

Indonesia : PLN East Java & Bali Power Distribution Expansion Project

1. Project Information

Project ID:	P000292	Instrument ID:	L0292A
Member:	Indonesia	Region:	South-Eastern Asia
Sector:	Energy	Sub-sector:	Electricity transmission and distribution
Instrument type:	<input checked="" type="checkbox"/> Loan:310.00 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	B	Borrower:	PT Perusahaan Listrik Negara (Persero)
Implementing Entity:	PT Perusahaan Listrik Negara (Persero); PT Perusahaan Listrik Negara (Persero)		
Project Team Leader:	Ziwei Liao		
Project Team Members:	Amy Chua Fang Lim, OSD - Environment & Social Development Specialist; Aditi Khosla, Project Counsel; Yi Geng, OSD - Financial Management Specialist; Chitambala Sikazwe, OSD - Procurement Specialist;		
Completed Site Visits by AIIB:	Aug, 2019 August 19-28, 2019 (Preparation Mission) Dec, 2019 December 16-20, 2019 Jul, 2019 July 23-August 5, 2019 Jun, 2019 June 18-21, 2019 May, 2019 May 22-24, 2019 (Identification Mission) Sep, 2019 September 11, 2019 September 26-27, 2019 Jan, 2020 January 13-17, 2020		
Planned Site Visits by AIIB:	Q1 2022 (Virtual Mission)		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021 Q2		

2. Project Summary and Objectives

The Project aims to improve access to and quality of power services in East Java and Bali. The Project will support the implementation of Indonesia's rolling 10-year Electricity Supply Business Plan (RUPTL) (2019-2028) in East Java and Bali, currently under the management of PLN's Java, Madura and Bali Regional Development Directorate (JMB). In line with the region's objectives and targets outlined in the RUPTL, the Project will support PLN's ongoing program to increase access and improve quality of power distribution through infrastructure development. The Project will benefit East Java and Bali residents not currently connected to the PLN network, around 920,000 additional customers, of which 863,765 will be households and the rest businesses and public and industrial users. More than 13 million existing PLN customers in East Java and Bali will also benefit from reduced frequency and

duration of power supply interruptions..

The planned activities under the Project include: (1) Component A: Installation of additional length of medium-voltage (MV) distribution lines; (2) Component B: Installation of additional length of low-voltage (LV) distribution lines; (3) Component C: Installation of additional capacity of distribution transformers. PLN will implement the Project through its functional directorates at its headquarters and two distribution centers (Unit Induk Distribusi/UID East Java and UID Bali) in Project areas. The Project cost is USD1,205.23 million and will be financed by AIIB (USD310 million) and PLN (USD895.23 million).

3. Key Dates

Approval:	Jan. 28, 2021	Signing:	Feb. 10, 2021
Effective:	Apr. 09, 2021	Restructured (if any):	
Orig. Closing:	Jun. 30, 2026	Rev. Closing (if any):	Jun. 30, 2026

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	62.00	Most recent disbursement (amount/date):	62.00/Nov. 15, 2021
Undisbursed:	248.00	Disbursement Ratio (%) ¹ :	20.00

5. Project Implementation Update

Overall, the Project has made steady progress towards the achievement of its Project objectives, but with some slowdown because of the pandemic situation. The first disbursement for the retroactive financing of USD62 million was made on November 15, 2021. The AIIB team is in the progress of collecting supporting documents to verify compliance with all safeguard and fiduciary aspects (Post Review). The first implementation mission is planned to be conducted in Q1 2022, following a review of the aforementioned documents. An audit and monitoring of the 2021 ESMP implementation was conducted in both UID Bali and East Java in December 2021.

PLN has procured and pre-financed the activities under the Project. Following the agreed arrangement between AIIB and PLN, AIIB's procurement consultant will now commence a post-review of retroactively financed activities. A status report will be shared with the Project Team by Q3 2022.

Since the signing of the Loan Agreement, there has been a change in PLN's organization structure and key personnel involved in the Project. The impact on the implementation progress is expected to be limited as AIIB and the local consultants have been involved in the transition discussions with PLN. AIIB will have PLN to document such a change in the Project Operations Manual and an update of the manual will be one of the agenda items during the virtual implementation mission. PLN has submitted the Project Report and is finalizing the report based on comments received from the AIIB team.

