

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 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	
ES category:	B	Borrowing Entity:	PT Perusahaan Listrik Negara (Persero); PT Perusahaan Listrik Negara (Persero)
Implementing Entity:	PT Perusahaan Listrik Negara (Persero); PT Perusahaan Listrik Negara (Persero)		
Project Team Leader:	Ziwei Liao		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
Project Team Members:	Donggun Kim, Team Member; Amy Chua Fang Lim, OSD - Environment & Social Development Specialist; Yi Geng, OSD - Financial Management Specialist; Bernardita Saez, Project Counsel; Chitambala Sikazwe, OSD - Procurement Specialist; Amanda Dompas, Back-up PTL		
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:	Jun, 2022 Q2 2022 (Virtual Mission) Oct, 2022 Q4 2022 (site visits)		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2021/12		

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; 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

The Project was originally designed based on the RUPTL 2019-2028 and the loan terms, result monitoring indicators and disbursement plan were also derived from that. Given the significant update of RUPTL 2021-2030, AIIB PT and PLN agreed that the loan terms, total project cost, disbursement plan and result monitoring indicators will need to be adjusted accordingly. PLN will submit the revised plan by July, which will need to be reviewed and confirmed by the AIIB team.

AIIB's procurement consultant conducted a post-review of retroactive financing and shared the post review of a sample of contracts. The post review found that the procurement units were adequately staffed; that procurement was conducted in accordance with the PLN procurement procedures and was consistent with the Operations

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.

Manual. For the future procurement going forward, Procurement Plan will be prepared by Q3 2022.b. PLN will also submit the Procurement Report by Q3 2022.

An audit and monitoring of the 2021 ESMP implementation was conducted in both UID Bali and East Java in December 2021. The annual ESMP Monitoring Report is under preparation and its review will be completed in July 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 by Q3 2022.

Components	Physical Progress	Environmental & Social Compliance	Procurement
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
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

Financial Management:

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. To conduct the first project audit, PLN needs more time for internal processing and will submit the 2021 audited Project Financial Statements by Q3 2022. A financial management transaction review is undertaken by local consultant based on coordination with PLN, and will be finalized by end of July.

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). During the mission, PLN reported that there are no grievances received to date.

7. Results Monitoring

PLN presented the updated 2022 targets, which are different from what were agreed at the approval. This is mainly due to the change in RUPTL 2021-2030. PLN will submit updated project cost, disbursement plan, and result targets

for the whole loan period based on the updated RUPTL2021-2030 by July. Changes in final result need to be explained by PLN. AIIB PT will review and discuss with PLN, and then seek internal approval on these changes.

PLN team stated that the progress for Q1 2022 is on track for the new target.

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: