



Concept Paper

Project Number: 49080
June 2015

Proposed Results-Based Loan Republic of Indonesia: Sumatra Power Grid Strengthening Program

CURRENCY EQUIVALENTS

(as of 8 June 2015)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.000075
\$1.00	=	Rp13,333.33

ABBREVIATIONS

ADB	–	Asian Development Bank
DLI	–	disbursement-linked indicator
kV	–	kilovolt
MVA	–	megavolt-ampere
PLN	–	Perusahaan Listrik Negara (State Electricity Corporation)
RBL	–	results-based lending
RPJMN	–	Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)
RUPTL	–	Rencana Usaha Penyediaan Tenaga Listrik (Electricity Power Supply Business Plan)

NOTE

- (i) The fiscal year (FY) of the Government of Indonesia and its agencies ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2015 ends on 31 December 2015.
- (ii) In this report, “\$” refers to US dollars.

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RESULTS BASED PROGRAM AT A GLANCE

1. Basic Data		Project Number: 49080-001	
Project Name	Sumatra Power Grid Strengthening Program	Department /Division	SERD/SEEN
Country Borrower	Indonesia P.T. Perusahaan Listrik Negara	Executing Agency	P.T. Perusahaan Listrik Negara
2. Sector		Subsector(s)	
✓ Energy	Electricity transmission and distribution	ADB Financing (\$ million)	
			500.00
		Total	500.00
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change Information	
		Climate Change impact on the Project	Low
4. Drivers of Change		Components	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas	No gender elements (NGE)	✓
Partnerships (PAR)	Official cofinancing Regional organizations		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Regional	High
6. Risk Categorization:		Complex	
7. Safeguard Categorization		Environment: B Involuntary Resettlement: B Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		500.00	
Sovereign Results Based Lending: Ordinary capital resources		500.00	
Cofinancing		100.00	
ASEAN Infrastructure Fund		100.00	
Counterpart		0.00	
None		0.00	
Total		600.00	
9. Effective Development Cooperation			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

I. THE PROGRAM

A. Program Strategic Context and Rationale

1. Indonesia's ability to harness and manage sustainable energy sources is a critical prerequisite for the country to continue on its growth trajectory. If the Indonesian economy continues to grow at its current rate of around 5% per year, domestic demand for energy will rise by around 8.0%–8.5% per year. One of the priorities in the Government of Indonesia's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*, or RPJMN) 2015–2019 is to enhance domestic energy security. Within the sector, the Electricity Power Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik* or RUPTL) provides a ten-year plan (2015–2024) which also includes a five-year Electricity Development Plan with specific targets for 2015–2019. The government is now calling for expanding power generation capacity across Indonesia by an additional 35 gigawatts (GW) from 2015 to 2019 to achieve 7% economic growth and alleviate existing grid constraints of which 9 GW is to be installed in Sumatra.

2. The overall investment needs for the 35 GW program covering generation, transmission, and distribution are \$83.5 billion¹ of which \$43.5 billion is to come from the private sector and the balance \$40 billion to be covered by the State Electricity Corporation (*Perusahaan Listrik Negara* or PLN). The government and PLN will not be able to meet the investment needs on their own. For achieving the expansion targets by 2019, PLN has a funding gap of \$30.3 billion of the \$40 billion required which will have to be borne by other financing sources such as the private sector, commercial banks, and other development partners.

3. The electric power system is made up of separate island grids comprising eight interconnected networks and 600 isolated grids. Sumatra currently accounts for about 25% of Indonesia's gross domestic product and has the second-largest electricity system in the country with an installed capacity of about 6,000 megawatts (MW) in 2013 but despite that, it suffers from an average power deficit of 250 MW. The government is keen to boost Sumatra's productivity which implies strengthening its existing power grid and increasing the generating capacity to around 15,000 MW.