The updated RUPTL 2021-2030 was published in October 2021. During the next virtual implementation mission, the Project Team will discuss with PLN its impact on disbursement plan of the Project and result monitoring indicators.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Components	Physical Progress	Environmental & Social Compliance	Procurement	Financial Management
Component A: Installation of additional length of medium-voltage (MV) distribution lines (USD587.08 million)	Under construction (Baseline: 48,985 km as of 2020)	ESMP prepared for both Bali and East Java	No issues	This Project uses PLN's existing financial management system and procedures, which has been assessed as generally acceptable. The first unaudited semiannual financial report has been submitted to AIIB and is being finalized based on the comments from the AIIB team.
Component B: Installation of additional length of low-voltage (LV) distribution lines (USD224.24 million)	Under construction (Baseline: 91,296 km as of 2020)	ESMP prepared for both Bali and East Java	No issues	
Component C: Installation of additional capacity of distribution transformers (USD393.92 million)	Under construction (Baseline: 10,577 MVA as of 2020)	ESMP prepared for both Bali and East Java	No issues	

6. Status of the Grievance Redress Mechanism (GRM)

PLN has an existing complaints mechanism that is functioning at the regional level (UID Bali and East Java). This can be accessed through: (i) Call Center 123; (ii) PLN's website which uses an integrated complaint resolution application (www.pln.co.id); and (iii) customer service desks at the regional UID and its' corresponding local offices (UP3 and ULP). No grievances have been reported to date.

7. Results Monitoring

The pandemic situation and restrictions on field access in Java and Bali regions had an impact in PLN meeting the results indicators at the end of 2021. The installation of MV and LV distribution lines were lower than the 2021 targets by 61.7% and 54.9%, respectively, as a result of significantly lower investment budgets in 2021 than pre-pandemic levels. In addition, the limited availability of material distribution materials from PLN's suppliers to UID East Java and Bali has also contributed to the Project progress. The pandemic restrictions that limit activities in Java and Bali during most of the 2021 have also resulted in technical and access issues for meter replacement, which is lower than the 2021 target of 738,699. The lower investment activity has contributed to missing target of the overall project objective indicators. PLN estimated the investment activity in 2022 to pick up again, as reflected in the increase in the 2022 budget, although still much lower than the 2019 level. The results indicators were formulated based on the previous RUPTL 2019-2028 using pre-pandemic assumptions. An updated RUPTL 2021-2030 was then published in October 2021. The Project Team will examine the results indicators for the future implementation years and work with PLN to evaluate the progress toward achieving the targets during the next supervision mission.

Project Objective Indicators #1

Distribution interruption, East Java (Times/100 circuit km)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	4.37	4.48	Refer to the summary section

Project Objective Indicators #2

Distribution interruption, Bali (Times/100 circuit km)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	3.30	3.57	Refer to the summary section

Project Objective Indicators #3

Losses, East Java (%)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	6.08	6.16	Refer to the summary section

Project Objective Indicators #4

Losses, Bali (%)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	5.51	5.20	Refer to the summary section

Project Objective Indicators #5

Primary energy consumption saved, East Java and Bali combined (GWh)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	192.06	178.85	Refer to the summary section

Project Objective Indicators #6

GHG emission reduced, East Java and Bali combined (tonnes CO2)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	169,014.49	157,390.97	Refer to the summary section

Intermediate Result Indicators #1

Installation of MV distribution lines (km)

Year	Target	Actual	Comments, if any
------	--------	--------	------------------

Jan. 01, 2022	1,436	550.16	Refer to the summary section
---------------	-------	--------	------------------------------

Intermediate Result Indicators #2

Installation of LV distribution lines (km)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	2,115	952.91	Refer to the summary section

Intermediate Result Indicators #3

Capacity of distribution transformers installed (MVA)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	269.25	1,162.77	Refer to the summary section

Intermediate Result Indicators #4

Total customer connections (connections)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	148,500	438,624	Refer to the summary section

Intermediate Result Indicators #5

Meter replacement (Imot)

Year	Target	Actual	Comments, if any
Jan. 01, 2022	738,699	336,777	Refer to the summary section

Remarks: