

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Focus and Key Activities

1. The Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA), and the World Bank have traditionally been the government's principal development partners in the energy sector. The governments of Australia, Denmark, France, Germany, New Zealand, Norway, the United Kingdom, and the United States also provide support to the government on various energy issues. The key development partners have used a combination of policy-based loans, results-based loans, and project loans and project loans to support the sector. Project loans have mostly focused on transmission and distribution, renewable energy generation, and energy efficiency investments. Key loans, grants, and technical assistance programs by the main development partners in the energy sector since the 2006 are shown in table below.

Major Development Partners

Development Partner	Name of Operation	Year Approved	Amount (\$ million)
Asian Development Bank (ADB)	Enhancing Private Sector Participation in Infrastructure Provision	2007	2.0
	Java–Bali Electricity Distribution Performance Improvement Project	2010	50.0
	Strengthening West Kalimantan Power Grid	2010	50.0
	Geothermal Power Development Program (grant from Department of Foreign Affairs and Trade of Australia)	2010	1.8
	Java-Bali 500 kilovolt Power Transmission Crossing	2013	249.0
	Sustainable Infrastructure Assistance Program (grant from Department of Foreign Affairs and Trade of Australia)	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
	Sustainable and Inclusive Energy Program (SIEP) (Subprogram 1)	2015	500.0
Electricity Grid Strengthening—Sumatra Program	2015	600.0	
Japan International Cooperation Agency	Asahan No.3 Hydroelectric Power Plant	2006	270
	Peusangan Hydroelectric Power Plant	2007	260
	North-West Sumatra Interconnector Transmission Line	2007	160
	Java-Sumatra Interconnection Transmission Line	2009	1000
	Lumut Balai Geothermal Power Plant	2011	270
	Science and Technology Research Partnership for Sustainable Development (SATREPS) for Carbon Capture and Storage Gundih Pilot Study	2012	3.7
	SATREPS for Bio-refinery	2013	3
	Engineering Service for Tulehu Geothermal Power Plant	2013	50
	Engineering Service for Indramayu Coal Fired Power Plant	2013	17
	SATREPS for Biomass Gasification	2014	4
	Technical Assistance (TA) for Development for Medium and Long Term Geothermal Development Policy	2014	6
	Engineering Service for Hululais Geothermal Power Plant	2015	6
	Study for Power Wheeling	2015	
Study for Renewable Energy Development for Village Electrification	2016		
German development cooperation through KfW	Geothermal Exploration Seulawah Agam	2010	8.9
	Feasibility Study for Sustainable Hydropower Project	2012	3.5
	Review and update of existing Feasibility Study for 18 mini-hydro	2014	4.5
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	1.5
	Preparatory Studies for Sumatra Pumped Storage (with ADB)	2014	1.7
	Energy Efficiency Program—Rehabilitation of Power Plant	2015	200.0
	Thousand Islands Renewable Energy for Electrification Program, Phase 1	2015	70.0
	Rehabilitation of Kamojang 1-2-3 Geothermal Plants	2015	69.0

Development Partner	Name of Operation	Year Approved	Amount (\$ million)
	SIEP Subprogram 1 (co financing with ADB)	2015	200.0
	Java-Bali 500 kilovolt Power Transmission Crossing (cofinancing with ADB)	2016	50.0
French Development Agency	Renovation of the Java–Bali distribution network (cofinancing 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-kilovolt transmission line in Jakarta	2013	109.1
	Financing of a master plan for the development of the power network of the Jakarta conurbation	2013	1.1
	Feasibility Study Masang II Hydropower	2014	0.5
	SIEP Subprogram 1 (cofinancing with ADB)	2015	150.0
	Review and update of existing Feasibility Study for 6 mini-hydro projects	2016	1.3
World Bank	Extended Deployment of an Enterprise Resource Planning System	2010	30.0
	Upper Cisokan Pumped Storage Power Project	2011	640.0
	Geothermal Clean Energy Investment Project	2011	300.0
	Gas Development Master Plan	2012	
	Financing Options for Medium Hydropower Project in Outer Islands	2012	
	Implementation of Performance-Based Regulation for Electricity Sector	2012	
	Clean Stove Initiative	2012	
	TA for Capacity Building to Pertamina Geothermal Energy	2012	6.95
	Geothermal Tariff Development	2013	
	Carbon Capture and Storage	2013	
	Quasi Equity to Supreme Energy (with International Finance Corporation)	2013	6.0
	Indonesia Second Power Transmission Development Project	2014	325.0
	Update of Existing Studies on Poko and Bakaru II Hydropower Project	2014	
	Smart Grid Capacity Building	2014	
	Renewable Energy for Electrification Project (1,000 Island Electrification Project)	2015	200.0
	SIEP Subprogram 1 (cofinancing with ADB)	2015	500.0
Program for Results for Sumatra Grid (cofinancing with ADB)	2016	500.0	
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 Association of Southeast Asian Nations Scholarships	2011	3.0/year
Danida	Environmental Support Program	2013	50.0
United Kingdom	UK Climate Change Unit Programming	2011	43.1
United States Agency for International Development	Indonesia Clean Energy Development 1	2010	16.2
	Indonesia Clean Energy Development 2	2015	17.2

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 dialogues with the government on several occasions, which were well received by the government.

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 2010.¹ 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 World Bank 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. In the past year ADB and the World Bank cofinanced the Electricity Grid Strengthening Sumatra Program; and ADB, the World Bank, KfW, and AFD combined to support the Sustainable and Inclusive Energy Program—Subprogram 1. JICA and other partners may join for the proposed subsequent subprograms proposed in the country operations business plans (subprogram 2 in 2017 and subprogram 3 in 2019).

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 and solar subsectors. ADB would consider undertaking new activities in the areas of energy planning and energy efficiency to continue its support to the Indonesian government.

D. Summary and Recommendations

5. The program builds on lessons from previous ADB and development partner project investment, result-based loans, and policy-based loans to Indonesia and the successes generated by their complementary approach and multi-partner dialogue. The program's implementation strategy is based on a continuing dialogue between the government and development partners that will strengthen the country's energy sector, particularly in the Eastern parts of Indonesia, and contribute towards the medium term development goals to promote inclusive growth.

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