

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 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 2006 are shown in the 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 Bakar 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
	SIEP Subprogram 1 (cofinancing with ADB)	2015	200.0
Java-Bali 500 kilovolt Power Transmission Crossing (cofinancing with ADB)	2016	50.0	

Development Partner	Name of Operation	Year Approved	Amount (\$ million)
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. The bulk of the partner coordination since 2005 has been achieved through joint financing of policy-based loans and project loans. Given the importance of reforms in the electricity subsector for the government's medium- and long-term plans, ADB, JICA, and the World Bank joined forces to work on the Infrastructure Reform Sector Development Program, initiated in 2005 and completed in 2010.¹ It focused on key policy action items harmonized into a common agenda and covering a review of tariffs, targeted subsidies, the possibility of a proper regulator, and transparency in public–private partnerships for independent power producer contracts. Similarly, in support of projects, it is worth highlighting the investment plan approved

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.

in 2010 to access funds from the Clean Technology Fund (CTF—part of the Climate Investment Funds) for supporting geothermal power plants in Indonesia. ADB and the World Bank Group are the implementers of the CTF investment plan for Indonesia. This investment plan helped improve coordination of lending and policy support for the country's geothermal subsector.

3. The Sustainable and Inclusive Energy Program, a policy-based loan program, also embodies a high degree of coordinated support by the development partners. The new government, which assumed office in late 2014, made energy sector reform a centerpiece of its development agenda, and moved quickly to put in place strategic reforms such as removal of the bulk of energy subsidies. In response, ADB dovetailed its ongoing technical assistance in various energy subsectors to propose a comprehensive policy-based loan program for the energy sector, which became the Sustainable and Inclusive Energy Program. Since launching it in late 2014, ADB has led the joint donor group—French Development Agency (AFD), German development cooperation through KfW, and the World Bank—which is working closely with the government. Collaboration is enhanced through parallel cofinancing of technical assistance activities, and joint review missions. AFD, KfW, and the World Bank provided parallel cofinancing in the amounts of \$150 million, \$200 million, and \$500 million for subprogram 1. For subprogram 2, development partners have confirmed their contribution of the equivalent of about \$320 million in collaborative parallel financing (\$110 million equivalent from AFD and \$210 million equivalent from KfW). The governments of Australia and the United Kingdom have also provided grant financing for technical assistance activities that supported specific policy actions or analytical work related to the Sustainable and Inclusive Energy Program.²

4. A high level of coordination is also reflected in other projects in the energy sector. AFD cofinanced two ongoing ADB loans, and KfW provided parallel cofinancing for another ADB loan. In addition, alongside ADB's \$600 results-based loan for grid strengthening in Sumatra, the World Bank provided a \$600 million program-for-results loan, and both institutions are using a similar set of disbursement-linked indicators. JICA is the other major actor in the energy sector with large ongoing investments in geothermal energy projects, coal-fired power plants, and high-voltage power interconnections.

C. Achievements and Issues

5. A review of the extent of donor collaboration and coordination work in the energy sector since 1987 suggests that when activities have involved more than one partner and were well-coordinated, the outcomes were significantly stronger. The policy work led by ADB and the World Bank that resulted in the review of the geothermal law and issuance of related regulations, and the coordinated results-based loans to strengthen the grid in Sumatra are two recent examples, in addition to the ongoing collaboration for the Sustainable and Inclusive Energy Program.

D. Summary and Recommendations

6. The Sustainable and Inclusive Energy Program builds on lessons from previous ADB and development partner project investments, results-based loans, and policy-based loans to Indonesia, and the successes generated by their complementary approach and multipartner dialogue.

² ADB. 2016. *Technical Assistance Completion Report: Planning a Pilot Carbon Capture and Storage Activity in Indonesia*. Manila; and ADB. 2013. *Technical Assistance to the Republic of Indonesia for Sustainable Infrastructure Assistance Program*. Manila.