



## Concept Paper

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Project Number: 50016  
June 2016

# Proposed Results-Based Loan Indonesia: Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program

## CURRENCY EQUIVALENTS

(as of 30 May 2016)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.0000733
\$1.00	=	Rp13,640.00

## ABBREVIATIONS

ADB	–	Asian Development Bank
AMR	–	automated meter reading
DLI	–	disbursement-linked indicator
kV	–	kilovolt
NTB	–	Nusa Tenggara Barat (West Nusa Tenggara)
NTT	–	Nusa Tenggara Timur (East Nusa Tenggara)
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., FY2016 ends on 31 December 2016.
- (ii) In this report, “\$” refers to US dollars.

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## RESULTS-BASED PROGRAM AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number:</b> 50016-001	
Project Name	Sustainable Energy Access in Eastern Indonesia-Electricity Grid Development Program (formerly Electricity Grid Strengthening Program, Java Bali)	Department /Division	SERD/SEEN
Country Borrower	Indonesia Perseroan PT. Perusahaan Listrik Negara	Executing Agency	Perseroan PT. Perusahaan Listrik Negara
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Energy	Electricity transmission and distribution		600.00
		Total	600.00
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Governance and capacity development (GCD)	Client relations, network, and partnership development to partnership driver of change	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas		
Private sector development (PSD)	Public sector goods and services essential for private sector development		
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Rural	High
		Urban	Medium
<b>6. Risk Categorization:</b>	Complex		
<b>7. Safeguard Categorization</b>	Environment: B Involuntary Resettlement: B Indigenous Peoples: B		
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
ADB		600.00	
Sovereign Results Based Lending: Ordinary capital resources		600.00	
<b>Cofinancing</b>		<b>0.00</b>	
None		0.00	
<b>Counterpart</b>		<b>0.00</b>	
None		0.00	
<b>Total</b>		<b>600.00</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## I. THE PROGRAM

### A. Program Strategic Context and Rationale

1. The Indonesian economy is at a major crossroads. Economic growth has decelerated from its peak of 6.4% in 2010 to 4.8% in 2015 mainly due to the drop in commodity prices. Eastern Indonesia has an enormous potential to spur new sources of inclusive growth, in sectors such as fisheries, agro-industry and tourism, but this potential is held back by a lack of key infrastructure including electricity, ports, roads, and communications.<sup>1</sup> Uneven development across provinces has also contributed towards widening regional income disparities with several provinces in Eastern Indonesia significantly lagging behind Java and Bali.<sup>2</sup> To address this, the government has made it a priority to significantly boost and accelerate investment in infrastructure under the current National Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional*, or RPJMN), 2015–2019 with “outer” and Eastern regions explicitly included as geographical priorities.

2. One of the pillars of the government’s infrastructure investment plan is to significantly improve access to electricity services, including a nation-wide target of adding 35 gigawatts of new power generation capacity and expand power grids to raise the electrification ratio to 97% by the end of 2019 from a baseline of 84% in 2014.<sup>3</sup> The biggest challenge in meeting these targets is in Eastern Indonesia where power grids across the islands are isolated, of poor quality and underdeveloped. The electrification ratios in some eastern provinces are particularly low— West Sulawesi 74%, Southeast Sulawesi 67%, West Nusa Tenggara (*Nusa Tenggara Barat*, or NTB) 68%, East Nusa Tenggara (*Nusa Tenggara Timur*, or NTT) 59%, and Papua 44%.<sup>4</sup>

3. The proposed \$600 million result-based loan (RBL) program aims to support the development of electricity distribution networks to connect businesses and households and to enhance the quality of life in Eastern Indonesia by the sustainable use of electricity as a key driver of increased economic activity. The program will complement a proposed sector loan for small- to mid-sized natural gas-fired power stations to deliver more sustainable energy services to communities across Eastern Indonesia.<sup>5</sup> Natural gas is a much cleaner fuel compared to diesel and the quick-responding nature of gas-fired engines and turbines make them a good match for intermittent renewable energy sources such as solar and wind.<sup>6</sup> It is an appropriate “transition fuel” to move towards a low-carbon energy system. The two loans will help enhance access to sustainable energy services and contribute to climate change mitigation.<sup>7</sup>

4. The overall investment needs for the government’s generation, transmission, and distribution program are \$83.5 billion of which \$43.5 billion is to come from the private sector (independent power producers) and the balance of \$40 billion from the State Electricity

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<sup>1</sup> The government uses the term “Eastern Indonesia” to cover all those islands outside Bali, Java, Madura, and Sumatra, specifically, provinces in Kalimantan, Nusa Tenggara, Maluku, Papua, and Sulawesi.