4. According to the RUPTL 2015–2024 and PLN's estimates, the total investment needed for this program focusing on the expansion and strengthening of Sumatra's transmission and distribution systems for 2015–2019 is \$7,362 billion and adding program management, social and environmental safeguards implementation, and taxes and duties puts the overall Sumatra program expenditure at \$10,835 million. In light of the large investment needs, a focused programmatic approach by the Asian Development Bank (ADB) against the backdrop of the government and PLN's strong nationwide 35 GW program will promote a longer and broader engagement and enhance collaboration to achieve the intended results. Due to the size of this program, cofinancing is needed and the World Bank is also stepping in with a \$500 million loan for Sumatra using a program for results (PforR) modality to further complement ADB's support. A series of ADB financed results-based loans with a commitment of at least \$2 billion focusing on the Sumatra program during 2015–2019 will help achieve the objectives set by the RUPTL 2015–2024 which are to further expand access to electricity in Sumatra and stimulate greater investments in the region. This will contribute to the overall government vision of developing

¹ The breakdown is (i) private sector (independent power producers) \$43.5 billion; and (ii) PLN \$40 billion of which \$15.5 billion for generation, \$17 billion for transmission, and \$7.5 billion for distribution.

Sumatra as a major industrial center, enhancing regional growth, and connecting it to both Java² and Peninsular Malaysia by 2020. Additional RBL loans to support programs for the Java-Bali and Easter Indonesia power grids are also being discussed between ADB and PLN.

5. The proposed Sumatra Power Grid Strengthening Program will take a results-based lending (RBL) programmatic approach in consultation with PLN and government over the five-year RPJMN period with a series of programs anchored to PLN's RUPTL 2015–2024. This will ensure a long-term continuous engagement for the strengthening of the Sumatra power grid and ensuring reliable and uninterrupted provision of electricity. The RBL modality is appropriate, given (i) ADB's long-term assistance to PLN in financing generation, transmission and distribution; (ii) its capacity for implementation; (iii) the alignment of the RBL with the national planning frameworks RPJMN and RUPTL; (iv) PLN and the government's strong ownership of the 35 GW program; (v) the government's shift to direct lending to state-owned enterprises backed by a government guarantee, in order to increase efficiency and simplify the project approval process; (vi) lower transaction costs associated with program implementation; and (vii) the potential to stimulate cofinancing and donor harmonization with other development partners. The program is included in the draft Country Operations Business Plan 2015–2017 and complements the proposed Sustainable and Inclusive Energy Program Subprogram 1 policy-based loan which will promote a more inclusive and sustainable energy sector in Indonesia with targets for renewable energy and energy efficiency.

B. Indicative Program Scope

6. The program will contribute to PLN's overarching power development plans for Sumatra as identified in the RUPTL 2015–2024. A stronger transmission system with robust distribution networks will increase reliability of connections with industrial, commercial, and residential customers.

Table 1: Program Scope

Item	Broader PLN Program	Results-Based Lending Program
Outcome	Enhanced energy security	Adequacy and reliability of power supply achieved for Sumatra
Key outputs	Sumatra's transmission backbone system developed and strengthened and interconnected with the Java-Bali grid, and distribution system expanded.	<ol style="list-style-type: none"> 1. Existing transmission system strengthened and expanded 2. Existing distribution system strengthened and expanded 3. Performance management and implementation improved
Expenditure size	\$10,835 million	\$600 million
Geographic coverage	Sumatra	Sumatra
Implementation period	2015–2019	2016–2019

Source: Asian Development Bank and PLN staff estimates.

C. Indicative Program Results

7. **Impact and outcome.** At the impact level, the program is aligned with the RUPTL's goal of enhancing the quality of life in Indonesian society by the sustainable use of electricity as a key driver of increased economic activity. The expected outcome of the RBL program is that the adequacy and reliability of power supply are achieved for Sumatra. This adequacy and reliability is defined by the outcome indicators, which are measured against realistically set targets. The

² A high-voltage direct current link to connect the Sumatra grid to the Java-Bali grid is being financed by Japan.

outcome is linked to all five Results Areas in the national electricity results framework and the key performance indicators for the RBL program outcome are identical or similar to those used by PLN in their own Results Areas (increase in number of customers, electricity sales, and customer satisfaction). In RBL modality, disbursement-linked results consist of disbursement-linked indicators (DLIs) that can include development outcomes, intermediate outcomes, outputs, and institutional strengthening.

