

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci 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 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 sector reforms for the medium- and long-term plans of the government, the three development partners joined forces to work on the Infrastructure Reform Sector Development Program initiated in 2005 and completed in 2010, focusing 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.¹

2. **Australian Agency for International Development.** The Government of Australia's overseas aid comprehensive plan follows the \$1 billion Australia–Indonesia Partnership for Reconstruction and Development, which articulated Australia's long-term commitment to Indonesia's development. Australia plans to incorporate climate change principles across the program. Australia has made small but significant gains toward addressing Indonesia's poor infrastructure and low investment in the water and sanitation area, which has been a significant area of Australia's development assistance to Indonesia since the 1970s. It recently provided \$3.5 million to ADB comprising \$2.0 million for water and sanitation and \$1.5 million for geothermal development to reduce greenhouse gas emissions in the energy sector. Australia's primary intervention for Indonesia is to reduce greenhouse emissions from deforestation and support sustainable forest management through the forests and climate initiative.

3. **French Development Agency.** The French Development Agency (AFD)² financed a \$500 million loan (\$200 million in 2008 and \$300 million in 2009) under the umbrella of the Climate Change Program Loan jointly with the Government of Japan. The loan has been disbursed and fully blended into the government's budget. Its purpose is to support policy reforms in favor of climate change mitigation and adaptation. The agreed policy matrix covers a range of issues: (i) reduction of emissions of greenhouse gases (forestry, energy, and industry); (ii) adaptation to climate change (water and agriculture); and (iii) cross-cutting activities such as spatial planning and clean development mechanism. The policy matrix encompasses all expected regulatory reforms and public actions to tackle climate change: laws and decrees, pilot projects, and master plans.

4. **European Union.** In December 2009, the European Union conducted a national conference workshop on solar photovoltaic development potential for Indonesia, including an overview of policies on energy and rural development. The scope covered the development of a design of solar power and installation tool kit and the fostering of awareness among end users.

5. **Japan International Cooperation Agency.** About 26% of the Government of Japan's portfolio in Indonesia is for the energy sector; ¥377 billion of development assistance was lent to the sector during 1996–2006. Japan has also prepared a geothermal sector master plan, which was completed in December 2007, and an energy efficiency study, finalized in 2008. Project

¹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors on 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.

² Agence Française de Développement.

lending by Japan has mainly focused on generation, including both small-scale geothermal and gas-fired power plants. In 2009, JICA signed an agreement with the State Electricity Company (PLN)³ to finance the \$1.8 billion high-voltage direct current link connecting Sumatra with Java to meet the growing demand for power in the Java–Bali grid.

6. **World Bank.** The World Bank’s strategic focus is on strengthening the technical and operational capacities of state institutions such as PLN. Together with ADB and Japan, the World Bank is supporting effective targeting of electricity subsidies and development of a sustainable pricing policy. The policy loans of ADB and the World Bank have the objective of increasing private investments in the energy sector through public–private partnerships, focusing on clean and renewable energy projects (e.g., geothermal power investments together with Pertamina Geothermal Energy and the \$500 million Upper Cisokan pumped storage project), and power transmission and distribution projects, including gas distribution.

7. The following table lists the major energy projects financed by development partners in Indonesia.

Table 1. Major Development Partners

Development Agency	Project Name	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 Australian Agency for International Development ([AusAID])	2010	1.8
	Sustainable Infrastructure Assistance Program (grant from AusAID)	2013	20.0
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
KfW	Java-Sumatra Interconnection Transmission Line Project	2010	400.0
	Investment Project–Kotabmobagu (80 megawatts [MW])	2010	227.0
	Investment Project–Seulawah Agam (55 MW)	2011	77.0
Netherlands	Geothermal Exploration–Seulawah Agam	2011	9.6
	Renewable Energy Program	2010	6.0
World Bank	Capacity Development Grant from Global Environment Facility	2008	4.0
	Indonesia Geothermal Power Preparation Grant (from the Netherlands Government)	2009	2.5
	Geothermal Investment Project–Ulubulu 3&4 (110 MW) and Lahendong 5&6 (40 MW)	2011	300.0
	Capacity development and preparation of 100 MW investment project (from New Zealand Government)	2011	7.0
	Upper Cisokan Pumped Storage	2011	776.0
	Power Transmission Development in Java and South-Central Sumatra	Not Available	225.0

Note: Amount is in US\$ equivalent.

Source: Asian Development Bank.

³ PT (Persero) Perusahaan Listrik Negara.

B. Institutional Arrangements and Processes for Development Coordination

8. The government is committed to mitigating climate change and has identified greenhouse gas reduction priorities in the energy sector, including (i) energy efficiency, particularly in the industrial sector; (ii) renewable energy for power generation (geothermal, hydro, and biomass); and (iii) low-carbon transport, especially public transport, vehicle efficiency improvements, and clean fuels. There has also been a reasonable degree of harmonization of multilateral and bilateral assistance for geothermal development. The World Bank, JICA, and German development cooperation through KfW have joined efforts to finance a large-scale geothermal power development program. This includes (i) up to 260 megawatts (MW) of geothermal power by Pertamina Geothermal Energy to be financed by the World Bank; (ii) up to 250 MW of geothermal power by PLN to be financed by ADB; and (iii) private sector geothermal projects to be financed by the International Finance Corporation and ADB's Private Sector Operations Department.

9. 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 AFD, JICA, KfW, and World Bank to participate in meetings or missions and exchanges of information and documents. ADB also joined above key development partners in holding policy dialogue with the government on several occasions, which was well received by the government in light of the Paris Declaration.

C. Achievements and Issues

10. ADB support for the Clean Development Mechanism (CDM) has been mostly in the areas of supporting CDM project preparation, capacity building, and the CDM finance facility. ADB is working together with the World Bank to finance a range of projects in the energy sector using the Clean Technology Fund.

D. Summary and Recommendations

11. Programs and projects are well coordinated among the various development partners through donor and development partner coordination meetings and frequent dialogue.