

**INDONESIA FRENCH PUBLIC AND PRIVATE PARTNERSHIP
TO DEVELOP MINI HYDRO POWER IN RURAL/REMOTE AREAS,
ON A SUSTAINABLE BASIS**

Expected date of initiation: 2002

Expected date of completion : 2007

INVOLVED PARTNERS

Governments:

Indonesia : Ministry of Energy and Mineral Resources
Directorate of Electricity and Energy Utilization (DGEED)

France :

Major Participants :

PT. PLN Indonesia (State own Electricity Company)
Spie-Egis, IED (French Contracting and Consulting Private Companies)

Other participants :

FFEM, European Investment Bank (EIB)

Focal points :

M. Luluk Sumiarso, Director General of Electricity and Energy Utilization,
for Indonesia, and
Christophe Baulinet, Deputy General Director for Energy and Raw Material,
France

Leading partner

Contract person : Here CORNET
Company : Spie Entertains
Phone : 01 34 22 54 20

MAIN OBJECTIVES OF THE PARTNERSHIP/INITIATIVE

The initiative aims to develop financial and institutional arrangements so that the private sector can invest on development of renewable sources, in relay of public funding, in developing countries. The initiative fits with the objective of United Nations Millennium Declaration to promote long-term investments which contribute to local development and better use of natural resources.

The final expected benefits are mainly:

Socio-economical : Reducing the country's energy bill and saving the oil resources of the country. Draining private funds to energy supply of

rural/remote areas. Fostering local development by providing cheap energy to the areas.

Ecological : Avoiding emission of several million tons of CO₂ at the global level. The local environment will be preserved with a priority given to sites with good hydrology and not requiring high dams and flooding of large areas.

Institutional : Development of a regulatory, contractual and financial framework for securing private investments in the rural energy sector. This implies to devise a simple and sufficient structure in order not to overburden investments of small size units. Thus the approach consists of developing a cluster of sites through a programmatic approach, in order to reach a sufficient size to mobilize the financial community and developers.

EXPECTED RESULTS

To demonstrate as illustrated through the above describe objectives that a private financial mechanism can make important contributions to sustainable development initiatives, through environmental, social and developmental as well as financial and economic perspectives.

Concretely, a comprehensive framework—institutional, regulatory, contractual and financial - will be developed and tested to mini hydro power plants, financed on a Public Private Partnership (PPP) basis, to be gradually scaled up to a full program.

SPECIFIC TARGETS OF THE PARTNERSHIP/INITIATIVE AND TIME FRAME FOR THEIR ACHIEVEMENT

The specific target is to develop the above framework with a set of risk coverage instruments which offer the required level of comfort to all the parties involved, including the commercial financial community.

Preliminary studies have identified a wide potential for small hydro electric plants which could be developed on an economic basis, in Indonesia Islands. A first batch of site has been identified. Due to the present financial situation, progressive development of the scheme is contemplated. The objective is to proceed with one show case site in 2003 which would validate on a real case the whole range of financial and contractual agreements and the viability of the private undertaking, under the umbrella of North-South cooperation.

An initial period of 5 years is required to prove the viability of the approach.

COORDINATION AND IMPLEMENTATION MECHANISM

The project has been specially targeted in the context of the Indonesia-French working group on energy, wherein cooperation on renewable sources of energy for rural development has been identified as a focal area. More specifically, a Steering Committee will convene at least twice a year, chaired by the DGEED, and on which PLN, the French Administration and SPIE ENTERTAINS will sit.

ARRANGEMENTS FOR FUNDING

For initial development costs of the initiative, funding has been secured from FFEM on a cost sharing basis. The financing scheme will be developed on a progressive basis, ultimately aiming to prove that the project is feasible on a commercial non resources finance basis, with transparency in sharing of the equity with Indonesian investors, and with the appropriate risk coverage instruments for the risks which would not be born by the investors or the financial community.

ARRANGEMENTS FOR CAPACITY BUILDING AND TECHNOLOGY TRANSFER

The studies will mobilize local and international experts. Construction will be performed by a joint Indonesian-French consortium. Participation of Indonesian partners will increase along with the development of the successive steps. The solution aims to be replicable, so that the Indonesian small hydro electric potential could become an opportunity for private local and international investors. There will be substantial capacity building in development of financial mechanisms. There will also be technology transfer in operation and maintenance activities.

MONITORING ARRANGEMENTS

Monitoring will be ensured by the Indonesian-French working group on energy cooperation, set up in 2002. The group is scheduled to convene at least twice a year and will regularly keep the WSSD Secretariat informed on its progress.