

## DEVELOPMENT COORDINATION

### A. Major Development Partners: Strategic Focus and Key Activities

1. The portfolio and sector work of the Asian Development Bank (ADB) is well coordinated in Indonesia through the active involvement of the ADB Indonesia Resident Mission. Since 2005, ADB, the Japan International Cooperation Agency (JICA), and the World Bank have been the government's principal development partners in the energy sector. Given the importance of power subsector reforms for the government's medium- and long-term plans, the three development partners joined forces to work on the Infrastructure Reform Sector Development Program initiated in 2005 and completed in 2010. It focused on key policy action items harmonized into a common agenda covering a review of tariffs, targeted subsidies, the possibility of a proper regulator, and transparency in public-private partnerships for independent power producer contracts.

#### Major Development Partners

Development Partner	Name of Operation	Year Approved	Amount (\$ million)
Asian Development Bank	Renewable Energy Sector Development	2002	161.0
	Java-Bali Electricity Distribution Performance Improvement Project	2010	50.0
	Strengthening West Kalimantan Power Grid	2010	50.0
	Enhancing Private Sector Participation in Infrastructure Provision	2007	2.0
	Geothermal Power Development Program (grant from DFAT)	2010	1.8
	Sustainable Infrastructure Assistance Program (grant from DFAT)	2013	20.0
	Scaling-Up Renewable Energy Access in Eastern Indonesia	2013	2.0
	Asia Energy Efficiency Accelerator	2013	2.9
	Planning a Pilot Carbon Capture and Storage Activity	2013	0.23
Japan International Cooperation Agency	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
	Java-Sumatra Interconnection Transmission Line Project	2010	400.0
KfW	Java-Sumatra Interconnection Transmission Line Project		74.6
	Thousand Islands Renewable Energy for Electrification Program, Phase 1		103.5–138.0
	Sustainable Hydropower Program	2014	600.0
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	1.5
	Review and update of existing FS for 9 mini-hydro	2014	1.0
	Feasibility Study for Sustainable Hydropower Project	2012	2.9
	Sumatra Pumped Storage (with ADB)	2014	1.7
	Energy Efficiency Program—Rehabilitation of Power Plant	2014	200.0
	Flores Geothermal Power Plants	2015	138.0
	Seulawah Agam Geothermal Power Plant		64.4
	Geothermal Exploration Seulawah Agam	2010	8.9
Rehabilitation of Kamojang 1-2-3 Geothermal Plants	2014	69.0	

Development Partner	Name of Operation	Year Approved	Amount (\$ million)
	Emission Reduction Investment Program	2015	100.0
AFD	Renovation of the Java–Bali distribution network (co-financing with ADB)	2009	50.0
	Building of an electrical transmission line in West Kalimantan (cofinancing with ADB)	2011	49.5
	Strengthen the electricity transmission network in Jakarta	2012	20.0
	Financing of a 500 kV 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
World Bank	Indonesia Second Power Transmission Development Project	2014	325.0
	TA for Capacity Building to Pertamina Geothermal Energy	2012	6.95
	Extended Deployment of an Enterprise Resource Planning System	2010	30.0
	Upper Cisokan Pumped Storage Power Project	2011	640.0
	Renewable Energy for Electrification Project (1,000 Island Electrification Project)	2015	200.0
	Geothermal Clean Energy Investment Project	2011	300.0
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	
	Smart Grid Capacity Building	2014	
	Gas Development Master Plan	2012	
	Financing Options for Medium Hydropower Project in Outer Islands	2012	
	Geothermal Tariff Development	2013	
	Clean Stove Initiative	2012	
	Carbon Capture and Storage	2013	
	Implementation of Performance-Based Regulation for Electricity Sector	2012	
Quasi Equity to Supreme Energy (with IFC)	2013	6.0	
Netherlands	Renewable Energy Program	2010	6.0
New Zealand	TA for Capacity Building Trust Fund	2011	7.4
	Development of Indonesia's Geothermal Human Capacity and Capability	2012	0.4
	Geothermal Human Development Plan	2014	3.8
	New Zealand ASEAN Scholarships	2011	3.0/year
Denmark (Danida)	Environmental Support Program	2013	50.0
United Kingdom	UK Climate Change Unit Programming	2011	43.1

ADB = Asian Development Bank, AFD = Agence Française de Développement (French development agency), ASEAN = Association of Southeast Asian Nations, Danida = Danish International Development Agency, DFAT = Department of Foreign Affairs and Trade (Australia), FS = feasibility study, IFC = International Finance Corporation, KfW = German development cooperation through KfW, kV = kilovolt, TA = technical assistance, UK = United Kingdom.

Source: Asian Development Bank.

## B. Institutional Arrangements and Processes for Development Coordination

2. Results-based lending entails a greater focus on country ownership and uses the country's results framework for the sector as the basis for design, budgeting, and operating systems for program implementation, management, and monitoring. The modality is consistent with the Organization for Economic Cooperation and Development's attributes of program-based approaches: (i) leadership by the host country or organization; (ii) a single comprehensive program and budget framework; (iii) a formal process for development

coordination and harmonization of development partner procedures for reporting, budgeting, financial management, and procurement; and (iv) increased use of local systems for program design and implementation, financial management, monitoring, and evaluation. Cooperation and harmonization of development partner's activities in the energy sector have been generally fluid, with regular invitations from each of the key development partners including the Agence Française de Développement, JICA, German cooperation through KfW, and the World Bank to participate in meetings or missions and exchanges of information and documents. ADB joined these key development partners in holding policy dialogue with the government on several occasions, which were well received by the government in light of the Paris Declaration.

### **C. Achievements and Issues**

3. ADB, the World Bank, and JICA collaborated on the Infrastructure Reform Sector Development Program, which was initiated in 2005 and completed in 2010.<sup>1</sup> It involved a policy-based loan that supported reform in several sectors, including the electricity subsector. The program focused on key policy action items integrated into a common agenda that covered tariff review, establishment of an independent regulator for electricity, and more effective public-private partnerships for independent power producers. ADB and the World Bank also jointly developed an investment plan that aimed to blend 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 International Bank for Reconstruction and Development 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-fuel-based generation.<sup>2</sup>

4. A review of the work of ADB and other agencies and countries in the energy sector in Indonesia indicates that such efforts have been in line with the policies and plans of the government to increase energy access, strengthen its transmission and grid systems, interconnect disparate grids, and integrate renewable energy into the national energy mix, particularly by targeting the geothermal subsector. ADB would consider undertaking new activities in the areas of energy planning and energy efficiency to continue its support to the Indonesian government. ADB has also recently initiated partnerships with JICA, the Netherlands (through Humanist Institute for Cooperation, or Hivos), and the World Bank to help Indonesia develop its renewable energy capacity.

### **D. Summary and Recommendations**

5. The program builds on lessons from previous ADB and development partner project investment and policy-based loans to Indonesia and the successes generated by their complementary approach and multipartner 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.

---

<sup>1</sup> 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.

<sup>2</sup> ADB. 2010. *Technical Assistance to the Republic of Indonesia for Geothermal Power Development*. Manila.