<sup>2</sup> For example, Jakarta’s 2014 nominal annual per capita income is fourteen times higher than that of East Nusa Tenggara (\$14,816 and \$1,154, respectively). The income gap between the poorest and richest regions has widened since 2010.

<sup>3</sup> ADB’s March 2016 report “Achieving Universal Electricity Access in Indonesia” identifies key principles and measures that the government can consider to achieve these targets.

<sup>4</sup> 2014 data.

<sup>5</sup> ADB. 2016. *Concept Paper: Eastern Indonesia Sustainable Energy Access Sector Project*. Manila.

<sup>6</sup> Eastern Indonesia is considered to have significant wind and solar resources. ADB is supporting the government on wind and solar tariffs to help spur project development.

<sup>7</sup> Consistent with the Sustainable Development Goals and the Paris Climate Change Agreement.

Corporation (*Perusahaan Listrik Negara* or PLN).<sup>8</sup> The government and PLN will not be able to meet the investment needs on their own. PLN has an estimated funding gap of \$30.3 billion which will have to be borne by other financing sources including from development partners. In Eastern Indonesia where there are many isolated grids, PLN is already using its own resources to establish 70 kilovolt (kV) and 150 kV backbone transmission systems while seeking support from ADB and other partners to strengthen and expand local distribution networks.

5. A results-based lending modality will be used for this proposed operation. This will finance a slice of the overall broader program needs as identified in PLN's Electric Power Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik* or RUPTL) 2015–2024 for grid development in Eastern Indonesia. The RBL is a suitable modality for the program as: (i) it allows PLN to use its own program systems, thus providing a platform for institutional strengthening; (ii) it focuses attention on results rather than expenditures, leading to a stronger evaluation culture; (iii) it is well-aligned to a broader PLN program and is, therefore, able to leverage innovations in the overall program; (iv) it has lower transaction costs associated with program implementation; and (v) it has the potential to stimulate cofinancing and donor harmonization with other development partners.<sup>9</sup> This operation is part of an overall programmatic approach and is embedded within a policy reform framework that is supported by the Sustainable and Inclusive Energy Program policy-based loan<sup>10</sup> and complements the ongoing RBL for grid strengthening in Sumatra.<sup>11</sup> This RBL is included in the Country Operations Business Plan, 2015–2017 and is integral to the Country Partnership Strategy's goal of closing the energy divide between Western and Eastern Indonesia.

## B. Indicative Program Scope

6. The program will contribute to PLN's overarching power development plans for Eastern Indonesia as identified in the RUPTL, 2015–2024. A more robust and expanded distribution network will increase reliability of services with existing residential customers and businesses and connect new customers to drive economic activity.

**Table 1: Program Scope**

Item	Broader PLN Program	Results-Based Lending Program
<b>Outcome</b>	Enhanced energy security	Enhanced access to reliable electricity services across Eastern Indonesia
<b>Key outputs</b>	Eastern Indonesia's transmission backbone system developed and distribution system strengthened and expanded	1. Distribution system strengthened and expanded 2. Operational management and implementation capacity strengthened
<b>Expenditure size</b>	\$6,825.4 million <sup>12</sup>	\$600 million
<b>Geographic coverage</b>	Eastern Indonesia	NTB, NTT, and Sulawesi
<b>Implementation period</b>	2016–2020	2016–2020

NTB = Nusa Tenggara Barat (West); NTT = Nusa Tenggara Timur (East)

Source: Asian Development Bank and PLN staff estimates.

<sup>8</sup> The breakdown is (i) \$15.5 billion for generation, (ii) \$17 billion for transmission, and (iii) \$7.5 billion for distribution.

<sup>9</sup> In April 2016 the World Bank approved a \$500 million results-based program for power distribution in Sumatra complementing ADB's RBL program approved in 2015 (see footnote 11). A similar collaboration effort is being considered for Eastern Indonesia.

<sup>10</sup> ADB. 2015. *Report and Recommendation of the President to the Board of Directors (RRP): Proposed Programmatic Approach and Policy-Based Loans for Subprogram 1 to the Republic of Indonesia for Sustainable and Inclusive Energy Program*.

<sup>11</sup> ADB. 2015. *RRP: Proposed Results-Based Loan to Perusahaan Listrik Negara for Electricity Grid Strengthening—Sumatra Program*. Manila.

<sup>12</sup> \$3,617.9 million and \$3,207.5 million planned for transmission and distribution, respectively.

### 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 expanded access to more reliable electricity services for residential, commercial, and industrial customers in the Eastern Indonesian provinces of NTB, NTT, and Sulawesi. The outcome is linked to the results areas in the national electricity results framework while the key performance indicators for the RBL program outcome are identical or similar to those used by PLN in their own results areas or tracking of performance indicators (increase in number of customers, electricity sales growth, and frequency of feeder line permanent interruptions). 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.** Two output level results make up the results chain below the outcome level, articulating the RBL program's contributions to the overall outcome. This means that if the two outputs are fully achieved, and if risks are well managed, then the outcome will be achieved.

(i) **Output 1. Distribution system strengthened and expanded.** Output 1 will help address the financing needs for the expansion and strengthening of the distribution system and consequently improve electrification rates, reduce overloading and address reliability issues for the local population and businesses.

(ii) **Output 2. Operational management and implementation capacity strengthened.** This output will contribute to PLN's overall efforts to: (i) address operational challenges such as by reducing non-technical losses, payment defaults, and technical staff servicing costs in remote areas by expanding the use of digital pre-paid meters among existing customers; and/or (ii) support innovation through pilot-scale smart grid projects, which will reduce non-technical losses, integrate the expanded use of intermittent renewable energy sources, and better manage demand fluctuation; and/or (iii) improve waste treatment practices and consultations/agreements with land owners on location of distribution transformers; and/or (iv) track the timely implementation of contracts.

### D. Indicative Expenditure Framework and Financing Plan

9. PLN will be the borrower with a sovereign guarantee from the government. PLN's broader program expenditure for the strengthening and development of Eastern Indonesia's power transmission and distribution systems from 2016 to 2020 is estimated to be \$6,825.4 million of which \$4,559.0 million are 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 (8.8%) from ordinary capital resources. PLN and other partners will provide the balance of \$6,225.4 million (91.2%). 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 (*Wilayah*) offices in NTB, NTT, and Sulawesi with overall program oversight by PLN headquarters in Jakarta.

## II. ASSESSMENTS EXPECTED

12. The assessments for the program include: (i) program technical soundness; (ii) financial and economic feasibility; (iii) program environmental and social safeguard systems, SPS policy principles on environment, IR, and IP are triggered; (iv) fiduciary aspects including fund flow mechanisms, program reporting, and DLI verification; and (v) PLN's procurement systems. The expected assessments will optimally use existing documents when available.

## III. PROCESSING PLAN

### G. Risk Categorization

13. The proposed program is categorized as complex as the loan amount is above \$200 million and covers multiple small grids across archipelagic Eastern Indonesia.

### H. Resource Requirements

14. A total of eleven (11) person-months (pm) of staff resources will be required comprising a team leader (4.0 pm), energy specialist (1.0 pm), finance specialist (0.5 pm), energy economist (1.5 pm), environmental specialist (1.0 pm), social specialist (1.0 pm), procurement specialist (1.0 pm), and counsel (1.0 pm).

### I. Processing Schedule

**Table 2: Proposed Processing Schedule**

Milestones	Expected Completion Date
Concept approval	June 2016
Loan fact-finding	July 2016
Management review meeting	September 2016
Loan negotiations	September 2016
Board consideration	October 2016
Loan signing	November 2016

Source: ADB staff estimates

## IV. KEY ISSUES

15. The proposed program is expected to build on the lessons under ADB's previous and ongoing support to Indonesia's power sector, in particular the RBL on Sumatra grid strengthening. 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.



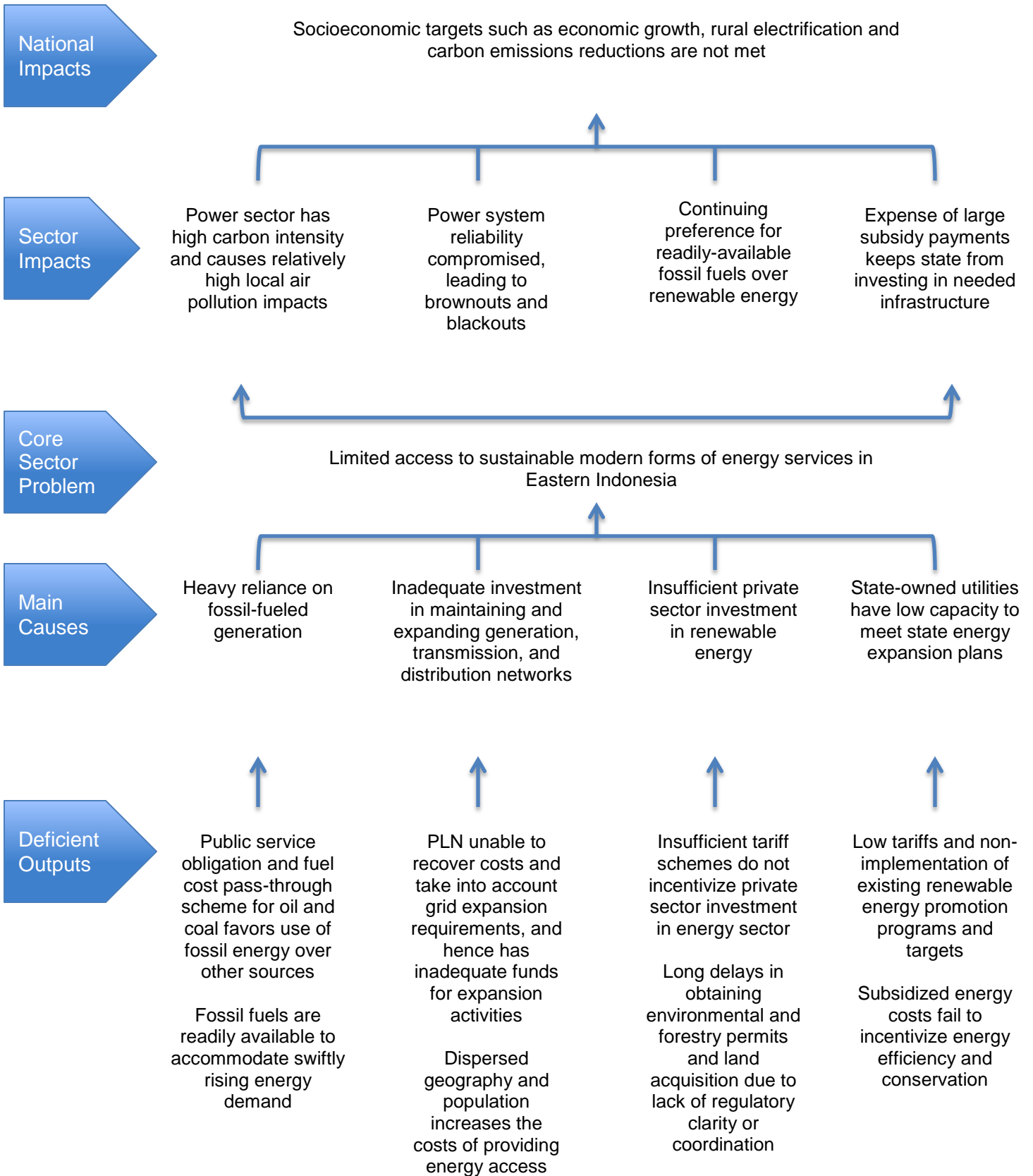
### DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Program is Aligned with:</b> The quality of life in Indonesian society enhanced by sustainable use of electricity as a key driver of increased economic activity (Electricity Power Supply Business Plan [RUPTL], 2015–2024).			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources and Reporting</b>	<b>Risks</b>
<b>Outcome:</b> Expanded access to more reliable electricity services for residential, commercial, and industrial customers in the Eastern Indonesian provinces of NTB, NTT, and Sulawesi	a. By 2020, number of PLN customers in NTB, NTT, and Sulawesi increased by at least X% each year (2015 baseline: 5,303,209 customers) <b>DLI 1</b>  b. By 2020, energy sales increased by at least X% each year (2015 baseline: 10,244 GWh) <b>DLI 2</b>  c. Feeder line permanent interruptions reduced to less than XX/100 km by 2020 (2015 baseline: XX/100 km) <b>DLI 3</b>	PLN annual statistics reports	PLN funding targets to meet required investments in power generation, transmission, and distribution are not met.  Customer demand declines due to slowing economic growth in Eastern Indonesia.
<b>Outputs:</b> 1. Distribution system strengthened and expanded	1a. Additional number of distribution transformer units installed is at least X by 2020 (2015 baseline: xx units) <b>DLI 4</b>  1b. Additional length of medium-voltage distribution lines installed is at least X ckm by 2020 (2015 baseline: X ckm) <b>DLI 5</b>	PLN annual statistics reports	Delivery and installation are unduly delayed by disruptions due to staff and work process changes at PLN offices.
2. Operational management and implementation capacity strengthened for resource optimization	2a. Pilot-scale smart grid projects implemented in at least X areas by 2020. (2015: 0 projects, no smart grid criteria) <b>[Possible DLI 6a]</b>  2b. Digital pre-paid meters installed for X% of target customers by 2020 (2015 baseline: X%) <b>[Possible DLI 6b]</b>  2c. Percentage of contracts implemented on time in program areas increased to XX% by 2020 (2015 baseline: <XX%)  2d. [Operational management improvement indicator based on Program Actions] <b>[Possible DLI 7]</b>	PLN Wilayah records   PLN annual statistics reports  PLN annual statistics reports  PLN Wilayah reports	Need for institutional capacity strengthening is greater than expected, resulting in delayed achievement of targets.  Uptake by PLN Wilayahs of digital pre-paid meters and smart grid pilots are unduly delayed for external reasons.

<p><b>Key Program Actions</b></p> <p><b>Output 1. Distribution system strengthened and expanded</b></p> <p>1.1. Expansion and reinforcement of the medium and low voltage distribution network</p> <p>1.2. Installation of distribution transformers</p> <p>1.3. Installation of service connections and feeders</p> <p>1.4. Installation of customer meter boxes and circuit breakers</p> <p><b>Output 2. Operational management and implementation capacity strengthened for resource optimization</b></p> <p>2.1 Installation of digital pre-paid meters and training of PLN operational staff</p> <p>2.2 Development of Smart Grid indicators for Indonesia and implementation of Smart Grid pilot projects</p> <p>2.3 Describe a package of 2–3 actions, possibly including waste management improvement</p> <p>2.4 Analysis and resolution of bottlenecks in contract implementation processes</p>
<p><b>Financing Plan</b></p> <p>Government of Indonesia: \$xxx billion</p> <p>ADB: \$600 million</p>
<p><b>Assumptions for Partner Financing</b></p> <p>Not applicable</p>

ckm = circuit kilometer; DLI = disbursement-linked indicator; km = kilometer; NTB = Nusa Tenggara Barat; NTT = Nusa Tenggara Timur; PLN = State Electricity Corporation.  
Sources: Asian Development Bank and PLN staff estimates.

**PROBLEM TREE**



## INITIAL POVERTY AND SOCIAL ANALYSIS

Country:	Indonesia	Program Title:	Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development 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 continue to lack access to modern forms of energy in 2014. The electrification ratios in some provinces of Eastern Indonesia are particularly low—Nusa Tenggara West 68.1%, Nusa Tenggara East 58.9%, and Papua 43.5% against a national average rate of 84.3% 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. The primary beneficiaries of the program will be the XXX 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 in Sulawesi and Nusa Tenggara 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 Eastern Indonesia.

##### 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 Eastern Indonesia 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 distribution networks in Eastern Indonesia 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 Eastern Indonesia.

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

The expansion of the distribution network usually involves (i) the installation of concrete poles using no more than 0.2 m<sup>2</sup> of land and (ii) the stringing of conductors possibly requiring the cutting/trimming of trees. Impacts of

<p>involuntary resettlement will be identified during program implementation.</p> <p>2. What actions are required to address involuntary resettlement as part of the PPTA or assessment process?  <input checked="" type="checkbox"/> Program safeguard system assessment and actions <input type="checkbox"/> None</p>
<p><b>B. Indigenous Peoples Category</b> <input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C</p> <p>1. Does the proposed program have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>The islands of Sulawesi and Nusa Tenggara are inhabited by a variety of ethnic groups with diverse languages, however they consist only a small proportion of the total population and the program's activities are not expected to have significant impacts on indigenous peoples.</p> <p>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 not specifically target activities in areas (land or territory) occupied, owned, or used by indigenous peoples, and/or claimed as ancestral domain.</p> <p>2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>3. Will the program require broad community support of affected indigenous communities? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>4. What actions are required to address risks to indigenous peoples as part of the PPTA or the program assessment process? <input checked="" type="checkbox"/> Program safeguard system assessment and actions <input type="checkbox"/> None</p>
<p><b>V. OTHER SOCIAL ISSUES AND RISKS</b></p>
<p>1. What other social issues and risks should be considered in the program design?</p> <p><input type="checkbox"/> Creating decent jobs and employment <input type="checkbox"/> Adhering to core labor standards <input type="checkbox"/> Labor retrenchment  <input type="checkbox"/> Spread of communicable diseases, including HIV/AIDS <input type="checkbox"/> Increase in human trafficking <input checked="" type="checkbox"/> Affordability  <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability  <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____</p> <p>2. How are these additional social issues and risks going to be addressed in the program design?  The program will support the government's medium term plan to expand access to electricity nationwide.</p>
<p><b>VI. PPTA OR ASSESSMENT RESOURCE REQUIREMENT</b></p>
<p>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?  <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>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 as staff consultants 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.</p>