

## LAMPIRAN

### MASTER PLAN BUMN TAHUN 2002 - 2006

#### **a. Tahap Konsolidasi (Tahun 2002)**

Dalam tahap ini terdapat 7 (tujuh) kebijakan yang akan diterapkan bagi Badan Usaha, yaitu

##### **1) Koordinasi dan Monitoring.**

Konsolidasi ini dimaksudkan untuk menyamakan visi dan misi pada internal Badan Usaha baik dalam lingkungan Kementerian BUMN maupun antara Kementerian BUMN dengan masing-masing Badan Usaha, termasuk dengan seluruh stake holder. Penyamaan visi tersebut penting agar setiap unsur yang terkait dalam kegiatan Badan Usaha mempunyai persepsi yang sama tentang arah dan kebijakan pembinaan dan pengembangan usaha di masa depan.

Adapun langkah-langkah yang perlu dilakukan untuk menyamakan persepsi tersebut adalah menyelenggarakan koordinasi internal Kementerian BUMN dan melakukan monitoring dan pertemuan antara manajemen dan Pemegang Saham secara periodic, sesuai dengan Sistem Perencanaan dan Pengendalian BUMN yang telah ditetapkan oleh Kementerian BUMN.

##### **2) Akselerasi Penyehatan**

Terdapat indikasi bahwa upaya-upaya penyehatan atau restrukturisasi usaha oleh masing-masing Badan Usaha belum terlaksana secara optimal, baik karena kendala internal maupun eksternal. Menyadari bahwa upaya penyehatan merupakan salah satu langkah strategis dalam memperbaiki kinerja usaha dan keuangan Badan Usaha, maka perlu dilakukan akselerasi atau percepatan terhadap upaya-upaya penyehatan Badan Usaha. Untuk itu dalam setiap Badan Usaha akan dibentuk Tim Akselerasi Penyehatan Badan Usaha yang melibatkan wakil-wakil dari Pemegang Saham maupun Badan Usaha itu sendiri.

Akselerasi penyehatan Badan Usaha tersebut dimaksudkan untuk mempercepat proses value creation melalui :

- restrukturisasi usaha/bisnis, keuangan, manajemen dan organisasi;
- merger dan akuisisi;
- kerjasama usaha antar Badan Usaha;
- likuidasi, divestasi dan privatisasi;

- spin off terhadap non core competence business dan non-performance.

### 3) Pelaksanaan Good Corporate Governance

Transparansi dalam pengelolaan Badan Usaha merupakan pra kondisi yang penting untuk meningkatkan kinerja Badan Usaha dan merupakan kunci keberhasilan dalam menciptakan lingkungan bisnis yang tepat bagi program privatisasi BUMN. Dengan penerapan prinsip-prinsip good corporate governance dalam pembinaan dan pengelolaan Badan Usaha diharapkan semua pihak akan memiliki acuan yang sama dalam pengelolaan usaha.

Prinsip-prinsip dasar good corporate governance adalah transparansi, kemandirian dan akuntabilitas :

a) **Transparansi** adalah keterbukaan dalam melaksanakan suatu proses dan keterbukaan dalam mengungkapkan informasi yang material dan relevan (disclosure) mengenai perusahaan.

Dalam kaitan ini akan diperkenalkan program BUMN On Line sehingga pengungkapan informasi-informasi akan menjamin bahwa Badan Usaha memberikan informasi yang akurat dan aktual mengenai kinerja perusahaan kepada Pemegang Saham dan Publik.

b) **Kemandirian** diartikan sebagai keadaan dimana Badan Usaha bebas dari pengaruh/tekanan pihak lain yang tidak sesuai dengan mekanisme korporasi, sehingga dalam menjalankan tugasnya Komisaris dan Direksi Badan Usaha akan terbebas dari tekanan maupun pengaruh, baik dari dalam maupun luar perusahaan.

c) **Akuntabilitas** diartikan sebagai adanya sistem pertanggungjawaban dan wewenang yang jelas yang dimiliki oleh organ persero yaitu Pemegang Saham, Komisaris dan Direksi sesuai dengan fungsi dan tugasnya masing-masing.

#### 4) **Transparansi dalam Pembinaan dan Pengelolaan Badan Usaha Melalui Program BUMN On Line**

Seiring dengan kemajuan teknologi telekomunikasi yang memungkinkan penyajian informasi secara on line, dokumen dapat pula diakses secara langsung oleh publik dan stakeholder lainnya melalui media elektronika.

Kemajuan teknologi telekomunikasi yang besar pengaruhnya terhadap informasi aktual belum sepenuhnya dimanfaatkan secara optimal oleh sebagian Badan Usaha. Pembangunan website [www.bumn-ri.com](http://www.bumn-ri.com) merupakan salah satu terobosan dalam penyajian informasi kepada masyarakat, baik calon investor, pasar, pemerhati Badan Usaha maupun stakeholder. Informasi yang secara langsung dapat diakses oleh publik tanpa ada hambatan dimensi waktu dan tempat, akan lebih

memotivasi Badan Usaha dalam penerapan prinsip-prinsip good corporate governance, serta meningkatkan fungsi pengawasan publik.

Program BUMN On Line juga dimaksudkan untuk membangun kepercayaan publik (building trust and acceptance) atas kebijakan yang ditempuh Kementerian BUMN dalam membina Badan Usaha.

Pembuatan website [www.bumn-ri.com](http://www.bumn-ri.com) bertujuan membangun suatu sistem informasi berupa aplikasi pelaporan dari BUMN kepada Menteri Negara BUMN. Untuk mencapai sasaran tersebut, rencana tindak (action plan) yang dilakukan adalah sebagai berikut :

- Menerapkan suatu konsep Local Area Network;
- Membangun intranet Kementerian BUMN dan menerapkan sistem kolaborasi penghitungan untuk meningkatkan produktivitas penyajian data dan informasi dalam menunjang pengambilan keputusan;
- Membangun suatu aplikasi pelaporan melalui internet dari Badan Usaha ke Kementerian BUMN yang handal, fleksibel dan dapat diaplikasikan secara cepat;
- Menyusun Website untuk penyampaian informasi Badan Usaha kepada publik.

#### 5) Kebijakan Otonomi Daerah

Pelaksanaan Undang-undang Nomor 22 Tahun 1999 tentang Pemerintah Daerah dan Undang-undang Nomor 25 Tahun 1999 tentang Perimbangan Keuangan antara Pemerintah Pusat dan Pemerintah Daerah, berdampak terhadap peningkatan semangat otonomi daerah berupa keinginan beberapa Pemerintah Daerah untuk ikut serta dalam pengelolaan, kepemilikan atau bagian pendapatan dari Badan Usaha yang beroperasi di wilayahnya.

Menghadapi tuntutan atau aspirasi beberapa Pemerintah Daerah tersebut, Pemerintah selaku Pemegang Saham BUMN pada prinsipnya menerapkan kebijaksanaan korporasi yang lazim berlaku yaitu penentuan pengelolaan atau manajemen perusahaan dan pembagian pendapatan hanya dapat dilakukan berdasarkan skema kepemilikan saham. Dengan kata lain, keterlibatan pihak-pihak lain, termasuk Pemerintah Daerah dalam mengelola Badan Usaha melalui wakil-wakilnya dalam manajemen/Direksi dan pembagian pendapatan atau laba Badan Usaha dimungkinkan apabila pihak-pihak tersebut memiliki sebagian saham pada Badan Usaha yang bersangkutan.

#### 6) Reformasi Pengelolaan Badan Usaha

Reformasi Pengelolaan Badan Usaha dimaksudkan untuk merubah paradigma para pengelola Badan Usaha agar berperilaku lebih terbuka, tanggap terhadap perubahan dan menyadari perlunya proses pembelajaran.

Strategi reformasi bisnis Badan Usaha dilakukan melalui 4 (empat) kegiatan yaitu Reformasi Budaya, Reformasi Manajemen, Reformasi Strategi dan Reformasi Pengelolaan Usaha.

- a) **Reformasi Budaya** meliputi penanaman budaya kerja keras, rasa malu, peduli dan memiliki rasa ingin tahu, berkeinginan untuk maju, tidak berperilaku otoriter, memiliki rasa syukur dan keterbukaan dalam pengelolaan Badan Usaha.
- b) **Reformasi Manajemen** meliputi peningkatan kinerja dengan berbasis pada sistem manajemen modern, penerapan sistem reward and punishment serta peningkatan profesionalisme manajemen berbasis pada 5 (lima) tingkatan hirarki.
- c) **Reformasi Strategi** meliputi peningkatan nilai perusahaan, fokus pada usaha pokok atau core business, peningkatan pendapatan dan market share (untuk unit bisnis driving market) dan cost leadership (untuk unit bisnis market driven).
- d) **Reformasi Pengelolaan Usaha** meliputi penyederhanaan organisasi dan struktur usaha sejenis, penciptaan struktur organisasi yang flat tetapi efektif atau kaya fungsi dan hemat struktur.

#### 7) Kepedulian kepada masyarakat (**community development**)

Sebagai salah satu wujud kepedulian dan tanggung jawab sosial serta program kemitraan dalam bentuk keterkaitan usaha yang saling menguntungkan dan menunjang antara koperasi, swasta dan Badan Usaha, Pemerintah akan terus melanjutkan dan meningkatkan Program Pengembangan Usaha Kecil Dan Koperasi (PUKK) serta kepedulian kepada masyarakat melalui penyisihan laba BUMN. Pelaksanaan program tersebut terus diperbaiki dan disempurnakan, terutama yang menyangkut proses penyaluran, penentuan sasaran, pengembalian bantuan/pinjaman dan evaluasinya.

#### 8) Penyusunan Undang-Undang BUMN.

Penyusunan Undang-Undang BUMN dimaksudkan untuk menciptakan landasan hukum yang kuat dan jelas bagi seluruh stake holder. Melalui Undang-Undang BUMN tersebut, dapat dirumuskan arah, sasaran, program, dan kebijakan Pemerintah terhadap BUMN dengan jelas sehingga menjadi pedoman bagi semua pihak yang terkait. Undang-Undang tentang BUMN merupakan kebutuhan mutlak karena landasan hukum tentang BUMN yang ada saat ini belum berbentuk Undang-Undang. Di samping masalah kepemilikan, peran dan fungsi BUMN, dalam perekonomian nasional, dalam Undang-Undang BUMN tersebut akan diatur pula ketentuan tentang privatisasi.

### 9) Sosialisasi Kebijakan Privatisasi.

Sebagai Badan Usaha, BUMN mempunyai stake holder yang lebih banyak dibandingkan Badan Usaha lainnya. Kepentingan dan harapan setiap stakeholder seringkali berbeda-beda bahkan ada yang bertolak belakang. Kondisi semacam ini menyebabkan setiap kebijakan yang dilakukan oleh Pemerintah selaku Pemegang Saham BUMN seringkali tidak efektif, bahkan ditentang oleh stake holder yang lain, misalnya yang menyangkut program privatisasi BUMN.

Mengingat privatisasi BUMN merupakan salah satu program penting yang perlu didukung oleh seluruh stakeholder, penyamaan visi dan persepsi tentang privatisasi merupakan salah satu faktor kunci keberhasilan kebijakan privatisasi BUMN. Penyamaan visi dan persepsi tersebut akan dicapai melalui pelaksanaan program sosialisasi privatisasi.

### 10) Restrukturisasi dan Privatisasi.

Pada tahun 2001, Pemerintah akan tetap melakukan restrukturisasi untuk penyehatan BUMN, terutama yang tengah dipersiapkan untuk privatisasi lanjutan dan melakukan privatisasi atas beberapa BUMN yang telah siap, terutama yang termasuk dalam kriteria :

- a. Pemilikan saham Pemerintah minoritas.
- b. Bergerak dalam bidang usaha yang kompetitif.
- c. Menghasilkan produk dengan basis teknologi yang cepat usang.

