusive energy sector and foster the country's efforts to increase sustainable economic growth and alleviate poverty.

C. Poverty and Social Analysis

1. Key issues and potential beneficiaries.

Indonesia's national electrification ratio is low relative to its neighbors in Southeast Asia. More than 40 million people, or about 16% of the nation's population, lacked access to electricity in 2014. In many small power markets and in parts of eastern Indonesia supply is limited to a few hours per day. Moreover, nearly every second household in Indonesia depends on solid fuels for cooking, causing indoor air pollution.

The expected impact of the program is a more sustainable and inclusive energy sector in Indonesia which will (i) improve the investment climate in the energy sector, (ii) increase access to clean energy, and (iii) expand electricity access. As a result, the program will provide economic opportunities for large industries and small and medium-sized enterprises as well as increase the efficiency of public services (such as hospitals, schools, and government offices). Urban and rural consumers—industrial, agricultural, commercial, and domestic—are all potential beneficiaries of a sustainable energy sector.

2. Impact channels and expected systemic changes.

The government recognizes the crucial impact that energy will have on the country's future growth and introduced important initiatives on multiple fronts in the sector during 2014. Over 2014–2015 the government removed subsidies on gasoline and increased the price of diesel by nearly 30%. The government has also removed electricity tariff subsidies and put in place automatic price adjustment for all but a few categories of consumers. In an effort to improve the operational efficiency of the State Electricity Company (Perusahaan Listrik Negara, or PLN) and strengthen it financially, the government is also trying to move away from the current framework of the public service obligation wherein PLN is reimbursed for the difference between its actual costs of operation (plus a margin) and its revenue to benchmarking of controllable costs and performance. The government is also evaluating proposals that would increase private sector involvement in the upstream and downstream natural gas subsectors. In summary, the government has demonstrated a commitment to addressing challenges in the energy sector and enabling the transition to a more sustainable and inclusive energy supply. However, a sustained, comprehensive effort is necessary to translate the goals and targets into enabling regulations and promulgate these regulations in order to

realize tangible outcomes in the medium term.

3. Focus of (and resources allocated in) the Program Preparatory Technical Assistance (PPTA) or due diligence.

In coordination with key development partners and bilateral agencies such as the World Bank, the due diligence will include (i) sector assessment focusing on specific policy measures to be taken, (ii) economic and financial analysis, (iii) a risk assessment and management plan, (iv) program impact assessment, (v) environmental assessment, and (vi) fiduciary safeguards assessment.

4. Specific analysis for policy-based lending.

The proposed policy-based loan will support the Government of Indonesia in introducing overdue reforms in the energy sector so as to stimulate investments in the sector, which will increase access to cleaner and more affordable forms of energy for all citizens. The program is well aligned with the government's goal to expand generation capacity by 35 gigawatts during 2015–2019. The policy-based loan will take a chronological approach over the same period with subprograms every other year to strengthen overall impact.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this project or program? Women have an important role in domestic activities such as cooking and provision of wood or alternative fuel for cooking and lighting. Women also have capacity to meet their families' basic needs through subsistence and income-earning activities. Reliable, sustainable, and affordable electricity will significantly reduce the time and effort spent by women on domestic activities by reducing the labor required to obtain and use fuel, enabling income-generating activities in the home, family or leisure time, and easier study for school or other training, and generally improving the health and quality of life. In addition, women running home industries, businesses, and other enterprises might experience lower production costs and increased revenue. Therefore, energy provision will be a critical input for women's activities.

2. Does the proposed project or program have the potential to make a contribution 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

While energy provision is identified as a critical input for women's activities, the program aims at systematic improvement, and benefits will be generalized and indirect. Pillar 3, which aims to increase energy access to the poor and vulnerable, has aspects which to some extent address gender equality and empowerment of women.

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

Yes No

Systematic reform of the energy sector will impact positively on the population as a whole but will not have a direct gender impact nor widen gender inequality.

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 program, including beneficiaries and negatively affected people?

The main stakeholders are national government agencies, local government representatives, and the private sector such as power companies, independent power producers, and oil and gas exploration companies. All these stakeholders will be consulted. Urban and rural consumers—industrial, agricultural, commercial, and domestic—are all potential beneficiaries of a sustainable energy sector.

2. How can the program contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly the poor, vulnerable, and excluded groups? What issues in the program design require participation of the poor and excluded?

The program content is based, in part, on some of the empirical findings on the impact of increased private participation and infrastructure on achievement of inclusive growth.

3. What are the key, active, and relevant civil society organizations in the program area? What is the level of civil society organization participation in the program design?

Information generation and sharing Consultation Collaboration Partnership

Because the social benefits of the program are primarily indirect, civil society organizations relevant to social impact and development will have a limited role in the program; if any such organizations express interest in being involved, the program will ensure that information flows are fully transparent and will seek their advice as appropriate.

4. Are there issues during program design for which participation of the poor and excluded is important? What are they and how shall they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C FI

1. Does the program have the potential to involve involuntary land acquisition resulting in physical and economic displacement? Yes No

The program will have no potential to involve involuntary land acquisition.

2. What action plan is required to address involuntary resettlement as part of the PPTA 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 program 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

3. Will the program 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 PPTA 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 program design?

- Creating decent jobs and employment Adhering to core labor standards Labor retrenchment
 Spread of communicable diseases, including HIV/AIDS 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 program design?

Creating decent jobs and employment: The proposed policy reforms under the program will contribute to the national economy through more investment and production activities, and to additional employment as a result of expanded supply and reliability of electricity supply. The reforms will accelerate economic growth and help create jobs. Factories will be able to operate with greater certainty for more hours per day, thereby increasing productivity.

Affordability: The program will support the Government of Indonesia to increase access to cleaner and more affordable forms of energy for all its citizens.

VI. PPTA OR DUE DILIGENCE RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or other due diligence) contain key information needed to be gathered during the PPTA 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

The program will have no impact on any of the social safeguard categories and is not expected to generate any other social risk.

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

Initial and summary poverty and social assessments will be completed by team members in coordination with the World Bank, which will cofinance the program.

^a ADB. 2012. *Country Partnership Strategy: Indonesia, 2012–2014*. Manila.

^b Asian Development Bank (ADB). 2014. *Midterm Review of Strategy 2020*. Manila.