

Indonesia : PLN East Java and 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:	Amy Chua Fang Lim, OSD - Environment & Social Development Specialist; Donggun Kim, Co-Investment PTL; Yi Geng, OSD - Financial Management Specialist; Bernardita Saez, Project Counsel; Chitambala Sikazwe, OSD - Procurement Specialist; Donggun Kim, 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 Jun, 2022 June 14-15 (Virtual)		
Planned Site Visits by AIIB:	Mar, 2023 Q1 2023		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2022/06		

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):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	96.83	Most recent disbursement (amount/date):	34.83/Dec. 13, 2022
Undisbursed:	213.17	Disbursement Ratio (%) ¹ :	31.24

5. Project Implementation Update

During the virtual mission in June 2022, the Project Team and PLN discussed the implementation status of the Project. There are following observations and action items:

- (1) Overall, the Project is making progress toward the Project objectives and result indicators.
- (2) The loan term, total project cost, disbursement plan and result monitoring indicators will need to be updated to reflect the new RUPTL 2021-2030. PLN will send the official request letter, submit the revised plan and update the Operations Manual accordingly.
- (3) Post review conducted by AIIB's procurement consultant found that a) PLN procurement units were adequately staffed; b) procurement was conducted in accordance with the PLN procurement procedures and was consistent with the Operations Manual.
- (4) Updated Procurement Plan was submitted in August 2022 and the PT has made

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.

comments. PLN will update the Plan and submit the Procurement Report.

(5) The annual ESMP Monitoring Report was submitted in July 2022, and the ES Capacity Training will be held in January or February 2023.

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:

The Project uses PLN's existing financial management system and procedures, which has been assessed as generally acceptable. The presentation of IFR has been improved following Bank's recommendation to adequately reflect sources and usage of loan proceeds. Additionally, the recent IFR was also submitted with much less delay than previous. The first project audit report for year 2021 was submitted in September 2022, which was deemed as acceptable to the Bank. The financial management implementation review was completed in November 2022. The review concluded that overall FM performance was moderately satisfactory, and no eligibility issues were noted among samples tested. The review suggested several action plans including appointment of dedicated expenditure verification personnel and modification of expenditure summary form to easily validate expenditure eligibilities, and PLN team agreed to implement all suggested action plans.

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

During the virtual mission in June 2022, PLN has requested to update the disbursement plan and annual result targets in accordance with the new RUPTL 2021-2030. PLN will submit an official request for such change in early 2023. Once the internal approval process is completed, the PT will update the result targets and disbursement plan in the system. PLN also stated that the progress for 2022 is expected to be on track which will be provided in early 2023.

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
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Jan. 01, 2022	169,014.49	157,390.97	Refer to the summary section
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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: