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Indonesia Sustainable Least-cost Electrification Technical Assistance (ISLE TA) (P169259)



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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

INDONESIA SUSTAINABLE LEAST-COST ELECTRIFICATION TECHNICAL ASSISTANCE (ISLE TA)

APPROVED ON JULY 8, 2021

TO

PT PERUSAHAAN LISTRIK NEGARA (PERSERO)

OCTOBER 2023

Energy & Extractives Global Practice
East Asia and Pacific Region

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ABBREVIATIONS AND ACRONYMS

CTF	Clean Technology Fund
DDD	Disbursement Deadline Date
ESMAP	Energy Sector Management Assistance Program
ISLE	Indonesia Sustainable Least-cost Electrification
ISLE TA	Indonesia Sustainable Least-cost Electrification Technical Assistance
NTB	Nusa Tenggara Barat/West Nusa Tenggara
NTT	Nusa Tenggara Timur/East Nusa Tenggara
PDO	Project Development Objective
PforR	Program for Results
PLN	PT Perusahaan Listrik Negara (Persero)
RETF	Recipient-Executed Trust Fund
SRMI	Sustainable Renewables Risk Mitigation Initiative



BASIC DATA

Product Information

Project ID P169259	Financing Instrument Investment Project Financing
Environmental and Social Risk Classification (ESRC) Substantial	
Approval Date 08-Jul-2021	Current Closing Date 30-Oct-2023

Organizations

Borrower PT PLN (Persero)	Responsible Agency PT PLN (Persero)
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Financing (in USD Million)

SUMMARY

Total Project Cost	0
Total Financing	0
Financing Gap	0

DETAILS

Project Development Objective (PDO)

Original PDO

The Project Development Objective is to support the Recipient in endorsing a framework approach to electrify the Indonesian Eastern Islands in a sustainable and affordable manner, and in preparing the investments needed to implement the approach in identified Pilot Islands.



Summary Status of Financing (US\$, Millions)

TF	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
TF-B3923	08-Jul-2021	12-Aug-2021	31-Jan-2023	30-Oct-2023	1.20	.14	1.06

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

1. The Project is part of an overall framework that aim to support the development of low-carbon, affordable and reliable electricity supply to enable increased electricity access and improved climate resilience in Indonesia’s Eastern Regions. In 2019-2020, PT Perusahaan Listrik Negara Persero (PLN), the electricity State utility, with technical assistance from the World Bank, developed a step-by-step methodology to reduce the cost of generation in eastern Indonesia while promoting last-mile electrification, PLN’s Indonesia Sustainable Least-cost Electrification (ISLE) Framework. The ISLE Framework is divided in three phases: (i) Framework Development – developed under the energy sector programmatic technical assistance [P173293] financed by the Energy Sector Management Assistance Program (ESMAP) under the Sustainable Renewables Risk Mitigation Initiative (SRMI)¹, (ii) Preparation of investment activities – financed by a US\$ 2.15 million recipient executed trust fund (RETF) grant from ESMAP and the Clean Technology Fund (CTF) under the ISLE technical assistance (ISLE TA) [P169259], the present Project; and (iii) Implementation of the Framework in selected islands – under the ISLE-1 Program for Results (PforR) Program [P174350] (ISLE-1) approved in FY23. The ISLE Framework aims to provide a set of solutions to: (i) reduce the cost of generation in the Eastern Islands by increasing the share of least-cost RE generation and such by increasing the grid technical capacity and flexibility to integrate more VRE and improving PLN’s dispatch operations capacity, (ii) improve grid efficiency and reliability by developing clear steps on how to assess electricity losses and system reliability, and (iii) reduce the financial burden on PLN for system expansion by mobilizing private investments. The ISLE Framework is piloted in Maluku, Nusa Tenggara Barat (NTB) and Nusa Tenggara Timur (NTT) with the ambition of replicating the Framework in other regions.

2. The Project requires a restructuring due to a change in closing date of the ESMAP grant portion. The closing date of the ESMAP Grant Number TF0B3923 under the Project will need to be extended until November 30, 2023, before it can be extended to 2025, similarly to the CTF closing date. This is due to the limitations with regards to the ESMAP parent trust fund account that has not been extended yet to 2025.

3. The Project status is as follow:

¹ <https://www.esmap.org/srmi>



- a. **Disbursement.** Disbursements have started on the Project.
- b. **Procurement.** The STEP account was completed. Draft Terms of Reference (TORs) for the feasibility studies, environment and social (E&S) instruments, climate resilient guidelines and E&S experts have been developed and cleared by the Bank. PLN started the procurement of most contracts.
- c. **Financial Management and Disbursement.** The designated account discussions were completed, and PLN has identified the account they will use. PLN submitted the entity's FY2021 audited financial statements to the Bank on time with clean opinion.
- d. **Safeguards.** The Grievance Redress Mechanism (GRM) was set-up.

II. DESCRIPTION OF PROPOSED CHANGES

4. The closing date of the ESMAP grant is proposed to be extended from October 30, 2023, to November 30, 2023.

This will be the third extension of the closing date for ESMAP. With that change, the Bank is extending the Trust Fund Closing Date and Disbursement Deadline Date (DDD) of the ESMAP Grant from October 30, 2023 to November 30, 2023 as an interim measure as we await the extension of both the parent CTF Grant and the ESMAP grant to January 30, 2025. The implications of eliminating the grace period between the Closing Date and the DDD are that, in the absence of a further extension of the parent ESMAP Grant: (i) PLN we will not have time after the Closing Date to submit any withdrawal applications; and (ii) withdrawal applications received after the DDD (which will also be the Closing Date) will not be paid by the Bank. However, this is noted that the ESMAP parent trust fund will be extended within the next few months and a new restructuring for 2025 will be conducted.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Loan Closing Date(s)	✓	
Disbursement Estimates	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Cancellations Proposed		✓
Additional Financing Proposed		✓
Reallocation between Disbursement Categories		✓



Disbursements Arrangements		✓
Change in Overall Risk Rating		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

LOAN CLOSING DATE(S)

TF	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
TF-B3923		31-Jan-2023	30-Jun-2023, 30-Oct-2023	30-Nov-2023	30-Nov-2023

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates
Yes

Expected Disbursements (In US\$)

Fiscal Year	Annual	Cumulative
2019	0.00	0.00
2020	0.00	0.00
2021	0.00	0.00



2022	0.00	0.00
2023	0.00	0.00
2024	0.00	0.00
2025	0.00	0.00