**ASIAN DEVELOPMENT BANK**



**January 2000**

## FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank for Indonesia covering the three-year period 2000-2002. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 1999, in close consultation with the Government of Indonesia, and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 1999. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

For further information, please visit the Asian Development Bank's website at: <http://www.adb.org> or contact (*any of*) the following:

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## CURRENCY EQUIVALENTS

(as of 31 January 2000)

Currency Unit	—	Rupiah (Rp)
Rp1.00	=	\$0.000135
\$1.00	=	Rp7,425

## ABBREVIATIONS

ACCSF	-	Asian Currency Crisis Support Facility
ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
CGI	-	Consultative Group for Indonesia
COS	-	country operational strategy
FGRSDP	-	Financial Governance Reforms Sector Development Program
GDP	-	gross domestic product
IMF	-	International Monetary Fund
JBIC	-	Japan Bank for International Cooperation
JEXIM	-	Export-Import Bank of Japan
NMI	-	New Miyazawa Initiative
OECD	-	Overseas Economic Cooperation Fund of Japan
OCR	-	ordinary capital resources
PDAM	-	Perusahaan Daerah Air Minum (water supply enterprises)
PSRP	-	Power Sector Restructuring Program
REPELITA	-	Rencana Pembangunan Lima Tahun (Five-Year Development Plan)
SME	-	small- and medium-scale enterprise
SOE	-	state-owned enterprise
SUSENAS	-	Survei Sosial Ekonomi Nasional (National Socioeconomic Survey)
TA	-	technical assistance

## NOTES

- (i) The fiscal year (FY) of the Government ends on 31 March.
- (ii) In this Report, "\$" refers to US dollars.

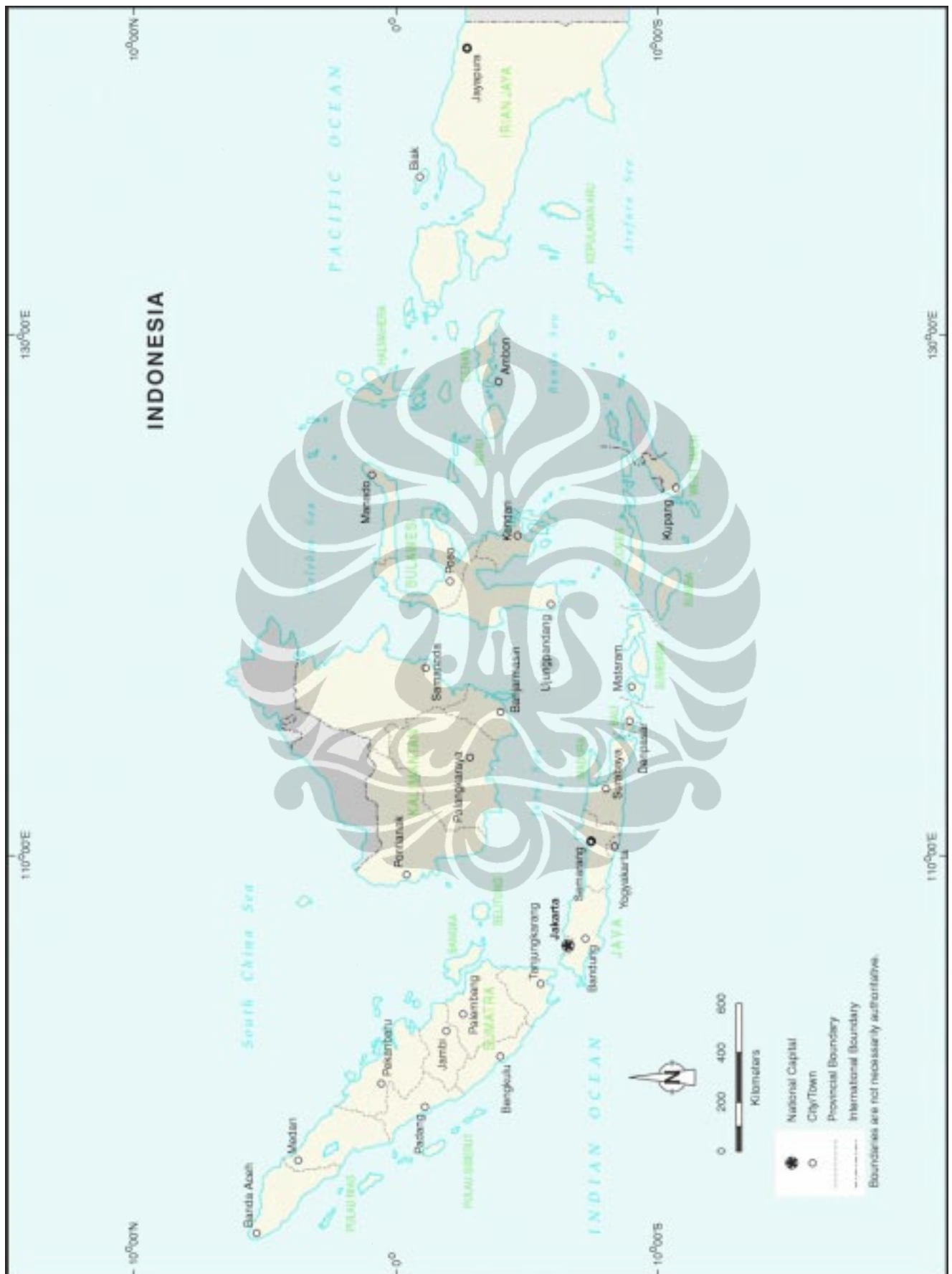


**COUNTRY ASSISTANCE PLAN  
(2000-2002)**

**INDONESIA**

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## INDONESIA

### I. Country Performance Assessment

#### A. Economic Performance Assessment

1. The difficult political transition that began in 1998 culminated in the election of the President and Vice President on 20 and 21 October 1999. Within a week of these elections President Abdurrahman Wahid announced the new cabinet. The cabinet, dubbed as a "National Unity Cabinet," represents all major ethnic, regional, and religious groups and political parties of the country. President Wahid declared implementing economic reform and maintaining territorial integrity as the two main priorities of the new Government. It was indicated that (i) agriculture development, (ii) support for small and medium-scale enterprises (SMEs), and (iii) poverty reduction would be key concerns of the new Government.

2. The national output data for the third quarter 1999 confirm that recovery is under way. Sound macroeconomic stabilization policies and a stringent program of structural reforms have helped in initiating the recovery. Economic indicators show across-the-board rise in economic activity in virtually all sectors. On the demand side, Government consumption and nonmanufactured exports have provided the demand stimulus for growth. The gross domestic product (GDP) expanded 0.3 percent in 1999. GDP growth is expected to rise to 3-4 percent in 2000.

3. After appreciating by 50 percent in the first half of 1999, the rupiah weakened sharply following the Bank Bali scandal and the East Timor crisis. However, the election of the President and Vice President boosted confidence of the markets and the rupiah appreciated nearly 15 percent. The exchange rate has traded around Rp7,500/\$1 in recent months.

4. Yearend inflation was 2 percent in 1999, much lower than the forecast of 25 percent earlier in the year. The consumer price index declined successively for seven months till September 1999, stoking fears of a deflationary spiral. But it stabilized and rose nearly 2 percentage points in the final quarter of 1999, ending such speculation and strengthening confidence in the recovery. Declining food prices contributed most to the moderation in inflation. Tight monetary policy was also a contributory factor. Inflation in 2000 is likely to remain in the single-digit range.

5. The key one-month SBI (Central Bank Certificate) interest rate was nearly 40 percent in early 1999. However with a stronger rupiah and decline in inflation, the rate dropped to just over 12 percent at end-1999. This is also substantially lower than the earlier forecast of 16 percent. A commensurate decline in bank deposit rates (while lending rates remained virtually unchanged) has eliminated the long-persisting negative intermediation spread. However, individually some banks are still experiencing negative spreads.

6. The sharp rise in world oil prices from \$10/barrel to \$22/barrel raised export and budgetary revenues. The current account continues to show a sizeable surplus, still driven mainly by low imports. Although natural resource-based exports, including crude oil, increased significantly in 1999, seasonally adjusted performance of manufactured exports is still weak. Export performance in the coming months will depend on continued recovery in Japan and further improvement in the region's economies. Private capital inflows have risen helping gross foreign assets to reach an estimated \$27 billion at present—equivalent to over six months of imports.

7. The fiscal stimulus in FY1998/99 fell below planned levels. The realized fiscal deficit was only 3.7 percent of GDP against an estimate of 8.5 percent. The fiscal deficit in FY1999/2000 is still projected at about 2.2 percent of GDP. A major consequence of the crisis on the fiscal sector is a dramatic rise in public debt which, at end-1997, stood at a comfortable 23 percent of GDP. By end-1998 it had climbed to 60 percent of GDP; more than half of the rise being contributed by domestic bond issues to restructure the banking system. With the bond issues completed by the end of FY1999/2000, public debt will rise to 95 percent of GDP. The most recent estimates place public debt at \$152 billion, of which \$89 billion is external debt and \$63 billion is domestic public debt. In the years preceding the crisis, fiscal regulation barred financing of the budget gap through issuance of domestic public debt. Total debt servicing in 1999/2000 will amount to about \$7.5 billion, i.e., nearly 40 percent of total revenues. As the recovery progresses, Indonesia must shift the emphasis from fiscal stimulus to fiscal sustainability over the medium term. The sharp increase in public debt, a weak non-oil revenue position and growing constraints in the availability of external financing point to the need to achieve fiscal sustainability in the coming years. Achieving this will require more effective and transparent use of resources, increasing focus on domestic resource mobilization and reduced borrowing.

8. Domestic factors, especially economic management by the new Government and handling of sensitive regional concerns, and external factors such as continued recovery in Japan and other Asian economies, as well as the performance of the US economy pose risks to Indonesia's recovery prospects.

9. The social impact of the crisis has been severe. The incidence of poverty increased from 11 percent in 1996 to over 15 percent in 1998. Urban areas and women appear to be the hardest hit by the crisis. These estimates suggest that up to 18 million more people may have fallen into poverty in 1998. The rise in food prices has had a serious impact on nutrition of the poor. Recent estimates indicate that the cumulative gain over three decades, in the mean body weight of women of reproductive age in Central Java may have been lost due to the deterioration in nutritional standards.

10. The crisis has exposed serious problems of governance in Indonesia. The prevalence of corruption, collusion, and nepotism over a long period greatly weakened the financial sector. The Government has encouraged public discussion of these issues and taken some steps to address governance concerns. However, stronger commitment and sustained effort to implement far-reaching reforms is needed to address the deep-seated problems of governance.

11. On 20 January 2000, the new Government presented its first Budget for FY2000. The budget has two distinctive features. First, the fiscal year is to follow the calendar year. Thus, the FY2000 Budget only covers nine months from April to December, and is considered a transition budget. Second, the budget format has also changed to follow the Government Finance Statistics used internationally. This improves the transparency and public accountability. The FY2000 Budget presented in the new format shows the budget deficit to be financed by domestic and international sources.

12. The Budget attempts to strike a balance between supporting economic recovery, fiscal consolidation and reducing public debt. Key fiscal policies in FY2000 are (i) the tax system will be reformed to enhance equity and raise revenues more efficiently; (ii) civil service remuneration will be steadily raised to narrow the private-public salary differentials to reduce corruption among public officials; (iii) subsidies will be gradually reduced through step-wise

increase in prices and tariffs while poor families will be protected through special programs to avoid social instability; (iv) development expenditures will be progressively reoriented to efficiently target poverty reduction programs and support for agriculture, rural development and small and medium enterprises; (v) in line with implementation of decentralization laws, fiscal autonomy for lower level governments will be increased through a well sequenced devolution of revenue and expenditure responsibilities; and (vi) the overall budget deficit will be steadily lowered to reduce dependence on foreign assistance. Key economic parameters underlying the budget for FY2000 include (i) GDP growth of 3.8 percent; (ii) average consumer price index inflation of 4.8 percent; (iii) average exchange rate of Rp7,000/\$1; and (iv) average oil price of US\$18 per barrel. The overall budget deficit is targeted at 5 percent of GDP, based on revenues of 15.1 percent of GDP and expenditures of 20.1 percent of GDP. The budget deficit of Rp45.3 trillion will be financed by: (i) privatization receipts of Rp5.9 trillion, (ii) asset recoveries of Rp16.3 trillion from IBRA, and (iii) net foreign financing of Rp23.2 trillion. Gross disbursements of foreign loans will amount to Rp31.8 trillion, the bulk of which would be sourced from World Bank, Asian Development Bank (ADB), and the Government of Japan. A residual financing gap is expected to be covered by new commitments at the meetings of the Consultative Group for Indonesia (CGI) to be held in February 2000 in Jakarta.

