

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC22051

<b>Project Name</b>	Improving Energy Project Delivery
<b>Region</b>	EAST ASIA AND PACIFIC
<b>Country</b>	Indonesia
<b>Sector(s)</b>	Public administration- Energy and mining (50%), General energy sector (50%)
<b>Theme(s)</b>	Public expenditure, financial management and procurement (30%), Other public sector governance (10%), Managing for development results (60%)
<b>Lending Instrument</b>	Lending Instrument
<b>Project ID</b>	P154846
<b>Borrower Name</b>	
<b>Implementing Agency</b>	Ministry of Energy and Mineral Resources
<b>Environment Category</b>	B - Partial Assessment
<b>Date PID Prepared</b>	08-Apr-2015
<b>Estimated Date of Approval</b>	24-Apr-2015
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

**I. Introduction and Context**

**Country Context**

Despite rising government spending in recent years, Indonesia's core infrastructure stock, such as road networks, ports, electricity, telecommunication facilities, has not kept pace with economic growth. In addition to issues with the quality and quantity of government infrastructure investment, this is in part due to the complex and non-transparent regulatory framework, and insufficient mobilization of private funds for infrastructure investment. The PPP framework remains underdeveloped and does not leverage the private sector to its full potential. Further, capital markets do not channel enough domestic and foreign funds to Indonesian infrastructure. The slow growth in the infrastructure capital stock, contributes to undermining productivity growth, competitiveness and poverty reduction efforts.

In January 2015, Indonesia's new government proposed its first Budget, revising the original 2015 Budget formulated by the previous administration in September 2014. A version of the revised Budget was approved by parliament in mid-February. Reflecting the new government's reform agenda, the budget includes a major expenditure reallocation from fuel subsidies to key development priorities, particularly infrastructure, agriculture, and social programs.

Going forward, reducing the infrastructure gap would support growth and prosperity through several channels. The spending effect would support short-term growth and jobs. As the investments translate into infrastructure stock, private investment shall be crowded-in and

productive capacity, and long-term growth will be supported. And as infrastructure services are delivered, firms' competitiveness would increase and the population's access to services would be improved. Aggressively boosting investments in infrastructure would thus be transformational for Indonesia.

### **Sectoral and Institutional Context**

The Government of Indonesia has made it a national priority to deliver an ambitious energy sector investment program through 2024 with a substantial portion of the financing to be undertaken during the initial five years through 2019. PT Perusahaan Listrik Negara (PLN), the state power utility is expected to finance up to US\$ 40 billion in generation (10 GW), transmission and distribution investments while the remaining 25 GW is to be designed, built, financed, and operated by the private sector. Delivery of such a massive scale up of energy projects will require substantial changes in the way the Government, PLN, and the private sector have acted in the past when less than half of the proposed energy investments by PLN have been realized. Energy project delays have arisen from problems with slow decision making at the regulatory level, issues with land allocation, difficulties in obtaining right of way due to forestry and compensation issues, and related problems. Given that this underperformance was against a much more modest growth target, a new approach to energy investment and project delivery is essential.

In light of these enormous challenges, the Government has created a Performance Management Unit (PMU) under the Ministry of Energy and Mineral Resources (MEMR) and shall establish a future Project Management Office (PMO) under the President and Vice President to drive the delivery of Indonesia's overall energy program as well as deliver on the mandate of MEMR specifically. It is recognized that without these units to drive delivery, backed by the highest levels of Government, there is little chance of meeting Indonesia's energy needs given past experience. Given the complexity of the tasks of the PMU/PMO, the Minister of Energy and Mineral Resources has asked the World Bank to provide assistance to set up the operation of these units. This support would be provided as part of a far larger package of support from the World Bank Group and the Asian Development Bank (ADB) in terms of policy reform and both donor, and private sector financing for the energy sector.

### **Relationship to CAS/CPS/CPF**

According to the Country Partnership Strategy 2013-15, weak infrastructure development is not only undermining Indonesia's economic growth, but it also negatively affects efforts to enhance equity and reduce poverty. While the Government is committed to reducing its debt to GDP ratio, its priority for borrowing remains focused on infrastructure and energy development. Infrastructure investment fell sharply after the Asian financial crisis and has only partially recovered. The low level of investment is attributed to the Government of Indonesia's (GoI) focus on fiscal consolidation and reducing public debt, as well as the decline in infrastructure spending by the private sector and state-owned enterprises (SOEs). A variety of issues make it difficult to reverse this trend. Low tariff levels discourage private investment in power and water. Land acquisition has impeded major public infrastructure projects in the past. Finally, coordination difficulties for projects that cut across jurisdictions or involve a number of central and sub-national actors often prevent viable infrastructure projects from coming to fruition. A new approach to energy investment and project delivery is essential. Through the creation of the PMU and the future PMO, it is expected that the investment climate for investing in energy projects can be improved by:

1. Supporting efficient project delivery by improving the reliability of energy project development process outcomes.
2. Generating investor confidence by improving transparency and governance in the permitting and approvals processes.
3. Providing support for addressing hurdles in the project preparation and implementation processes.
4. Providing effective coordination among key stakeholders to ensure timely attention to project development issues.

## **II. Project Development Objective(s)**

### **Proposed Development Objective(s)**

The objective of the Project is to support the Recipient's efforts to promote transparency and good governance in energy project delivery.

### **Key Results**

The key results will be measured by the achievement of the following indicators:

1. The PMU is fully staffed and operational.
2. Number of valid requests for PMU support vs. successful resolutions

## **III. Preliminary Description**

### **Concept Description**

The Project shall fund the operations of the Performance Management Unit, and the future Project Management Office during their initial operating year. The funds shall cover the remuneration of key individuals engaged by the PMU and future PMO to improve energy project delivery. As the PMU and PMO are new units, the precise components to be financed under this TA will develop as the PMU brings on staff and deals with the most pressing issues necessary to deliver on the Government's energy agenda. However, indicative components as defined under the MEMR Transformation Program towards which the individuals hired by the PMU could contribute would be as follows:

- Component 1: Promoting transparency and good governance in the permitting and licensing processes
- Component 2: Promoting improvements to the procurement processes of goods & services funded by the state budget
- Component 3: Promoting the use of innovative infrastructure financing mechanisms
- Component 4: Improving MEMR's data management system
- Component 5: Developing an IT based performance monitoring system for MEMR's strategic action plan for 2015-2019
- Component 6: Staff capacity building and innovation scouting activities
- Component 7: Promoting transparency and good governance in in MEMR's priority programs, regulations, and public services
- Component 8: Managing initiatives for improving and optimizing MEMR's non-tax revenues
- Component 9: Promoting transparency and good governance within MEMR to achieve a new leadership commitment to "improve MEMR's public trust".

## **IV. Safeguard Policies that Might Apply**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	1.5	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>
Indonesia - AUSAID TF for Infrastructure Support			1.5

#### VI. Contact point

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