



1. Project Data:		Date Posted : 08/15/2002	
PROJ ID: P003910		Appraisal	Actual
Project Name: Sumatera And Kalimantan Power	Project Costs (US\$M)	689	425
Country: Indonesia	Loan/Credit (US\$M)	261	189
Sector(s): Board: EMT - Power (95%), Central government administration (3%), Sub-national government administration (2%)	Cofinancing (US\$M)	116	96
L/C Number: L3761			
	Board Approval (FY)		94
Partners involved : GOI, PLN, JBIC	Closing Date	12/31/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
Sunil Mathrani	Gene Tidrick	Alain A. Barbu	OEDST
2. Project Objectives and Components			
a. Objectives			
<p>The objectives of the project were to (a) increase private sector participation to accelerate expansion of generating capacity and upgrade sector operating standards, (b) restructure PLN to improve its operational performance, (c) formulate and implement regulations to promote efficiency in sector operations, (d) introduce a formula-based tariff adjustment mechanism, (e) help finance environmentally sustainable expansion of PLN's system in Sumatera and Kalimantan with centralized grid systems, and (f) provide TA to GOI and PLN in demand management, efficiency improvements and environmental management.</p>			
b. Components			
<p>The project comprised a 90MW hydroelectric plant at Besai (Sumatera), a 130MW coal-fired plant at Banjarmasin (Kalimantan), 40MW of thermal barge-mounted plants and a TA component to strengthen PLN's environmental management capability as well GOI's regulatory and environmental oversight of coal mining.</p>			
c. Comments on Project Cost, Financing and Dates			
<p>All the physical components were satisfactorily completed at substantially less cost in dollar terms than appraised. The massive devaluation of the Rupiah contributed to the underutilization of the Bank loan. US\$56m of the loan was canceled during implementation and a further US\$16m was undisbursed at the time of loan closure. Expected bilateral cofinancing for the project did not materialize and was replaced by export credits.</p>			
3. Achievement of Relevant Objectives:			
<p>The project failed to achieve most of its objectives, which related to policy matters. On the other hand, the physical and institutional development objectives were met successfully, albeit with some delays. Due to poor initial design, the project could never have met its objectives because it did not contain components or provide resources to further the policy objectives (a to d, above). These were overly ambitious and have only been partially met, but not as a result of actions undertaken as part of this project. Other Bank projects in the sector provided TA to assist in pursuit of the policy objectives. The relevance of objective (a) also greatly diminished in the wake of the 1997 economic crisis, which cut the rate of demand growth for electricity while undermining the viability of foreign private investment in power generation.</p>			
4. Significant Outcomes/Impacts:			
<p>The physical components have helped to meet the demand for electricity at lower cost by substituting for oil-fired generation. The TA components have assisted GOI and PLN in developing their environmental management capabilities.</p>			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
<p>Poor project design led to it having an unsatisfactory quality at entry.</p>			

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev .:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Unsatisfactory	GOI was slow to address PLN's financial crisis. Sector reforms are stalled.
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

Project objectives should be closely linked to components. Including objectives without funding or actions in pursuit of objectives is a basic project design flaw that should be avoided. Even seemingly straightforward measures, such as introducing formula-based tariff adjustment mechanisms, may require technical support and associated funding.

8. Assessment Recommended? Yes No

Why? The Bank's sectoral policy objectives and results to date in power sector reforms should be assessed.

9. Comments on Quality of ICR:

The ICR is generally satisfactory and clearly highlights the disconnect between the project's objectives and its components.