8. **Outputs.** Three output level results make up the results chain below the outcome level, articulating the RBL program's contributions to the overall outcome (Table 1). This means that if all three outputs are fully achieved, and if risks are well managed, then the outcome will be achieved.

- (i) **Output 1. Existing transmission system strengthened and expanded.** This results chain will contribute to addressing the inadequacy of financing for the existing transmission system's strengthening and expansion. Achieving this will contribute to reducing bottlenecks in several major interconnection projects, extending the transmission network, connecting to the Java-Bali grid by 2020 with a high-voltage direct current (HVDC) link with a capacity of 3,000 MW, and connecting to Peninsular Malaysia with another HVDC link.
- (ii) **Output 2. Existing distribution system strengthened and expanded.** Output 2 will help address the inadequacy of financing for the expansion and strengthening of the existing distribution system and the consequences on Sumatra's population and businesses, which are encountering regular overloading and unreliability issues.
- (iii) **Output 3. Performance management and implementation further improved.** This results chain will contribute to PLN's overall efforts to increase staff productivity, improve human capital readiness, and strengthen institutional capacity. It proposes to address implementation problems, notably, the need to increase the proportion of competency-certified employees in PLN, especially those in critical positions, such as substation operators, and the low proportion (less than 10%) of implementation contracts that are completed on schedule.

D. Indicative Expenditure Framework and Financing Plan

9. PLN's broader program expenditure for the strengthening and development of Sumatra's power transmission and distribution systems from 2015 to 2019 is estimated to be \$10,835 million of which \$7,362 million are the capital expenditure needs. This is based on the RUPTL 2015–2024 and PLN's planning division's estimates. The ADB loan for the proposed program will contribute a total of \$600 million (5.5%) of which \$500 million will be from ordinary capital resources and \$100 million from the ASEAN Infrastructure Fund (AIF). The World Bank is also expected to provide \$500 million (4.5%) for the strengthening of Sumatra's distribution systems. PLN and other partners will provide the balance of \$9,735 million (90%) of the \$10,835 million. Advance financing (up to 25% of loan amount) and/or financing for prior results may be provided for the RBL program subject to the outcome of the due diligence.

E. Capacity Development

10. A key focus of the program is also to further strengthen the performance management of PLN to deliver key results. A program action plan will include, as necessary, key actions in specific technical areas, fiduciary management, monitoring and evaluation, environment, social safeguards, and gender to ensure that achievement of key results strengthen PLN systems.

F. Indicative Implementation Arrangements

11. The executing agency will be PLN. The implementation of the program will be undertaken by PLN's regional offices overseeing transmission and distribution programs for Sumatra and with overall management by PLN headquarters.

II. ASSESSMENTS EXPECTED

12. The assessments for the program include (i) the viability of RBL modality; (ii) program soundness including design, quality, quantity, and unit costs; (iii) financial and economic feasibility; (iv) PLN systems for environmental and social safeguards; (v) fiduciary aspects including fund flow mechanisms, program reporting, and DLI verification; and (vi) PLN's procurement systems.

III. PROCESSING PLAN

G. Risk Categorization

13. The proposed program is categorized as complex as this is the first program to adopt the RBL programmatic approach in the energy sector and the loan amount is above \$200 million.

H. Resource Requirements

14. A total of eleven (12) person-months (pm) of staff resources will be required comprising a team leader (5 pm), finance specialist (1 pm), energy economist (1.0 pm), environmental specialist (1 pm), energy specialist (1 pm), social specialist (1 pm), and counsel (2.0 pm).

I. Processing Schedule

Table 2: Proposed Processing Schedule

Milestones	Expected Completion Date
Program-related assessments	June 2015
Loan fact-finding	June 2015
Management review meeting	July 2015
Loan negotiations	August–September 2015
Board consideration	October 2015
Loan signing	November 2015

Source: ADB staff estimates.

IV. KEY ISSUES

15. The proposed program is expected to build on the gains under ADB's previous support to Indonesia's power sector. It will use PLN's fiduciary, procurement, and anticorruption systems which will be further assessed to determine the degree to which they will be able to manage fiduciary risks. The program will determine where further improvements are needed and the subsequent program action plan will contain actions to further strengthen, if deemed necessary, PLN's technical and system assessments. A key remaining issue is the finalization of the legal and operational framework for direct lending with a government guarantee which is still being formulated.

DESIGN AND MONITORING FRAMEWORK

Impacts the program is aligned with: The quality of life in Indonesian society enhanced by sustainable electricity as a key driver of increased economic activity (Electricity Power Supply Business Plan [<i>Rencana Usaha Penyediaan Tenaga Listrik</i> or RUPTL] 2015–2024).			
Project Results Chain	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome: Adequacy and reliability of power supply achieved for Sumatra	a. Number of PLN customers in Sumatra increased by at least 3% each year (2014 baseline: 11,179,969 customers) ^a	PLN annual statistics reports	PLN funding targets to meet required investments in power generation, transmission, and distribution are not met.
	b. Energy sales increased by at least 7% each year (2014 baseline: 27,610.77 GWh) ^a	PLN annual statistics reports	
	c. Technical complaints from PLN customers to Sumatra call center reduced (March 2014 baseline: 5.6 complaints/1000 customers/month)	Sumatra call center records from PLN database	
Outputs: 1. Existing transmission system strengthened and expanded	1a. SAIDI reduced to below 300 minutes per customer per year (2014 baseline 481 minutes per customer) ^a	PLN annual statistics reports	Prices of commodities, supplies and wages rise more than budgeted.
	1b. SAIFI reduced to below 7 incidents per customer per year (2014 baseline: 8.44 incidents per customer) ^a	PLN annual statistics reports	
2. Existing distribution system strengthened and expanded	2a. Distribution transformer capacity increased annually to achieve at least 3,200 MVA of additional capacity by 2019 (2014 baseline: 8,070 MVA total capacity) ^a	PLN annual statistics reports	Required changes to improve systems and processes are not systematically applied.
	2b. Distribution losses reduced to below 10% by 2019 (2014 baseline: 13.99%) ^a	PLN annual statistics reports	
	1a. SAIDI reduced to below 300 minutes per customer per year (2014 baseline: 481 minutes per customer) ^a	PLN annual statistics reports	
	1b. SAIFI reduced to below 7 incidents per customer per year (2014 baseline: 8.44 incidents per customer) ^a	PLN annual statistics reports	
3. Performance management and implementation improved	3a. Percentage of PLN staff which is competency certified by PLN increased to at least 99% by 2019 (2014 baseline: 87.5%)	PLN Human Resources Department	
	3b. Timely completion of implementation contracts increased to 30% by 2019 (2014 baseline: <10%)	PLN	
Other Results (Financing for prior results):	4a. Substation and transmission line major equipment delivered on site	PLN	
	4b. Baseline data is made available on agreed procurement performance indicators from PT PLN General Guidelines for Procurement.	PLN	

<p>Key activities with milestones:</p> <p>Output 1. Existing transmission system strengthened and expanded</p> <ul style="list-style-type: none"> • Reconductoring of existing 150 kV transmission lines • Extension of 150 kV and 275 kV substations • Installation of 150 kV and 275 kV reactors and capacitors • Expansion of 20 kV switchgear at existing 150 kV substations <p>Output 2. Existing distribution system strengthened and expanded</p> <ul style="list-style-type: none"> • Expansion and reinforcement of the medium voltage (20 kV) and low voltage distribution network • Installation of distribution transformers • Installation of service connections and feeders • Installation of customer meter boxes and circuit breakers <p>Output 3. Performance management and implementation improved</p> <ul style="list-style-type: none"> • Acceleration of PLN staff training and certification programs • Analysis and resolution of bottlenecks in contract implementation processes
<p>Inputs</p> <p>PLN and other partners: \$9,735 million ADB: \$600 million (including \$100 million AIF) World Bank: \$500 million</p>
<p>Assumptions for partner financing: Outputs necessary to reach the outcome that are not administered by ADB include those largely financed by PLN and other partners and also those financed by the World Bank. The assumption is that PLN has sufficient resources as planned for these outputs to achieve its goals for Sumatra.</p>

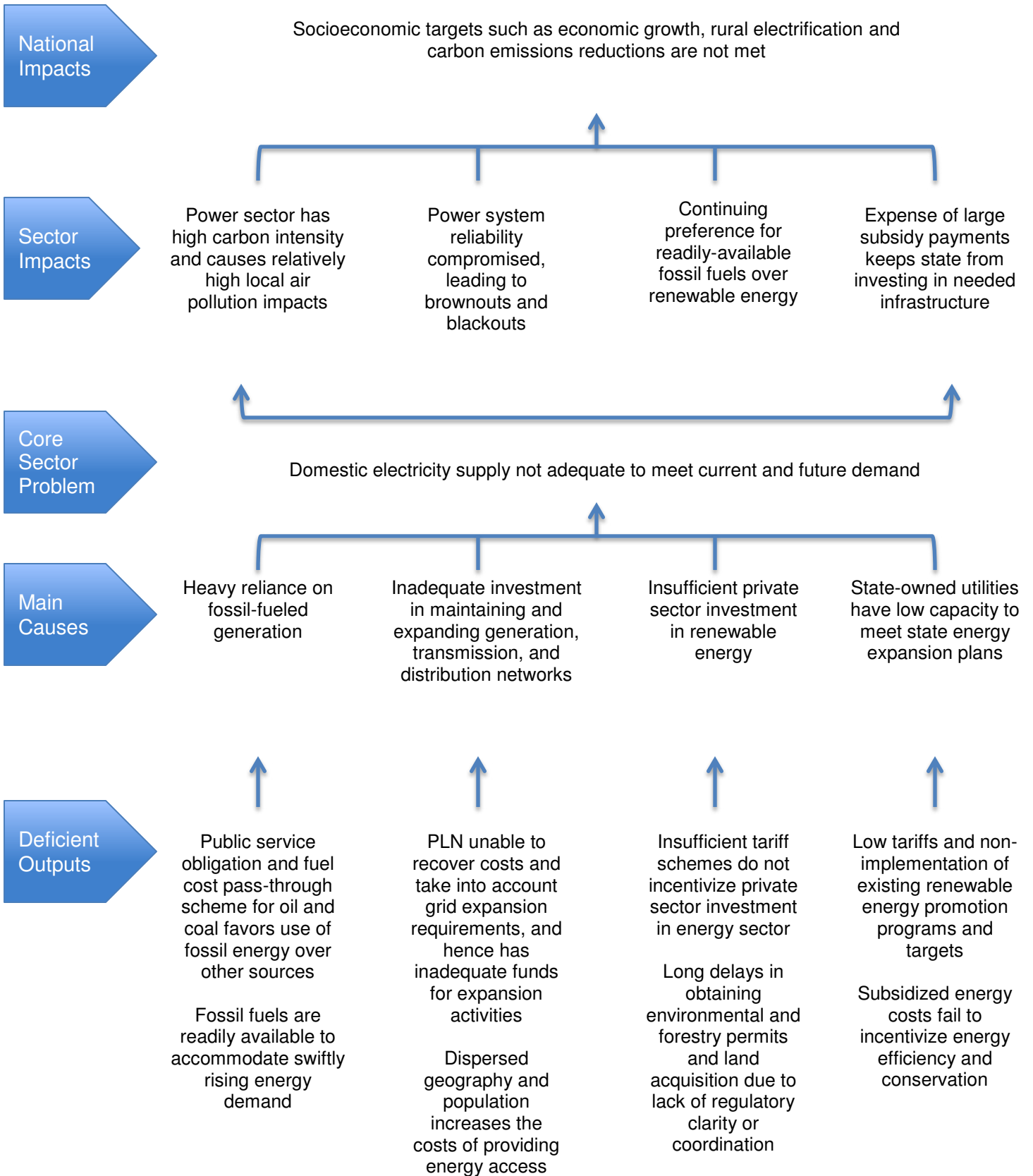
Note: SAIDI and SAIFI are common to both Outputs 1 and 2 and do not require duplicate measurements.

^a indicate indicators that are disbursement-linked.

ADB = Asian Development Bank, BPS = Badan Pusat Statistik (Central Bureau of Statistics), DLI = disbursement-linked indicator, GWh = gigawatt-hour, HV = high-voltage, kV = kilovolt, MW = megawatt, MVA = megavolt-ampere, PLN = Perusahaan Listrik Negara (State Electricity Corporation), RBL = results-based lending, SAIDI = system average interruption duration index, SAIFI = system average interruption frequency index.

Sources: Asian Development Bank, PLN staff estimates, PLN management information systems, and RUPTL 2015–2024.

PROBLEM TREE



INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Program Title:	Sumatra Power Grid Strengthening Program
Lending/Financing Modality:	Results-based lending	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

Indonesia's ability to harness and manage sustainable energy sources is a critical prerequisite for the country to continue on its growth trajectory. Having realized that the energy sector may well become an impediment to the country's future economic prospects, the government is refocusing its efforts on the sector. Accordingly, one of the priorities in the Government of Indonesia's National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional, or RPJMN*) 2015–2019, which is committed to reduce poverty rates to 7%-8% by 2019, is to enhance domestic energy security. Measures to achieve this include expanding energy infrastructure and investments, increasing energy efficiency and energy accessibility, diversifying the energy mix with new and renewable energy sources, reducing greenhouse gas emissions and increasing private sector participation.

The program is also aligned with the priorities of ADB's country partnership strategy 2015–2019 for Indonesia and the draft energy sector assessment, strategy, and road map, both of which are being finalized. Furthermore, ADB recently developed an energy sector white paper which supports the RPJMN. The program is in line with ADB's *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*, which emphasizes the need for inclusive economic growth and infrastructure development.

B. Poverty Targeting

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

The program will provide more sustainable and inclusive access to electricity and foster the country's efforts to increase the 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, continue to lack access to modern forms of energy in 2014. In many small power markets, supply is limited to few hours a day. Moreover, nearly every second household in Indonesia depends on solid fuels for cooking, causing indoor air pollution. Sumatra accounts for about 25% of Indonesia's gross domestic product (GDP) and has the second-largest electricity system in the country with an installed capacity of about 6,000 megawatts (MW) in 2013. Northern Sumatra is continuing to see power shortages (with an average deficit of 250 MW) and outages. The distribution network has begun to deteriorate for lack of upkeep, and it is reported that several areas—particularly those with high load densities—are facing regular overloading and unreliability issues. The government's plans to improve access to electricity and increase electrification ratio around the country are already tightening pressure on the country's already stretched distribution capacity, urgently requiring heavy network investment to ensure that additional generation capacity can actually translate into the delivery of more and better quality supply to consumers.

The primary beneficiaries of the program will be the 1.7 million new customers connected to the distribution grid - these will benefit from having electric lighting and the ability to connect small appliances such as television, rice cookers, hot water jugs and the like. At the same time children will be able to read and study in the evenings and their health environment improved with the elimination of kerosene lamps and open fires. Schools and health centres in villages can also benefit from connection to electricity, especially with the ability to use refrigeration for storage of medicines. All existing customers (11.179 million in 2014) in Sumatra are expected to also benefit from the improved power reliability and quality of supply.

2. Impact channels and expected systemic changes.

The relationship between energy and poverty is a vicious cycle in which people who lack access to cleaner and affordable energy are often trapped in a re-enforcing cycle of deprivation, lower incomes and the means to improve their living conditions while at the same time using significant amounts of their very limited income on expensive and unhealthy forms of energy that provide poor and/or unsafe services.

The program will enhance the quality of life in Indonesian society by the sustainable use of electricity as a key driver of increased economic activity by achieving the adequacy and reliability of power supply for Sumatra.

3. Focus of (and resources allocated in) the PPTA or due diligence.

In coordination with PLN, assessments will be undertaken which will include (i) the viability of results-based lending (RBL) modality; (ii) technical aspects including design, quality, quantity, and unit costs; (iii) financial and economic feasibility; (iv) country systems for environmental and social safeguards; (v) fiduciary aspects including fund flow mechanisms, program reporting, and disbursement-linked indicators (DLI) verification; and (vi) country procurement systems. Other aspects which may be considered relevant to the program will also be assessed.

II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector/subsector that are likely to be relevant to this program or program?

Women have an important role for domestic activities including cooking and arrangement of wood or other alternative fuel for cooking and lighting. Women have also capacity to meet their families' basic needs through income-earning activities. Reliable, sustainable, and affordable supply of electricity will significantly reduce the time and effort spent by women for domestic activities by reducing the labor required to obtain and use other fuels, and increase time for income-generating activities, family and leisure. In addition, women running home industries, businesses, and other enterprises might experience lower production costs and increased revenue. Therefore, energy provision is a critical input for improvement of women's life.

2. Does the proposed 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 improvement of women's life, the program aims at improvement of the infrastructure for the electricity to be supplied to the population in Sumatra irrespective of gender, and benefits will be generalized allowing very little opportunity for gender design features. Therefore, it is not foreseen that the program will specifically promote gender equality or empowerment of women.

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

Yes No

Strengthening of the power transmission and distribution networks in Sumatra will impact positively on the population as a whole in a generalized manner, 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? Identify how they will participate in the program design.

Main stakeholders are the State Electricity Corporation (PLN or Perusahaan Listrik Negara) which is the executing and implementing agency of the program, the national government, local governments, private sector such as power companies, and independent power producers, as well as industrial and commercial establishments, and residential households. They are all potential beneficiaries resulting from a strengthened power grid in Sumatra.

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 stakeholders will be consulted through meetings, interviews and surveys in order to increase awareness about the program and seek inputs to the program. Consultation with the poor, vulnerable and excluded groups will focus on issues associated with environment, involuntary resettlement, if any, and other social issues that may affect them.

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

Information gathering and sharing Consultation Collaboration Partnership

Because the social benefits of the program are primarily indirect, CSOs relevant to social impact and development will have a limited role in the program; if any such CSOs 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 will they be addressed? Yes No

IV. SOCIAL SAFEGUARDS

A. Involuntary Resettlement Category A B C

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

Reconductoring of existing transmission lines might require removal of trees and crops for access roads.

The program's activities related to extension of substations, installation of reactors and capacitors, and expansion of switchgear will take place in the existing substations' premises already owned and managed by PLN, and will not require any involuntary resettlement. Those activities which require land acquisition, if any, will be excluded from the program.

The expansion of the distribution network usually involves (i) the installation of concrete poles using no more than 0.2 m² of land (mostly government's land beside the roads) and (ii) the stringing of conductors possibly requiring the cutting/trimming of trees. Impacts of involuntary resettlement will be identified during program implementation.

2. What actions are required to address involuntary resettlement as part of the PPTA or assessment process?

Program safeguard system assessment and actions None

B. Indigenous Peoples Category A B C

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

The island of Sumatra is inhabited by a variety of ethnic groups with diverse languages, however, none of the program's activities is expected to have impacts on indigenous peoples.

All the existing substations in Sumatra are not located in an area (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain. While the general areas are known, the program's subprojects' sites for the expansion of the distribution network have not been selected and will be determined during program implementation. The program will exclude activities in an area (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain.

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 actions are required to address risks to indigenous peoples as part of the PPTA or the program assessment process? Program safeguard system assessment and actions 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?

- (a) Creating decent jobs and employment: the proposed RBL program will contribute to the national economy through and generate additional employment as a result of expanded supply and reliability of electricity supply. Factories will be able to operate with greater certainty, for more hours per day, thereby increasing productivity;
 (b) affordability: the program will support the government's medium term plan to expand access to electricity nationwide.

VI. PPTA OR ASSESSMENT RESOURCE REQUIREMENT

1. Do the terms of reference for the PPTA (or program assessments) contain key information needed to be gathered during PPTA or the program assessment 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 budget for workshop(s)) are allocated for conducting poverty, social and/or gender analyses, and participation plan during the PPTA or the program assessments?

Two social safeguards specialists (one international specialist and one national specialist) will be engaged to conduct the country system's assessment and prepare a program safeguard system assessment report. Initial and summary poverty and social assessment will also be completed by the experts.

