



1. Project Data:		Date Posted : 11/30/2004	
PROJ ID: P042882		Appraisal	Actual
Project Name: Renewable Energy Small Power Project	Project Costs (US\$M)	141.0	0
Country: Indonesia	Loan/Credit (US\$M)	66.4	0
Sector(s): Board: EMT - Renewable energy (96%), Central government administration (4%)	Cofinancing (US\$M)	4.0	0
L/C Number: L4198			
	Board Approval (FY)		97
Partners involved : Global Environmental Facility	Closing Date	10/31/2001	07/15/1998

Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The principal national objectives of the project were to:

- (i) facilitate private sector led development of small renewable power projects selling electricity to a State Electricity Corporation (PLN) grid on a commercially sustainable basis, within the framework of a least cost rural electrification strategy;
- (ii) promote environmentally sound energy resource development in Indonesia and reduce the energy sector's dependence on fossil fuels; and
- (iii) strengthen Indonesia's institutional capacity to sustain renewable energy development.

The global environmental objective was to mitigate emissions of CO2 in Indonesia through the development of renewable energy sources for power generation.

b. Components

There were two components:

Investment Component: The projects would be owned and operated by private developers, who would sell their electricity to PLN under the published Small Power Purchase Tariff (PSKSK), and standardized power purchase contract. The private sector developers would finance their investments with a combination of equity and credit from commercial banks of their choosing – the Participating Banks (PBs) – for up to 15 years. The loans from the PBs to the developers would be at the prevailing interest rates for similar transactions, with the PBs taking responsibility for appraising developer requests for credit, and for bearing the commercial risk on the credit extended to a developer. The PBs, in turn, would re-finance 70 percent of the credit extended to the developers from the IBRD credit made available to them at market rates, under onlending arrangements through the Government of Indonesia (GOI).

Technical Assistance Component: This component would provide for project implementation support services, and institutional development. A Project Support Group (PSG), reporting to the Director-General of Electricity and Energy Development (DGEED), would be established to assist the private project developers with, inter alia: (i) environmental review of their project to ensure compliance with World Bank requirements; (ii) implementation support in the form of limited technical advice to the project developers in the Project pipeline to facilitate the timely and proper implementation of the project; and (iii) pre-investment activities, including administering GEF grants of \$100,000 per project for 15 projects to potential project developers to assist them with their pre-investment activities, such as pre-feasibility and feasibility studies; and (iv) provide regular progress reports for monitoring this component.

c. Comments on Project Cost, Financing and Dates

The project was approved on June 24, 1997 and signed on August 4, 1997. It never became effective and was cancelled on July 15, 1998, at the request of the Borrower.

3. Achievement of Relevant Objectives:

The financial and economic crisis that hit Indonesia in 1997 caused the project to be no longer viable. The collapse of the financial sector and the liquidity crisis situation resulted in lack of private sector participation in the project.

4. Significant Outcomes/Impacts:

None.

5. Significant Shortcomings (including non-compliance with safeguard policies):

None.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Not Rated	Not Rated	
Institutional Dev .:	Not Rated	Not Rated	
Sustainability:	Not Rated	Not Applicable	
Bank Performance:	Not Rated	Satisfactory	
Borrower Perf .:	Not Rated	Satisfactory	
Quality of ICR:		Unsatisfactory	

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

7. Lessons of Broad Applicability:

A satisfactory business environment is necessary for success in a market development project.

8. Assessment Recommended? Yes No**9. Comments on Quality of ICR:**

The Project Completion Note (PCN) gives a satisfactory account of the project background and the reasons why the loan never became effective. However, the PCN was prepared six years after the borrower informed the Bank about its inability to execute the project and the loan was closed -- an unacceptably long delay. Therefore, on this ground alone, the PCN is rated unsatisfactory.