13. Also on 20 January 2000, the new Government signed the Letter of Intent (LOI) on a new extended arrangement with the International Monetary Fund (IMF). ADB has been closely involved in the policy dialogue with the new Government, IMF, and World Bank, at the various stages of the LOI preparation. The new extended arrangement amounting to SDR3.5 billion (or about \$5 billion) will be for three years ending in December 2002. The LOI describes a medium-term framework to support the economic recovery program that emphasizes promoting sustained development, strengthening economic institutions, promoting good governance, and maintaining social equity. It specifies the direction of economic policy in three main areas: (i) a budget and monetary policy mix that would support growth of at least 3-4 percent in 2000, while keeping inflation in low single digits; (ii) a concerted effort to speed up, and make more effective, bank and corporate restructuring; and (iii) a major initiative to combat economic corruption by improving governance and strengthening the accountability of public institutions.

## **B. Assessment of Socio-Environmental Performance**

### **1. Poverty Issues**

14. The incidence of poverty has risen, but not nearly as much as in some earlier forecasts. Prior to the crisis, data from the Central Bureau of Statistics showed poverty incidence fell to 9.4 percent in February 1997 from about 11.4 percent in February 1996. The recent SUSENAS (National Socioeconomic Survey) of the population, however, shows that poverty incidence increased to around 15 percent by February 1998. Projecting forward using qualitative data and other available survey data suggests that poverty incidence is likely to have increased by another 4-7 percentage points by the end of 1999. This represents a significant increase in poverty to about mid-1980 levels. The impacts have been extremely heterogeneous. There is a general conclusion that impacts have been greater in urban areas and on Java. However this must not be construed as suggesting the crisis was exclusively urban or confined to Java.

15. Generally, rising prices in the face of a weak demand for labor reduced welfare for the majority of Indonesians, both urban and rural. While the quality of employment has declined, the number of people entering the labor force and finding work increased by 2.6 percent reflecting both an increase in the number of workers per household required to make ends meet as well

as the natural increase in the working age population. A large proportion of this increase was among older women who could previously afford to stay out of the labor force.

16. More people working has not translated into more purchasing power. Although general wage data is unavailable, monthly surveys of unskilled agricultural labor showed a real wage decline of 30 percent (as of December 1998). The SUSENAS also suggests that nominal income has risen, but less than consumer prices. Declining purchasing power is changing consumption patterns which, as indicated by spot surveys, are resulting in a decline in nutritional status with a particularly deleterious effect on pregnant women and young children. The 1999 SUSENAS is expected to shed some light on the overall nutritional and poverty situation. Some evidence however also suggests that in terms of intra-household distribution of resources, children have been relatively protected from the impact of the crisis at the expense of adults and in particular, of women.

## 2. Gender Issues

17. The Gender Development Index (GDI) measures basic human achievements (life expectancy, adult literacy, secondary and tertiary level gross enrollment ratio in education, and share of earned income) but takes note of inequalities of achievements between men and women. According to the 1998 Human Development Report, in terms of GDI Indonesia ranked 88<sup>th</sup> out of 165 countries. The Gender Empowerment Measure examines whether women and men are able to actively participate in economic and political life and take part in decision making. In terms of this measure, Indonesia ranked 70<sup>th</sup> out of 102 countries. Generally, Indonesia is behind its regional comparators in terms of gender-sensitive human achievement and in gender empowerment.

18. As with other crisis-affected countries, women are the support of last resort of the household to care for children, the sick, and the elderly. Women are responsible for food, health, and education of households. In terms of retrenchment from workplace, on balance the crisis has thrown proportional numbers of men and women out of work. Women, however, have been very quick to reenter the labor force. Declining purchasing power has pushed increasing numbers of women in the labor force into marginal activities to make ends meet. This is reflected in the disproportionate increase in the labor force participation rate for women in older age cohorts, 35 years and above, a nearly 3 percent decrease in the proportion of women classified as housewives, and a 1 percent increase in the female labor force participation rate to 51 percent. The cutting back on quality of consumption appears to have contributed to a decline in the nutritional wellbeing of pregnant women and lactating mothers as well as children as reported in various spot surveys.

19. Women's concerns have not been sufficiently highlighted during the crisis. The significant role that women play in poorer households and the importance of women's contribution to the economic welfare of their households has often been subsumed by the common view of women as wife and mother and man as bread earner. As a result, the Government failed to pay sufficient attention to women's active involvement and participation in safety net work programs targeting income/employment creation. As women's coping strategies include eating less or lower quality foods and taking children out of school, women need to be a greater focus of these programs. Other issues include safeguarding workers rights, particularly in times of retrenchment, and increasing women's role in decision making in development planning including the planning and implementation of recovery programs.

### 3. Human Development

20. The Human Development Index measures development in terms of life expectancy, educational attainment in terms of adult literacy, and income inequality. According to the 1998 Human Development Report, Indonesia ranked 96<sup>th</sup> out of 174 countries. While Indonesia had shown good progress in certain key human indicators such as contraceptive prevalence rate and infant and child mortality prior to the crisis, it had lagged in others such as enrollment in secondary school and, in particular, maternal mortality.

21. With the assistance of ADB and other donors from the onset of the crisis, the Government protected expenditures in key social development areas such as basic education and primary and reproductive health care. Scholarships were provided to help retain children in basic education. Contraceptives and basic medicines were made available at controlled prices. A rice distribution program was initiated to supply affordable rice to poor families. Public works and community development programs were geared up to generate employment opportunities on the ground and to provide safety nets to poor households.

22. The cost of the crisis will not be fully known for some time. While progress in basic education appears to have largely been maintained, gains in secondary and tertiary education have been eroded. The nutritional consequences of the crisis on infant and child development and on adult health and productivity have yet to be fully revealed. However the reported resurgence of nutrition related diseases suggests that the resilience of the Indonesian population to the crisis continues to be challenged.

### 4. Environment

23. Indonesia's rich endowment of natural resources has provided abundant raw materials for economic growth in recent decades. The rapid economic growth before the crisis has been, to a great extent, supported by an attitude of "build now-clean later" which led to severe environmental degradation, in part caused by uncontrolled industrial wastes and pollution, and in part as the result of over exploitation of potentially renewable resources. The conflicting agendas of various government agencies meant that land use was often arbitrary and economically irrational. Population growth and higher incomes meant increased demand for water and sanitation services, and exponential growth of air pollution from transport and solid waste from consumption. While the crisis has slowed some of these trends, it has also intensified other problems. There is a danger that during the recovery phase from the crisis, necessary consideration and investment for environmental protection may be accorded a lower priority. The decentralization of Government functions to provinces and districts presents both challenge and opportunity for improving environmental management.

24. Prior to the onset of the economic crisis, agriculture, forestry, and fisheries accounted for approximately 20 percent of non-oil GDP and for over 36 percent of non-oil export earnings. The years of rapid economic growth have raised concerns about sustainable utilization of natural resources. In the forestry sector, the harvesting of Indonesia's forests was estimated at 33 million cubic meters (mcm) per year, while the sustainable yield was estimated at about 22 mcm per year. Another area of serious concern is the coastal and marine resources particularly with respect to degradation of coral reefs.

25. Sustainable resource management is significant from the environmental standpoint. Indonesia has the most extensive forest reserves in Asia, representing 10 percent of the world's tropical rainforests. Its forests and biological diversity hold an important place in the global

ecosystem. The widespread forest fires and the concurrent prolonged drought in 1997 and 1998 underscore the critical importance of natural resource management. The political movement toward limiting the size of forest concessions to provide support to smaller companies/cooperatives needs to be expanded to include activities to educate concessionaires about the importance of conservation. Appropriate capacity-building measures for environmental management at provinces and districts need to accompany decentralization of government functions.

26. In the aftermath of the economic crisis, the Government accords a high priority for sustainable management of natural resources as an integral part of the economic reform and recovery program. Drawing on the assessment of the past experience, major reforms are being initiated to improve efficiency in the use of natural resources and to further strengthen the legal and regulatory framework. In the forest sector, the Government has dismantled the plywood monopoly and is in the process of instituting a forest resource rent levy in lieu of export taxes. A new forest regulation is being promulgated to authorize the auction of forestry concessions and to facilitate market-based transfer of concessions. With ADB's technical assistance, the Government is formulating the institutional arrangements and operating procedures for forest fire response. In the water resources sector, the Government is pursuing an integrated management policy agenda. Key elements of the policy agenda include establishment of a national water council, adoption of a national water policy covering all aspects of water resource management, and strengthening regulatory framework for effective enforcement of water quality standard. Similar policy and institutional reforms are also under preparation for other natural resources subsectors covering terrestrial resources and marine resources. A significant policy measure is to strengthen the decentralized management of natural resources by involving local communities and civil society. While all these involve difficult and complicated issues, the crisis and subsequent reform efforts have given impetus to the Government to consider these issues in a holistic manner.

27. The process of industrialization and urbanization has been accompanied by worsening environmental quality. Air and water pollution and solid wastes from industrial and household sources are serious problems in the larger urban centers and in some locations, these have reached levels harmful to health. To strengthen overall environmental management, the Government has prepared the implementing regulations for the Environmental Management Law enacted in 1997. They concern water pollution control, air pollution control, hazardous waste management and environmental impact assessment. The Government is also exploring increased use of market-based instruments for environmental management. Together, these measures will form an integral part of the programs for future industrial and urban development. The development of an institutional framework to support these measures in the decentralized government structure will require substantial capacity building at both central and local levels for both to achieve respective facilitator's and implementor's role.

### **C. Governance: Sound Development Management**

28. The crisis made it imperative for the Government of Indonesia to place the promotion of governance and sound development management as a key theme in its reform agenda. This is notwithstanding major progress achieved during the pre-crisis period in the deregulation of trade, finance and investment. With ADB support, there had also been significant regulatory reforms in power, telecommunications, water supply and transportation before the crisis. Such reforms had successfully led to greater private sector participation in the sectors. The crisis, by exposing other weaknesses, substantially accelerated the pace of reforms particularly in improving the functioning of markets; in reducing corruption, collusion, and nepotism; and in



decentralizing development planning and management. ADB has played a key role in these initiatives.

29. The Parliament approved in February 1999 a law on the Prohibition of Monopolistic Practices and Unfair Business Competition (Antimonopoly Law). The law was ratified by the President on 5 March 1999. It is designed to preserve public interest and increase efficiency by prohibiting anti-competitive business practices with regard to the control of production and marketing of goods and services. In March 1999, the Consumer Protection Law was also approved to complement the Antimonopoly Law by protecting the consumers' rights when using products and services, and in choosing and obtaining goods and services at fair prices.

30. Accountability and decentralization in decision making go hand in hand. The Law on Regional Autonomy and the Law on Fiscal Balances between the Central and Local Governments were approved by the Parliament on 21 and 23 April 1999, respectively. The Law on Regional Autonomy allows greater autonomy to regional administrations and legislators in managing their affairs except for matters related to defense, security, foreign, judicial, monetary, fiscal and religious affairs. The law provides for the appointment of governors and deputy governors (who were in the past appointed by the President) by the provincial legislature. Under the Law on Fiscal Balance, the provinces will receive 15 percent of oil receipts, 30 percent of gas receipts and 80 percent of forestry, mining and fishery-derived income. These two laws will push forward the Government's agenda to decentralize functions and delegate authority on a number of issues to districts and provinces to make public administration more transparent and responsive to people and their needs.

31. In the implementation of development projects also, the Government has been delegating substantially larger responsibilities to provinces, districts and project authorities. The authority to adjust the development budget has been delegated to the regions and the project directors were given far greater responsibility in procurement matters without the intervention of the centralized procurement supervision mechanism, which had not worked effectively in the past. The Government's budgetary and procurement rules and regulations are being revised to introduce transparent and accountable financial management mechanisms. The Government is also officially involving NGOs in monitoring the implementation of social safety net projects. It is clearly recognized that increased participation of civil society and involvement of NGOs in development planning, implementation and monitoring will be necessary.

32. On 22 April 1999, the Parliament approved a new Law on Administrators Who Are Free from Corruption, Collusion and Nepotism, which establishes an independent permanent commission to combat corruption in the public sector. The Law on Eradication of Corrupt Criminal Acts has also been passed replacing Act No. 3 of the Anticorruption Law of 1973 and the Law on Bribery, No. 11/1980. To support the implementation of the laws to combat corruption, with the assistance of ADB, the Government has developed its own Anticorruption Strategy. This strategy will be implemented with ADB assistance. The Government is addressing the issue of public financial management as a whole with the assistance of IMF, World Bank, and ADB. ADB assistance in this area started with the ongoing Financial Governance Reforms: Sector Development Program (FGRSDP) and is to be followed through subsequent assistance focusing on corporate governance of state-owned enterprises (SOEs) as well as other areas of public sector financial management.

## **D. Implementation Assessment**

### **1. The Portfolio**

33. By the end of December 1999, ADB's active portfolio in Indonesia consisted of 77 loans for 65 projects. The total net loan amount is \$8,091 million, comprising \$7,860 million from ordinary capital resources (OCR) and \$231 million from the Asian Development Fund (ADF). Indonesia remains the ADB's largest borrower: as of 31 December 1999, the total loans outstanding amounted to \$7,614 million, or 17.2 percent of ADB's total outstanding. The OCR loans outstanding amounted to \$6,926 million or 24.4 percent of ADB's total OCR portfolio. The portfolio broadly covers five sectors, including (i) rural development and natural resources; (ii) education and health; (iii) urban development and water supply; (iv) transport and telecommunications; and (v) energy and industry. ADB's precrisis lending operations focused on development and improvement of the physical and social infrastructure and supporting policy and institutional changes in these sectors for sustained development. In response to the crisis, however, ADB reoriented its lending in 1998 to address critical policy issues in the financial sector and provide essential social safety nets to mitigate the impact of the crisis on the poor and vulnerable groups in collaboration with other donors including IMF and World Bank. In 1999, ADB continued with its support for policy reforms in the power, trade and industry sectors and the governance of SOEs as well as for the strengthening of social safety nets and to support decentralization of public services. Detailed portfolio performance indicators are shown in Appendix 2. ADB's technical assistance (TA) portfolio with an annual commitment of about \$12 million has been focusing particularly on policy development and capacity building in the above sectors and project preparation. The TA grants to Indonesia reached a cumulative \$154 million at end-1999. In 1998 and 1999, a significant share of TA resources was devoted to supporting policy reforms in response to the crisis and in improving targeting and monitoring of social safety net programs.

### **2. Issues in Project Implementation**

34. To date, ADB has postevaluated 77 projects in Indonesia of which 70 projects or 91 percent were rated "generally successful" or "partly successful," and six projects or 8 percent as "unsuccessful." The rating of one project, the Financial Sector Program Loan, has been withheld pending completion of evaluation of its second phase. Notwithstanding the generally good performance, most postevaluated projects suffered from delays in implementation related to recruitment, procurement, land acquisition and inadequate counterpart funds. To address these problems, the Government and ADB have been holding annual intensive reviews of the portfolio since 1994. Although disbursements improved after the institutionalization of the joint review of the portfolio performance with the Government, the undisbursed balance remained significant indicating a need for continued strong coordination between ADB and the Government to address the implementation issues.

35. In 1998, the disbursement under project loans was particularly slow, mainly because of the shortage of the Government's counterpart funds. The Government and ADB undertook a comprehensive review of the portfolio of ADB-assisted projects in 1998 to affirm the relevance and the continued high priority of the ADB-assisted projects in the face of the crisis. The exercise (the so-called first spring-cleaning exercise) resulted in the cancellation of nearly \$1 billion of the undisbursed portfolio, easing the need to allocate counterpart funds for lower priority activities/projects. At the same time, the Government assured that sufficient counterpart funds would be made available for the remaining portfolio of ADB-supported projects. Rigorous efforts to improve the implementation performance of the portfolio continued in 1999 in

collaboration with the Government. The Government has established a working group to improve the submission of audited financial accounts to ADB and initiated a thorough review of the situation and follow-up activities. The Government and ADB carried out a second spring-cleaning exercise in 1999 with a view to further cancel or restructure slow moving/poorly performing projects. This exercise, which was concluded in September 1999, identified potential loan savings of about \$450-500 million for cancellation. With the Government's commitment that it will make necessary counterpart funds fully available for ADB-supported projects, continuing efforts are being made to ensure appropriate provision of counterpart funds for each project.

## **II. Country Operational Strategy**

36. In the years leading up to the crisis, ADB's operations in Indonesia were guided by the Country Operational Strategy (COS) prepared in 1994. This was the last COS prepared for Indonesia and coincided with the launching of the Government's five-year development plan (REPELITA VI). The COS supported economic growth with stability and equity. Efficient growth, the centerpiece of ADB's strategy at that time, was envisaged to improve international competitiveness by raising total factor productivity. Accordingly, ADB support focused on (i) improvement of physical infrastructure; (ii) human development; and (iii) sustainable resource management. The strategy emphasized balanced regional development to reduce regional inequities in economic development. ADB assistance was targeted at Indonesia's less developed eastern islands.

37. At a time when ADB was to initiate work towards a new COS in mid-1997, Indonesia was hit by the financial crisis. ADB adopted an interim strategy to address the crisis directly and with flexibility during 1998-1999. A three-pronged approach was envisaged in this strategy. First, financial sector restructuring was given high priority. ADB provided support for reforms in financial sector governance in close coordination with other donors. This was complemented by supporting reforms in the restructuring and development of SOEs and real sectors, viz., trade, industry, and energy. The successful implementation of reforms in these priority sectors was intended to help restore investor confidence, and improve transparency and predictability of policy making, thereby supporting economic recovery and a return to sustainable and efficient growth. A major fallout of the crisis has been a substantial increase in poverty in the short term due to falling real wages or unemployment. The drought in 1997 and 1998, and general scarcity of budget resources resulting from the recessionary conditions and cutbacks in public expenditure further exacerbated poverty incidence and threatened the sustainability of the progress achieved in the last two decades in improving key socioeconomic indicators. Thus, as a second element to the interim strategy, ADB was actively involved in providing social safety nets at a time of general economic distress. Third, with the concern on the relevance and priorities of the projects designed prior to the crisis, a comprehensive portfolio review was carried out in 1998 as a part of the interim strategy. Another spring cleaning exercise was carried out in 1999. Portfolio performance monitoring and management will continue to remain a high priority of ADB operation in the next few years.

38. Under normal conditions a new five-year national development plan (Repelita VII) would have been finalized in 1998. But because of the crisis and the political transition, Repelita VI concluded in March 1999 without a succeeding plan. The National Development Planning Agency (BAPPENAS) is currently in the process of preparing a new medium term investment/development plan for consideration by the new Government. However, the new plan can be finalized only in 2000. It is envisaged that the next COS will be prepared in coordination with the preparation of the new five-year development plan. The next COS will reflect ADB's overarching objective of reducing poverty and supporting robust socioeconomic recovery.

39. Before such a plan is finalized, however, it is necessary for the crisis to abate and for recovery to gain momentum so that a medium-term view on the needed development and poverty reduction strategy can be firmed up. With this understanding, the Government and ADB have agreed that an interim strategy will guide ADB operations in 2000. This strategy will build on the experience of ADB in assisting Indonesia during the past two years with greater emphasis on poverty reduction, and emphasize: (i) deepening financial sector reforms, relating particularly to the debt market, nonbank financial intermediaries and resource mobilization for industrial recovery; (ii) improving environmental management; (iii) providing key social and public services, with focus on the poor and low income groups; and (iv) assisting the restoration of key infrastructure degraded due to inadequate provision of operation and maintenance funds during the crisis. In addition, ADB will continue to assist in intensifying the Government's anticorruption and good governance work in 2000. Assistance to the Government's decentralization efforts to increase transparency, accountability and efficiency of public services and to increase participation of civil society in the development process will also continue. Further, ADB will continue intensive policy dialogue with the Government based on extensive economic and sector work (see paras. 77 and 78). The sector strategies discussed hereunder will need to be adjusted and confirmed with the new Government. At this stage, they may be regarded as a first cut at developing a medium-term country strategy based on ADB's operational experience in Indonesia.

### **III. Sector Strategies**

#### **A. Agriculture**

##### **1. Agriculture and Rural Development**

40. ADB's program will stress increasing employment opportunities and poverty reduction and building resilience in the agriculture and rural sector. In the wake of the economic crisis, the sector has provided critical social safety-net support in absorbing the severe economic and social shocks. Indeed, the crisis has renewed attention to agriculture and rural development. It is clear from the Rural Asia Study that poverty is primarily a rural problem. ADB therefore will intensify its support to the sector in the expectation that it will lead to overall economic recovery and poverty reduction. Such support aims to continue reforms in the agriculture and rural sector to improve the policy and institutional environment for sustainable and efficient growth accompanied by specific project assistance targeting poverty reduction. In particular, ADB will assist in the effective implementation of the recently promulgated changes in marketing policies and in addressing a number of unfinished items on the policy agenda including decentralization of agricultural support services and greater promotion of participatory approaches. The policy support will be combined with selected investment activities to develop a diversified rural economic base, to strengthen rural and urban linkages and improve the capacity for community development. In addition, ADB will support development of export-oriented agricultural production especially in the estate crop subsector. Indonesia has significant potential for increasing yields in a variety of estate crops.

##### **2. Forestry and Natural Resources**

41. ADB's past assistance focused on natural resources evaluation and development planning. The current situation (see paras. 23-27) however calls for the adoption of a holistic and proactive approach towards resource management. In view of the changing policy and institutional context, the primary responsibility for resource management will fall on local

governments and communities. The transition from evaluation to management and from a centralized to a decentralized approach will require reassessment and changes in terms of policies and institutional arrangements. Thus, ADB's support will aim at strengthening local government agencies' capacity and increase beneficiary participation for terrestrial and marine resource management, bio-diversity conservation, and mangrove and coral reef rehabilitation. ADB will continue to support integrated river basin management, cost recovery, and operations and maintenance in water resources development in coordination with other agencies. ADB will also explore opportunities for assisting in sustainable management of forestry resources, including specific efforts to address forest fires and haze pollution in collaboration with other agencies.

## **B. Infrastructure**

### **1. Energy**

42. ADB's key strategy in the power sector is to support the establishment of a competitive market for electricity in Java-Bali that will increase economic efficiency of the power sector in that region. In March 1999, ADB approved the Power Sector Restructuring Program (PSRP) as the first step in this effort. The Program involves the dismantling of the vertical monopoly in the sector, and the unbundling of the power utility, PLN. The Program is cofinanced with Japan Bank for International Cooperation (JBIC), the former Export-Import Bank of Japan (JEXIM) which has been integrated with Overseas Economic Cooperation Fund of Japan (OECF). Complementary assistance is scheduled to be provided by World Bank. The Program specifically aims at restructuring the power sector and creating an enabling environment for a competitive electricity market, and establishing competition in the supply of bulk electricity in Java-Bali, initially with a single buyer and by 2003 with multiple buyers and multiple sellers. The market will be opened not only for generation but also for competition in electricity supply services. The Program will also support (i) adjusting tariffs to ensure financial viability of PLN and the newly created subsidiaries during the transition period, (ii) increasing private sector participation, and (iii) strengthening the regulatory environment, including protecting the interest of the end consumers. Given that the entire process of the power sector restructuring will take a number of years beyond the implementation of the Program, it is anticipated that there would be a need for the Bank to keep supporting the process of the power sector restructuring with follow-on loans and technical assistance. Any possible future investment in the power sector would be considered only to the extent of supporting or complementing the establishment of a competitive electricity market in Java-Bali.

43. In the gas sector, investment lending envisaged in the future will be limited and emphasis will be placed on policy dialogue and institutional reform agenda, for which the nonlending advisory operations (including TA) would be strengthened.

### **2. Transport**

44. The crisis has warranted a major change of priority in the public investment programs to strengthen social safety nets and to support financial and corporate sector restructuring. However, an adequate level of public investment is required in the transport sector to preserve physical assets and to prepare for the increased demand for transport services in the process of economic recovery. Financial assistance in rehabilitating the severely deteriorated road network in areas where economic activities are expected to recover soon will be needed. Investment in rural roads will be required to promote sustainable rural development and contribute to reduce poverty. It is also necessary to address policy issues including appropriate budget provision and

user charges for operation and maintenance of the transport infrastructure, as well as to support the decentralization of Government functions to provinces and districts. For the future development of the transport sector, particularly in air-transport, mobilization of private sector resources will be important. Assistance to airport development will be based on a new model of public/private partnership to catalyze the inflow of private capital in the transport sector. In general, ADB will continue to be selective in providing financial assistance to the transport sector, focusing on areas with relatively underdeveloped condition of transport infrastructure. As in the past, ADB will continue to provide strategic advisory assistance to the Government in critical areas of transport infrastructure development. ADB's TA program envisages assistance to the Government in adopting a regional socioeconomic development approach for planning and evaluating the transport infrastructure investment in the context of the Government's policy for decentralization, accelerating the implementation of the sector's policy reform agenda on commercialization and privatization of transport service provision, and in fostering public-private partnerships in infrastructure development.

### **3. Finance and Industry**

45. Further reforms in the financial and corporate sectors are needed to build on earlier deregulation and restructuring which mainly focused on bank restructuring. In the financial sector, many of the immediate and urgent problems, particularly those relating to commercial banks, have been addressed under the ongoing FGRSDP. However, further strengthening of the financial sector will be needed in areas not adequately addressed under the FGRSDP. Key issues to be addressed include insufficiently competitive and underdeveloped financial markets and a weak legal and financial infrastructure that has reduced efficiency in resource allocation and created impediments to recovery and sustained economic growth. A related challenge is improving governance through instilling transparency and accountability in public policy. It is expected that the main focus for future ADB operations will be on supervision of financial institutions, including banks and capital markets, regulation of nonbank financial intermediaries (e.g., pension funds, insurance companies, and multifinancing companies) and issues relating to auditing and accounting practices.

46. ADB's future operations in the industry sector will address the incentive framework and constraints facing SMEs as well as improving efficiency of SOEs. For the banking sector restructuring pursued by the Government under FGRSDP to be complete, successful, and sustainable; it is important that the Government (i) broadens and deepens its support for corporate restructuring both at the large and SME level and in the public and private sectors, and (ii) exploits the potential of the nonbank sector including multifinance companies and pension and insurance sectors. In pursuing this operational goal, it is intended to examine rigorously, judicious use of various ADB facilities including the equity investment window and guarantee operations for leveraging private sector resources (see para. 60).

## **C. Social Infrastructure and Environment**

### **1. Health and Nutrition and Education**

47. From the onset of the crisis, ADB has accorded the highest priority to the provision/strengthening of social safety nets to protect the poor and vulnerable groups affected by the crisis. During the recovery period further development and refinement of the social safety net mechanisms will be required through better targeting and improving access of the poor to basic social services including education, health, and nutrition. In education, attention during the crisis focused on protecting the poor by maintaining basic education enrollments while putting in

place a framework of reforms designed to strengthen decentralized delivery and management of education. The gains achieved in policy and procedural improvements need to be sustained along with tighter targeting with a view to increase enrollment and retention rates of children from poor families. A major issue is building a more integrated education system at the local level, capable of responding to local needs and conditions. In parallel, given that Indonesia's economic competitiveness and the productivity of its workers rely upon the availability of a well-trained and adaptable labor force founded on a sound basic education, strengthening the provision of skills training will be required.

48. Extending and maintaining access to essential health services for the poor, especially women and children, remains crucial. Decentralization of health services, accompanied by devolution of authority and clear accountability in planning, implementing and evaluating will continue to be a central theme of policy reforms supported by ADB. Redefinition of the role and reorganization of the Ministry of Health in line with the new autonomy legislation will be supported. The crisis has highlighted the crucial role that nutrition plays in survival, human development, economic growth and the importance of strengthening nutrition policy with special attention to infants, children, pregnant women and lactating mothers. Integrating public nutrition policies and programs across the human life cycle through the public health service and inter-sectoral partnerships led by the Ministry of Health, will reinforce the initiatives taken through the Health and Nutrition Sector Development Program.

## **2. Urban Development**

49. Through the recovery period, particularly in its early stages, urban sector public works programs can help revitalize local labor markets and offset the hardships faced by poor households while preserving and expanding access to essential services including roads, water supply, drainage and sanitation. The social safety net mechanisms using block grants developed during the crisis will need to be improved and refined through greater beneficiary participation, better targeting and tighter monitoring. These mechanisms should form the basis for decentralized planning and implementation of local infrastructure projects. Key policy reforms that need to be supported include decentralization of control over organizational structure, budget, expenditure, and personnel resources to the district to improve accountability and demand-based provision of key services. These issues will be addressed through various ongoing projects, in particular the Community and Local Government Support Sector Development Program approved in 1999.

50. In the implementation of the decentralization policy, the following will need careful attention: (i) community participation to ensure a demand driven approach; (ii) increased public-private partnerships in basic services; (iii) improved efficiency in the operation and maintenance of existing and new facilities; (iv) greater access of the poor to basic services; (v) balanced regional development; and (vi) enhancing the capacity of local governments in administrative functions, revenue generation, fiscal planning, and budgetary procedures.

51. Restructuring and revitalizing the public water enterprises (PDAMs)—corporatized in recent years—which have been hard hit by the crisis, and improving sanitation services will be key activities during the recovery phase. It will be also necessary to keep supporting urban development to help define the financial and management roles and responsibilities of local government entities as Indonesia moves more strongly into its recovery phase. In this context, it will be important to continue to support the Regional Development Account for developing the mechanism under which the central government assists efforts of the local governments through loans. It will be essential to develop capacity in urban services management to assist stronger

municipalities to self-finance their investment needs. As recovery progresses, strengthening of urban waste management capacity will need to be addressed as it is an area to which the Government has not been paying sufficient attention in the past.

### **3. Environment**

52. In the aftermath of the widespread forest fires in 1997, ADB provided two TA grants to address the national and regional dimensions of fire prevention and management. These TAs have provided the framework for institutional arrangements and operating procedures for responding to forest fires. The implementation of the recommendations of these TAs will be a top priority of ADB, since the pollution haze problem continues to persist. ADB will need to support the development of local government environmental management agencies (BAPEDALDAs) since the district level agencies are in the process of being constituted to bear primary responsibility in environment management under the framework of decentralization. This may require the reformulation of the ongoing BAPEDAL Regional Network loan. ADB's assistance in the environmental sector envisages support for implementation of the Environmental Management Law including capacity building for environmental impact assessment at the local government level and policy advice for developing market-based instruments and incentives for pollution control. Such advisory assistance will be formulated in close coordination with ADB's support in sectors such as natural resources management and urban development (see paras. 41 and 51).

#### **D. Governance Dimensions of ADB Operations**

53. ADB's support for promotion of good governance including anticorruption initiatives in Indonesia predates ADB's adoption of the Anticorruption Policy. As a major initiative for improving public financial and corporate governance, ADB approved the FGRSDP in June 1998 for \$1.5 billion. This loan supports major policy reforms including promotion of good governance in the financial sector, support for competition, revamping of anticorruption law, modernization of the public sector and institutional strengthening of BPKP, the national audit agency. The Civil Service Institute is also a key institution in the implementation of the program. The crisis in Indonesia resulted in greater public awareness to promote good governance including the elimination of corruption, collusion, and nepotism (referred to as KKN, an acronym in Bahasa Indonesia), as well as the need to make public services more efficient, transparent and accountable through decentralization of government functions and involvement of the civil society.

54. In September 1998, the Government made a specific request for ADB support to combat KKN in Indonesia. In response and reflecting ADB's concern to step up assistance in promoting good governance and eliminating corruption in Indonesia, ADB adopted in May 1999 an anticorruption action plan for Indonesia under ADB's Anticorruption Policy. The action plan was discussed at a high-level workshop in July 1999. Senior ADB officials and key officials and ministers of the Government participated in the workshop. The Government expressed its support for implementing the action plan. The results of the workshop were reported to a meeting of donors and civil society on the same day followed by an exchange of views on the next steps. The ADB delegation to the CGI meeting, held in July 1999 at Paris, presented a paper on anticorruption work in Indonesia. The implementation of the anticorruption action plan will complement the substantial progress achieved by Indonesia in improving governance (see paras. 28-32). The action plan envisages initiatives in five major areas including (i) supporting development of competitive markets; (ii) promoting efficient, effective, accountable, and transparent public administration; (iii) improving the quality of policy dialogue on governance



issues including corruption; (iv) supporting specific anticorruption efforts on a case-by-case basis; and (v) ensuring that ADB projects are implemented in a corruption-free manner.

55. In these five areas, the action plan calls for implementation of various measures to fight corruption both by the Government and ADB. All three loan packages approved in 1999 incorporated key policy measures to promote good governance and reduce corruption. Based on the suggestion made at the forum with donors and representatives of civil society (see para. 54) TA for the establishment of an independent Anticorruption Commission was approved in 1999. In 1999, the participatory process to develop further TA proposals to support good governance and the Government's anticorruption efforts commenced. These TAs are to cover support for workshops, seminars and other activities for greater involvement of civil society in anticorruption efforts, a study on improving efficiency of public financial management, and capacity building in improving public sector procurement. ADB has also been requested to assist the Government in capacity building of the Attorney General's Office and in other key initiatives for governance and judicial reforms.

56. Another key area of ADB support in the promotion of good governance is the assistance for decentralization of government functions and more intensive involvement of nongovernment organizations and local community organizations in monitoring program and project implementation, particularly in the provision of safety nets. Decentralization will make public administration more responsive to people and their needs and, together with the improvement in transparency and accountability, is expected to bring about greater efficiency and effectiveness of public service. ADB's future assistance in various sectors will aim at supporting the Government's efforts for delegation of its functions to provincial and district level governments. Assistance in this area will be considered not only through future projects but also by reexamining the appropriateness of implementation arrangements of all ongoing projects.

#### **E. Gender Dimensions of ADB Operations**

57. ADB's operations during the crisis have paid careful attention to protecting women's health as well as gains made in reducing maternal mortality and in providing access to reproductive health care. ADB will continue these efforts in future operations in the health sector. ADB's operations have also recognized the importance of women's productive role in the economy and the need to increase their access to income generation and decision-making opportunities. In the past, development priorities have largely been defined through a mechanism that often confined women's concerns to rather narrowly defined women's programs based on a traditional view for women which recognizes their role as wives and mothers and whose economic functions are secondary to that of the head of household. Sector work will review the machinery for women's affairs and directions taken by the new Government to streamline and decentralize these. This will enable ADB to engage in policy dialogue to promote and mainstream gender development and empowerment.

58. ADB operations with respect to gender will seek to level the playing field between genders. At an operational level this will require developing improved information regarding the extent and nature of women's participation in agriculture, trade and manufacturing, and to improve access of women to information and decision-making authority. The results of the 1999 SUSENAS will be reviewed to glean gender-differentiated data on women's participation in economic development activities.

## F. Private Sector Operations

59. The crisis has severely impacted ADB-financed private sector projects.<sup>1</sup> In response, ADB has tightened portfolio management with emphasis on financial restructuring of its private sector investments. ADB's approach is to take a long-term view of the client's business prospects and facilitate debt restructuring where such prospects are good. ADB acts in prudence to reach negotiated settlements with its clients, so that they could continue as going concerns and help in the revival of the economy. ADB works closely with its clients as well as co-investors and co-lenders to restructure the debt or find other solutions. So far, ADB has completed two settlements. In one case, ADB supported the voluntary liquidation of a securities company whose major shareholder went bankrupt. In another case, ADB accepted lump sum payments at a discount from a multifinance company for equity investment and outstanding loan. ADB is pursuing restructuring solutions with four borrowers in default. In three cases, ADB has approached the Jakarta Initiative Task Force to facilitate restructuring negotiations with the debtors and local banks. ADB has not started bankruptcy proceedings against any of its clients so far. ADB will continue to pursue the portfolio management of the remaining private sector projects.

60. The private sector will play a major role in economic revival and future growth. The speed of economic recovery depends critically on the timely resolution of the private debt overhang and overall corporate restructuring. With the strengthened portfolio management, ADB is proactively facilitating effective resolution of private corporate debt. Further policy and regulatory reforms are required to rectify the prevailing poor investment climate and to broaden private sector investment to include not only physical infrastructure or industrial sectors but also the social infrastructure sectors. ADB's private sector operations will need to address these strategic concerns in future operations. To catalyze private sector investment and to support greater efforts of resource mobilization, ADB will also consider adopting innovative financing mechanisms including the possible use of guarantees. These activities will be considered in the context of ADB support for the finance and industry sector (see paras. 45 and 46).

61. In the policy area, to support private investment, it would be necessary to encourage domestic resource mobilization through development of the financial sector. To support the rehabilitation of the banking sector, consolidation and strengthening of commercial banks and investments in the banking sector will be needed. ADB may consider assisting the restructuring of selected private banks by providing advisory services, equity investment and loans. Other investment opportunities may also need to be explored to support the development of nonbank financial intermediaries. In the area of industrial recovery, efforts to remove obstacles that are hindering private sector investment would be a key. To directly support the industrial recovery and corporate restructuring, possibilities can be explored for innovative assistance in trade financing or in the provision of working capital to the restructured firms. How to effectively support the privatization of SOEs and public services can also be considered.

62. ADB will also promote private sector investment in the trade and industry sectors, particularly in the SMEs through the Industrial Competitiveness and Small and Medium Scale Enterprises Development Program in 2000. The PSRP approved in 1999 will support the introduction of a competitive electricity market in Java-Bali. Along with these developments, it

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<sup>1</sup> ADB's private sector portfolio in Indonesia comprises five ADB loans totaling \$33.2 million, nine equity investments totaling \$12.2 million, and two complementary loans under CFS totaling \$17.9 million. The portfolio has a significant exposure to the financial sector.

will be necessary for ADB to continue to support deregulation and to strengthen the necessary regulatory mechanisms.

63. The crisis has also impacted on the viability of Indonesia's various public utilities. The corporatized PDAMs, for example, are mostly insolvent (there are some 300 such PDAMs) as a result of the crisis and poor corporate governance. It would be difficult for the public sector alone to rehabilitate such PDAMs through restructuring and recapitalization to ensure sustainable supply of potable water to the country's poor and the vulnerable groups. In various public services, new forms of public/private partnership, not necessarily limited to the earlier formats of private financing initiative i.e., such as BOO or BOT models, may need to be developed.

#### **IV. Subregional Economic Cooperation**

64. Due to a number of urgent and critical domestic political, economic and social problems arising out of the crisis, little progress has been made since late 1997 in subregional economic cooperation involving Indonesia. However, with the prospect of gradual recovery, the countries in the region have started examining various aspects of the crisis including the causes, results, impacts and coping measures, and comparing experiences to learn from each other. ADB is also providing support in enabling this through its regional TA. Indonesia is participating in the various regional activities initiated by ADB for studying the social impacts of the crisis and to monitor economic developments.

#### **V. Donor Activities and Aid Coordination**

65. The financial crisis led Indonesia to request assistance from IMF, World Bank, and ADB in October 1997. In November 1997, the IMF Board approved a three-year Standby program to Indonesia totaling \$10.14 billion (since increased to \$12.3 billion as an Extended Arrangement). Complementary to the IMF program, ADB and World Bank committed \$3.5 billion and \$4.5 billion respectively during the program period. The two banks are supporting restructuring and reforms of the banking system, capital market development, public sector financial management, and trade competitiveness. Bilateral donors indicated their readiness to complement these funds: Singapore pledged \$10 billion; Japan \$5 billion; the United States \$3 billion; Australia; Hong Kong, China; and Malaysia \$1 billion each; and the People's Republic of China \$0.2 billion. In view of the large budget shortfall in FY1998/99 as projected in July 1998, the total volume of financial assistance was substantially increased from the initial assistance package. At the same time, the envisaged bilateral assistance regarded as "the second line of defense" was substantially not activated, with the exception of assistance from Japan.

66. Given that donor coordination is extremely important during the crisis, ADB has been collaborating closely with IMF, World Bank, JBIC, and other key agencies. The Government has requested ADB to coordinate donor activities in the area of SME development and World Bank, in the provision of social safety nets. The main responsibility for financial sector work has been shared between the two institutions with active assistance from bilateral donors.

67. Donor coordination in the financial sector in the aftermath of the crisis has been particularly close. FGRSDP was carefully coordinated with IMF's review of the economic reform program as well as with World Bank's structural adjustment lending operations. ADB also coordinated closely with IMF and World Bank in the processing of the Social Protection Sector Development Program approved in 1998; PSRP, Health and Nutrition Sector Development Program, and Community and Local Government Support Sector Development Program

approved in March 1999, and the proposed Industrial Competitiveness and Small and Medium-Scale Enterprise Development Program and the State-Owned Enterprises Reform Program. IMF, World Bank, and ADB are also working closely with the Government of Japan and JBIC, particularly in channeling funds under the New Miyazawa Initiative (NMI). Assistance committed by Japan to Indonesia under NMI in 1999 is summarized in Table 1.

**Table 1: New Miyazawa Initiative  
JBIC (former JEXIM and OECF) Commitments**

<b>Project</b>	<b>\$ Million</b>	<b>Financing Agency</b>
1. Power Sector Restructuring Program (cofinanced with ADB)	400	J EXIM
2. Extended Fund Facility	1,000	J EXIM
3. Policy Reform Support	100	J EXIM
4. Health and Nutrition (cofinanced with ADB)	300	OECF
5. Social Safety Net Loan	300	OECF
6. Social Safety Net Program	300	OECF
<b>TOTAL</b>	<b>2,400</b>	

68. A summary of overall external assistance to Indonesia is given in Appendix 3. Coordination with other donor agencies particularly that with IMF has been carried out at very high levels in ADB including Management. Since 1992, World Bank has been chairing the CGI and has convened regular informal consultations and briefings for resident donor representatives in Jakarta. World Bank's comprehensive review of its portfolio in 1998 and 1999 draws on the methodology set up by ADB for its spring cleaning exercise in 1998 and 1999 in order to ensure consistency in approach between the two institutions. The 1998 CGI meeting was held in Paris in July 1998. In January 1999, a "mini-CGI meeting" was held in Jakarta to undertake a mid-term review of the assistance during the 1998-1999 period. This was followed up by another informal donor meeting in May 1999 in Jakarta. The 1999 CGI meeting was held in Paris on 27 and 28 July 1999 (see also paras. 12 and 54). The ninth CGI meeting will be held in Jakarta on 1 and 2 February 2000.

69. Apart from the financial sector, donors to Indonesia have coordinated closely with regard to sectoral policy approaches and sector work in other sectors. Despite some differences in analyses and approaches, complementarity of donor assistance had been ensured through geographical or subsectoral specialization and cofinancing (arrangements differ among different sectors). The crisis in Indonesia made it imperative for donors to collaborate even closer than before. In the formulation of new proposals in response to the crisis, World Bank, UNICEF, and ADB shared education sector assistance on a geographical basis while in the power sector restructuring, it was agreed for ADB to take a lead in the key structural issues while World Bank concentrates on the rehabilitation of the power utility, PLN. Between World Bank and ADB, the 1998 Country Portfolio Performance Review (CPPR) was organized as a joint initiative with the Government, which established joint task forces to work on specific project implementation issues in 1999. It is envisaged that the next CPPR exercise, which is scheduled for April 2000, will also involve JBIC to cover issues that are common among all the externally financed projects. Bilateral aid agencies have been heavily involved in the design of ADB's initiatives in the social sector, SME development and power sector restructuring. How to raise the Government's capacity in coordinating external assistance will be a key issue as Indonesia emerges from the crisis.

## **VI. Cofinancing and Catalyzing External Resources**

70. As a result of the improved exchange of information among the donor agencies with improvements in aid coordination in assisting Indonesia to respond to the crisis (see paras. 65-69), there have also been concerted efforts in cofinancing. In 1999, ADB has mobilized \$700 million of cofinancing under the NMI. These included (i) \$400 million from JBIC (the former JEXIM) for the PSRP and (ii) \$300 million from JBIC (the former OECF) for the Health and Nutrition Sector Development Program. The Health and Nutrition Sector Development Program and the Community and Local Government Support Sector Development Program have received interest payment assistance under the newly established Asian Currency Crisis Support Facility (ACCSF), which is managed by ADB. The TA packages accompanying these two loans were also supported under ACCSF. Additional cofinancing of \$65 million has also been extended by the German bilateral aid agency, KfW, for the PSRP. Grant cofinancing of \$1 million has also been obtained from the Australian Government to supplement funding for the ongoing TA on Monitoring and Evaluating the Social Protection Sector Development Program.

71. With a view to support coordinated assistance to the country's recovery process, further cofinancing of ADB's lending program under NMI is being explored for the Community and Local Government Support SDP approved in 1999, and the proposed Competition and SME Development Program and the State-Owned Enterprises Reform Program. To catalyze the effective recovery of the finance and trade sectors, ADB will also seek possibilities to collaborate closely with export credit agencies as well as private sector financial institutions. Opportunities to issue guarantees to commercial lenders for financing ADB projects will also be explored, particularly in the physical infrastructure sector.

## **VII. ADB's Operational Program**

72. In 1998, ADB's commitment to Indonesia amounted to \$1.84 billion for two loan packages in response to the crisis and two project loans which were carried over from 1997. In 1999, ADB continued with its support for policy reforms in the key sectors to help establish a sound framework for the country's socioeconomic recovery as well as to strengthen the social safety nets with a view to helping the poor and the vulnerable groups of people who continue to suffer from the crisis most. In 1999, the Bank programmed five policy-based lending initiatives amounting to \$1.52 billion. The program comprises (i) PRSP (\$400 million), (ii) Health and Nutrition Sector Development Program (\$300 million), (iii) Community and Local Government Support Sector Development Program (\$320 million), (iv) Industrial Competitiveness and SME Development Program (\$300 million), and (v) State-Owned Enterprise Reform Program (\$200 million). The first three loans were approved in March 1999 and their first tranches (\$200 million, \$50 million and \$70 million, respectively) were released upon effectiveness of the respective loans. Although the remaining two loans were at advanced stages of processing, their further processing was put on hold, pending satisfactory resolution of the Bank Bali affair. Processing of the two loans has since been resumed.

73. The 2000 program is broad-based and reflects the priorities of the new Government and the Bank's strategic objectives, particularly poverty reduction. Major poverty-focused interventions in agriculture and rural sector, social sectors including education and health and for natural resources management are planned. The Bank will support rehabilitation of infrastructure. A TA loan for supporting governance and legal reforms is included in the 2000 program. It was agreed with the Government that a reduced amount of \$400 million would be provided for the two spill over program loans from 1999. The program seeks to strengthen synergetic developmental impact of ongoing and new projects in poverty reduction. With regard

to the total lending volume, given the anticipated fiscal difficulties, the Government expects ADB to provide a substantial portion of its 2000 lending program to Indonesia in the form of quick-disbursing assistance. At the same time, the Government is also concerned about its increasing debt burden and the need to limit external borrowing. The program envisages a tentative lending level in 2000 of about \$1.1-1.2 billion (which was the "normal" lending level before the crisis). The financing requirements in 2000 will be reviewed at the next CGI meeting (see paras. 12 and 68). Lending levels in 2001 and 2002 are also tentatively assumed to be at about \$1.1 billion per annum.

74. The lending program for Indonesia for 2001 and 2002, and the TA program for 2000-2002 are quite tentative. The lending pipelines for 2001 and 2002 need to be reviewed in line with the new COS to be prepared for Indonesia. The TA program for 2000 should therefore be developed and refined, partly to support the policy-based lending in 2000 through the provision of advisory TAs for policy support and institutional restructuring, as well as to help develop loan projects likely to be supported in 2001 and 2002. In this approach, there is a risk that some of the project preparatory TAs may fall by the wayside, if they do not meet the strategic priorities of the new Government. But this risk is considered manageable, since project selection will be carefully done, including consultation with the Government. With ADB's intention to directly address key policy issues in the concerned sectors in a comprehensive manner, there will also be a greater need for economic and sector work. There will also be a need to support TAs to assist the Government's efforts in promoting good governance and combating corruption. It is anticipated that the TA indicative planning figure for Indonesia will be retained at about \$12 million per annum.

75. The Graduation Policy of ADB, adopted in November 1998, classified Indonesia as a Group B2 country, with limited access to ADF. The policy clarified that Indonesia will be on a watchlist for graduation from ADF. Although per capita GDP of Indonesia in 1997 was \$1,110, which was above the per capita GDP cut-off point of \$925 in 1997 prices for ADF access, Indonesia was provided access to ADF resources due to the fragile social and political situation. In the aftermath of the crisis, Indonesia's economic and social fundamentals have indeed been fragile with a substantial decline in GDP per capita (which was at about \$600 in 1999) and a substantial increase in the incidence of poverty, a decline in real wages, and a ballooning external debt and debt service ratio. With the substantial increase in public sector borrowing to meet the fiscal deficit in FY1998/99 and FY1999/2000, the Government's debt repayment capacity has definitely deteriorated. It is anticipated that the Government will continue to face serious fiscal difficulties and its ability to access foreign capital would be constrained over the medium term. Keeping this considerations in view, an allocation of ADF resources at a level of \$200-300 million over the 2000-2002 period seems to be in accord with the intent of placing Indonesia under the watchlist for graduation out of ADF. ADF resources, if provided, should specifically target poverty reduction projects. Subject to resource availability, the proposed program recommends ADF allocation of \$150 million and \$100 million in 2000 and 2001, respectively.

76. The provisional lists of loan and TA pipeline for the period 2000-2002 are presented in Appendix 4, and a breakdown by type and sector in Appendix 5. Project profiles for firm 2000 loans are in Appendix 6. It is to be noted that since the lending programs for 2001 and 2002, and the TA program for 2000-2002 are yet to be discussed with the Government, the lists in Appendix 4 for these lending and TA programs should be understood as a preliminary indication of the future lending and TA possibilities and not as definitive lists of loan and TA pipeline. A summary of the lending and TA program is shown in Table 2. It is expected that ADB's medium-term strategy and operational program will be firmed up in early part of 2000.

**Table 2: Lending and Technical Assistance Program, 2000-2002****A. Public Sector Lending Program**

	1999 Actual		2000		2001		2002	
	No.	\$ Million	No.	\$ Million	No.	\$ Million	No.	\$ Million
Lending Program <sup>a</sup>	6	1,020	8	1,020	8	1,100	8	1,300
ADF	-	-	3	150	2	100	-	-
OCR	6	1020	7	870	8	1,000	8	1,300
Lending Pipeline <sup>b</sup>	-	-	10	1,270	8	1,100	8	1,300
ADF	-	-	3	150	2	100	-	-
OCR	-	-	9	1,120	8	1,000	8	1,300

**B. Technical Assistance Program**

	1999 Actual <sup>c</sup>		2000 <sup>d</sup>		2001		2002	
	No.	\$ '000	No.	\$ '000	No.	\$ '000	No.	\$ '000
TA Program	19	11,274	23	17,775	13	10,700	1	1,000
TA Pipeline	19	11,274	23	17,775	13	10,700	1	1,000

<sup>a</sup> The Program comprises firm projects.

<sup>b</sup> The Pipeline comprises the program (firm projects) and standby projects. In 2001 and 2002, there is no distinction between firm and standby.

<sup>c</sup> Includes \$1 million cofinancing from the Australian Government.

<sup>d</sup> Overprogramming anticipates possible ACCSF financing for some TAs.

**VIII. Economic and Sector Work Program**

77. Before the crisis, ADB's ESW Program in Indonesia was focused on devising an appropriate strategy for further socioeconomic development in parallel with the Government's preparation for the REPELITA VII. In 1998, the major theme of the ESW program shifted towards augmenting essential analyses which were needed to support key reforms in Indonesia. Several studies were carried out in 1998 with a view to develop a trade and industrial strategy for the Government's next medium-term development plan. The studies covered the following areas: (i) promotion of domestic competition; (ii) facilitation of exports; (iii) WTO, AFTA, and APEC commitments and emerging international trade issues; (iv) tariff and nontariff barriers; (v) commercial law; (vi) evaluation of the enabling environment for foreign investment; and (vii) an evaluation of issues confronting SMEs. ADB also reviewed the issue of the decentralization of government functions in 1998. The ESW program for 1999 supplemented the studies done in 1998 but with greater emphasis on SME development. In support of the recently passed Antimonopoly Law, ADB is providing institutional and analytical support to the Government in establishing a Deregulation and Competition Team whose responsibilities include, among others, the economic evaluation of commercial regulations and policies. Another advisory TA will undertake a comprehensive review of the financial sector, which will be the basis for future ADB assistance to address the weaknesses in the sector. ADB is providing technical assistance to streamline Government's onlending operations and for providing policy support for the restructuring of public services, as part of the initiative to support public sector reform. ADB will focus its attention on the decentralization of government functions and the promotion of good governance in the ESW program.

78. ESW in 2000-2002 will need to flow from the new COS planned to be completed in 2000 (see para. 38). Some broad directions of policy research and analysis to be carried out during

2000-2002 could be envisaged. These should include carrying forward the work on financial sector, particularly capital market development, social impact of the crisis and governance. Since ADB will likely be involved in the restructuring of the power sector and in the rehabilitation of degraded infrastructure, it will be necessary to deepen the understanding of concerned sectoral issues, particularly in the context of post-crisis management. Education, health, and community-based services will undergo significant structural adjustment following the recent initiatives to accelerate decentralization. All these opportunities will have to be carefully prioritized in designing ADB's ESW in 2000-2002.

## **IX. Local Cost Financing**

79. In 1998 and 1999, ADB approved loans amounting to \$1.84 billion and \$1.02 billion, respectively. The portion of project lending was \$336 million and \$340 million, respectively. ADB's share of project cost for its project loans was 64 percent in 1998 and below 60 percent in 1999.<sup>2</sup> ADB's local cost financing (LCF) support comprised about 50 percent of the total local cost. The Government's fiscal position in FY2000 is projected to be constrained with an overall budget deficit of about 5 percent of GDP. Continuation of social safety net programs, increase in external debt payments and the cost of bank restructuring are key factors contributing to the tight fiscal situation in FY2000. Public savings can finance only 7.5 percent of the development expenditures in FY2000, leaving the remainder to be financed by external assistance. Although the balance of payments is in surplus reflecting the ongoing process of structural adjustment, the large fiscal gap provides a strong rationale for continued ADB assistance to Indonesia. Since much of the pressure on domestic resources is due to expansion of social safety nets and the cost of bank restructuring activities with large local cost components, a flexible approach to LCF is justified for Indonesia during the crisis and the initial period of socioeconomic recovery to return to normalcy.

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<sup>2</sup> The computation does not include the \$47 million investment loan for the Secondary Mortgage Facility under FGRSDP for which counterpart financing is unspecified. It includes the TA loan under FGRSDP of \$50 million which has total project cost of \$53 million. If this loan is also excluded, ADB's financing share will be 59.9 percent compared to 60 percent for Group B2 DMCs.



**INDONESIA**  
**COUNTRY PERFORMANCE INDICATORS**

Item	FY1994/95	FY1995/96	FY1996/97	FY1997/98	FY1998/99	FY1998/99
<b>ECONOMIC INDICATORS</b>						
<b>A. Income and Growth <sup>a</sup></b>						
1. GDP per Capita (\$, current)	928	1,043	1,155	1,073	468	na
2. GDP Growth (% , in constant prices)	7.5	8.2	7.8	4.7	-13.2	0.3 <sup>b</sup>
Agriculture	0.6	4.4	3.1	1.0	0.8	1.0 <sup>b</sup>
Industry	11.2	10.4	10.7	5.2	-15.1	1.6 <sup>b</sup>
o/w manufacturing	12.4	10.9	11.6	5.3	-11.9	1.9 <sup>b</sup>
Services	7.1	7.6	6.8	5.6	-16.2	-1.3 <sup>b</sup>
<b>B. Saving and Investment (current, % of GDP) <sup>a</sup></b>						
1. Gross National Saving	29.4	28.6	27.3	29.4	18.3	13.2 <sup>b</sup>
2. Gross Domestic Investment	31.1	31.9	30.7	31.8	14.0	9.8 <sup>b</sup>
<b>C. Money and Inflation (annual % change)</b>						
1. Consumer Prices (average) <sup>a c</sup>	8.5	9.4	7.9	6.6	58.5	20.5
2. Broad Money (M2)	22.1	28.0	26.7	52.7	27.5	11.9 <sup>a</sup>
<b>D. Government Finance (% of GDP)</b>						
1. Revenues	17.4	16.1	16.5	17.2	15.1	14.9 <sup>b</sup>
2. Expenditures	17.0	15.4	16.3	17.2	18.8	17.1 <sup>b</sup>
3. Overall Surplus/Deficit (-)	0.4	0.6	0.2	0.0	-3.7	-2.2 <sup>b</sup>
<b>E. Balance of Payments</b>						
1. Merchandise Trade Balance (% of GDP)	4.4	3.0	2.6	9.1	14.2	13.0 <sup>ab</sup>
2. Current Account Balance (\$ million)	-3,488	-6,987	-8,069	-1,698	4,609	4,904 <sup>ab</sup>
3. Current Account Balance (% of GDP)	-1.9	-3.4	-3.4	-0.9	4.4	3.5 <sup>ab</sup>
4. Exports, \$ (annual % change)	15.5	13.3	9.0	7.9	-13.9	-7.4 <sup>ab</sup>
5. Imports, \$ (annual % change)	17.1	21.6	10.4	-6.8	-20.9	-10.8 <sup>ab</sup>
<b>F. External Payments Indicators</b>						
1. Gross Foreign Assets (\$ million)	17,139	20,554	26,612	16,509	25,742	27,305 <sup>a</sup>
(months of non-oil imports)	6.1	5.9	7.0	4.6	10.1	na
2. External Debt Service (% of exports of goods & services)	32.6	32.6	34.2	37.8	39.1	34.8 <sup>b</sup>
3. External Debt (% of GDP)	58.1	51.9	56.0	73.4	141.9	96.0 <sup>b</sup>
<b>Memorandum Items</b>						
1. GDP (current, Rp trillion) <sup>a</sup>	382	455	533	628	943	1,116
2. GNP (current, Rp trillion) <sup>a</sup>						
3. Exchange Rate (Rp per \$, annual average)	2,181	2,276	2,364	4,667	9,849	8,003 <sup>d</sup>
4. Population (million) <sup>a</sup>	192.2	195.3	198.3	201.4	204.4	

GDP = gross domestic product; o/w = of which.

<sup>a</sup> Calendar year data, e.g., FY1994/95 shows calendar year 1993 data, and so on.

<sup>b</sup> Advance estimates/ provisional figures.

<sup>c</sup> Growth of period average consumer price index over previous year.

**INDONESIA**  
**COUNTRY PERFORMANCE INDICATORS**

	1985	1990	Latest
<b>POPULATION INDICATORS</b>			
Total Population (millions)	164.6 <sup>a</sup>	179.4 <sup>a</sup>	204.4 (1998) <sup>a</sup>
Annual Population Growth Rate (%)	2.2 <sup>a</sup>	1.98 <sup>a</sup>	1.6 (1998) <sup>a</sup>
<b>SOCIAL INDICATORS</b>			
Total Fertility Rate (births per woman) <sup>b</sup>	4.1 (1980-85)	3.3 (1985-90)	2.9 (1992-94)
Maternal Mortality Ratio (per hundred thousand live births) <sup>b</sup>	360 (1986)	390 (1992)	-
Infant Mortality Rate (below 1 year, per 1,000 live births) <sup>a</sup>	71 (1986) <sup>c</sup>	-	50 (1997) <sup>a</sup>
Life Expectancy at Birth (years)	61 (1983) <sup>d</sup>	60 <sup>a</sup>	65 (1997) <sup>a</sup>
Female		62	65 (1994)
Male	-	58	62 (1994)
Adult Literacy Rate (15+ years; in %) <sup>c</sup>	71 (1980)	84 (1990) <sup>a</sup>	88 (1997) <sup>a</sup>
Primary School Enrolment Rate (Gross) <sup>d</sup>			
Female	92 (1980)	95	97 (1996)
Male	81 (1980)	90	94 (1996)
Secondary School Enrolment Rate (Gross) <sup>d/e</sup>			
Female	53 (1980)	79	87 (1996)
Child Malnutrition (percent of under 5 years) <sup>c</sup>	14 (1986)	12 (1989)	10 (1992)
Population with Access to Safe Water (%) <sup>c</sup>	38 <sup>c</sup>	63 (1992) <sup>a</sup>	72 (1997) <sup>a</sup>
Population with Access to Sanitation (%) <sup>c</sup>	-	51 (1992) <sup>a</sup>	75 (1997) <sup>a</sup>
Public Education Expenditure as % of GDP <sup>c</sup>	1.5	1.0	0.8 (1995)
Public Health Expenditure as % of GDP <sup>d</sup>	-	0.6	0.8 (1994)
Population Below Poverty Line (%) <sup>c</sup>	21.6 (1984) <sup>c</sup>	15.1 <sup>c</sup>	39.1 <sup>d</sup>
Expenditure Ratio of Highest 20 % to Lowest 20% <sup>d</sup>	5.2 (1984)	4.7	5.6 (1996)
Human Development Index <sup>f</sup>	0.591 (1987)	0.515	0.679 (1995)
Human Development Ranking <sup>f</sup>	77	108	96
<b>ENVIRONMENTAL INDICATORS</b>			
Annual Rate of Reforestation <sup>g</sup>	-	1.1 (1980-90)	1.0 (1990-96)
Per Capita Crop Land (ha.) <sup>h</sup>	0.17	.18	0.16 (1996)
Extent of Forest and Woodland (% of total land area) <sup>k</sup>	-	-	63.0 (1988-90)
Protected Areas (million ha.) <sup>m</sup>	16.92	21.52	18.84 (1995)
Per Capita Carbon Monoxide Emission from Motorized Vehicles (tons) <sup>g</sup>	-	1.0 (1992)	1.2 (1995)
Per Capita Fertilizer Consumption (kg./ha cultivated land) <sup>g</sup>	-	-	134.17 (1995)
Per Capita Pesticide Use (kg./ha cultivated land) <sup>g</sup>	-	-	0.91 (1995)
Per Capita Commercial Energy Consumption (tons of oil equivalent) <sup>k</sup>	0.232	0.275	0.319 (1992)

<sup>a</sup> CBS, Welfare Indicator, various issues.

<sup>b</sup> CBS, Health and Demographic Survey.

<sup>c</sup> CBS, Statistics in 50 Years of Indonesian Independence.

<sup>d</sup> CBS.

<sup>e</sup> Refers to ages 16-18 for data in 1985 and ages 13-15 for later years.

<sup>f</sup> UNDP, Human Development Report.

<sup>g</sup> WB, World bank Atlas.

<sup>h</sup> FAO, Production Yearbook.

<sup>k</sup> UNEP, Environmental Data Report, 1993-94.

<sup>m</sup> Includes land and marine conservation areas, and national parks.

**INDONESIA**  
**PORTFOLIO PERFORMANCE**

**Table 1 : Implementation, Disbursement Performance and Postevaluation Results**  
**Public Sector Projects only**  
(as of 31 December 1999)

A. Project Portfolio <sup>b</sup>	Net Loan Amount \$ million %		Rating (No.) <sup>a</sup>									
			No. of Loans No. %		Implementation Progress				Development Objectives			
					HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	1,097.2	13.6	26	33.8	-	14	9	3	-	22	3	1
Energy	1,857.0	23.0	8	10.4	3	-	5	-	3	2	3	-
Finance and Industry	1,518.0	18.8	4	5.2	1	1	2	-	-	3	1	-
Social Infrastructure	2,796.6	34.6	29	37.7	-	22	6	1	-	27	2	-
Transport and Communications	783.0	9.7	9	11.7	-	7	2	-	-	8	1	-
Others/Multisector	39.1	0.5	1	1.3	-	1	-	-	-	1	-	-
<b>Total</b>	<b>8,090.9</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>4</b>	<b>45</b>	<b>24</b>	<b>4</b>	<b>3</b>	<b>63</b>	<b>10</b>	<b>1</b>
<b>B. Disbursements</b> (includes loans closed during the year with disbursements)			<b>OCR</b>		<b>ADF</b>				<b>Total</b>			
(1) Total funds available for withdrawal (\$ mn, active loans only)			7,796.0		216.6				8,012.6			
(2) Disbursed amount (\$ mn, cumulative, active loans only)			4,004.4		63.8				4,068.2			
(3) Percentage disbursed [(2)/(1)] (%)			51.4		38.4				50.8			
(4) Disbursements (\$mn, active loans only, latest year)			1,318.1		11.6				1,329.8			
(5) Disbursement ratio (%) <sup>c</sup>			25.4		6.5				19.4			
<b>C. Net Transfer of Resources <sup>d</sup> (\$ million)</b>			<b>OCR</b>		<b>ADF</b>				<b>Total</b>			
Net transfer in 1995			(97.7)		32.6				(65.1)			
Net transfer in 1996			(1,213.6)		15.5				(1,198.1)			
Net transfer in 1997			(125.9)		10.4				(115.5)			
Net transfer in 1998			590.7		(7.4)				583.3			
Net transfer in 1999			684.7		(6.4)				678.3			
<b>D. Post-Evaluated Projects</b>			<b>1968 - 1977</b>		<b>1978 - 1987</b>		<b>1988 - 1998</b>		<b>1968 - 1999</b>			
<b>1. Postevaluation Rating</b>			No.	%	No.	%	No.	%	No.	%	No.	%
Rated Generally Successful (GS)			15	50.0	30	65.2	2	40.0	47	58.0		
Rated Partly Successful (PS)			14	46.7	12	26.1	1	20.0	27	33.3		
Rated Unsuccessful (US)			1	3.3	4	8.7	1	20.0	6	7.4		
No Rating			-	-	-	-	1	20.0	1	1.2		
<b>Total</b>			30	100.0	46	100.0	5	100.0	81	100.0		
<b>2. Postevaluation Rating by Sector</b> 1968-1998			<b>GS</b>		<b>PS</b>		<b>US</b>		<b>NR</b>		<b>Total</b>	
			No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources			13	27.7	18	66.7	6	100.0	-	-	37	45.7
Energy			10	21.3	3	11.1	-	-	-	-	13	16.0
Finance and Industry			2	4.3	2	7.4	-	-	1	100.0	5	6.2
Social Infrastructure			9	19.1	4	14.8	-	-	-	-	13	16.0
Transport and Communications			13	27.7	-	-	-	-	-	-	13	16.0
Others/Multisector			-	-	-	-	-	-	-	-	-	-
<b>Total</b>			47	100.0	27	100.0	6	100.0	1	100.0	81	100.0

<sup>a</sup> HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory.

<sup>b</sup> Excludes loans closed during the year.

<sup>c</sup> Ratio of the total disbursement during the year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans which effective.

<sup>d</sup> Includes private sector projects.

**INDONESIA**  
**PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation**  
**Public Sector Projects Only**  
**(As of 31 December 1999)**

Sector <sup>b</sup>	Project Title	Net Loan Amount		Approval Date	Effectivity Date	Closing Date		Physical Completion (% completion)	Cum. Contract Awards <sup>a</sup> (\$million)	Cumulative Disbursements <sup>a</sup> (\$million)	Project Performance Rating	
		OCR	ADF			Original	Revised				Implementation Progress	Development Objectives
		(\$ million)		(mm/yy)	(mm/yy)	(mm/yy)	(mm/yy)					
AGR	Tree Crop Smlhdr	113.7		Nov-91	Mar-92	Sep-98	Sep-00	97	87.81	95.73	S	S
AGR	C. Java Groundwater Irrigation	45.4		Nov-91	Feb-92	Sep-98	Dec-99	98	35.37	43.34	S	S
AGR	Upland Farmer Development		28.7	Nov-92	May-93	Apr-99	01-Apr	95	20.20	14.95	S	S
AGR	Smlhdr Tree Crop PR	57.7		Nov-92	Sep-93	Sep-99	01-Sep	52	18.87	24.68	U	U
AGR	Sustainable Agriculture Development		22.5	Oct-93	Dec-93	Sep-00	-	40	8.05	7.70	U	PS
AGR	Second ISSP	79.8		Jan-94	Jun-94	Oct-00	-	80	37.71	39.34	U	S
AGR	Microcredit		4.9	Oct-94	Jul-95	Jun-00	01-Jun	-	2.31	2.15	S	S
AGR	Microcredit		19.2	Oct-94	Jul-95	Jun-00	01-Jun	-	4.54	4.60	S	S
AGR	Sulawesi Rainfed Agriculture		26.9	Jan-95	May-95	02-Sep	-	75	18.56	13.92	PS	PS
AGR	Farmer Managed Irrigation		17.2	Sep-95	Mar-96	03-Mar	-	70	4.13	3.16	PS	S
AGR	Integrated Pest Management		40.2	Sep-96	Jan-97	04-Sep	-	24	6.16	4.74	S	S
AGR	Segara Anakan Conservation		19.1	Oct-96	Jan-97	02-Sep	-	28	5.47	4.73	PS	S
AGR	Segara Anakan Conservation		21.5	Oct-96	Jan-97	02-Sep	-	28	-	1.02	PS	S
AGR	Participatory Development in Agriculture		60.2	Jul-97	Aug-97	04-Sep	-	10	6.60	4.30	S	S
AGR	Rural Income		20.4	Nov-97	Jun-98	05-Sep	-	12	3.68	5.81	S	S
AGR	Rural Income		51.9	Nov-97	Jun-98	05-Sep	-	12	2.47	3.15	S	S
AGR	Central Sulawesi IAD and Conservation		28.9	Jan-98	May-98	05-Sep	-	12	2.54	1.76	S	S
AGR	Second Land Resource		52.7	Sep-91	Jan-92	Jun-97	Mar-98	94	42.37	52.44	PS	PS
AGR	Biodiversity Cons		19.1	Nov-92	Feb-93	Dec-99	-	50	7.18	6.84	PS	S
AGR	Marine Resource EVA		26.2	Dec-92	May-93	Sep-98	-	95	21.44	25.25	S	S
AGR	Capacity Building		23.8	Dec-94	Apr-95	Jun-00	-	-	10.22	8.43	PS	S
AGR	N. Java Flood Control		28.8	Jan-96	Mar-96	02-Mar	-	28	7.25	9.06	PS	S
AGR	N. Java Flood Control		41.2	Jan-96	Mar-96	02-Mar	-	28	11.14	7.97	PS	S
AGR	S. Java Flood Control		88.2	Nov-96	Jan-97	03-Sep	-	19	13.87	8.93	S	S
AGR	Coastal Comm Development		21.5	Nov-97	Apr-98	03-Dec	-	16	1.60	1.14	S	S
AGR	Coastal Comm Development		15.1	Nov-97	Apr-98	03-Dec	-	16	0.99	0.75	S	S
AGR	NSIAS		115.4	Nov-97	Feb-98	04-Oct	-	2	-	0.45	PS	S
AGR	COREMAP		7.0	Mar-98	Aug-98	01-Oct	-	8	1.81	0.76	S	S
SOC	Bogor& Palembang		138.1	Oct-91	Jul-92	Sep-97	Sep-99	100	105.46	125.57	S	S
SOC	Java/YogYakarta Urb		147.2	Nov-92	Mar-93	Sep-98	Mar-99	90	108.55	125.99	S	S
SOC	Higher Education		116.5	Sep-93	Apr-94	Apr-00	-	88	84.85	77.45	S	S
SOC	Eastern Islands Urban Development		83.8	Dec-93	Apr-94	Sep-99	Mar-00	83	53.30	59.10	PS	S
SOC	Vocational and Technical Education		63.8	Sep-94	Apr-95	Jun-00	-	80	49.83	47.41	S	S
SOC	Rural Water Supply and Sanitation		85.0	Feb-95	Apr-95	Sep-00	-	98	53.11	56.80	PS	S
SOC	Sumatra Urban Development		122.0	Sep-95	May-96	02-Jun	-	55	42.05	31.63	U	S
SOC	West Java Urban Development		63.0	Sep-95	May-96	02-Jun	-	48	28.77	20.15	PS	S
SOC	Reg Dev Acct		42.2	Dec-96	Apr-97	02-Sep	-	29	2.35	6.29	PS	PS
SOC	Metro Botabek II UD		57.0	Dec-96	Mar-97	02-Sep	-	23	8.13	4.18	PS	S
SOC	Capacity Bldg in Urban Infra. Management		35.0	Nov-97	Mar-98	02-Oct	-	26	8.14	2.83	S	S
SOC	Comm. And Local Government Support SDP		200.0	Mar-99	Mar-99	Sep-00	-	-	70.00	70.00	S	S
SOC	Comm. And Local Government Support Project		120.0	Mar-99	Mar-99	03-Sep	-	1	-	-	S	S
SOC	Junior Secondary Education		105.0	Nov-92	Feb-93	Oct-98	-	100	87.51	98.10	S	S
SOC	Rural Health and Population		40.0	May-94	Aug-94	Dec-00	-	87	21.37	16.84	S	S
SOC	Private Junior Secondary Education		44.9	Jul-95	Oct-95	01-Apr	-	75	16.21	13.01	S	PS
SOC	Senior Secondary Education		98.0	Jul-95	Oct-95	01-Apr	-	75	42.04	30.86	S	S

**INDONESIA**  
**PORTFOLIO PERFORMANCE**

**Table 2: Status of Project Implementation**  
**Public Sector Projects Only**  
**(As of 31 December 1999)**

Sector <sup>b</sup>	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Physical Completion (% completion)	Cum. Contract Awards <sup>a</sup> (\$million)	Cumulative Disbursements <sup>a</sup> (\$million)	Project Performance Rating	
		OCR	ADF			Original	Revised				Implementation Progress	Development Objectives
		(\$ million)				(mm/yy)	(mm/yy)					
SOC	Engineering Education Development	82.2		Feb-96	May-96	01-Oct	-	60	35.23	16.07	S	S
SOC	Basic Education	82.5		Jun-96	Sep-96	02-Apr	-	35	21.36	18.13	S	S
SOC	Family Health and Nutrition	45.0		Sep-96	Jan-97	02-Sep	-	25	7.28	5.41	S	S
SOC	Madrasah Aliyahs	82.5		Mar-97	Jun-97	03-Apr	-	15	17.65	12.04	S	S
SOC	Intensified Communicable Disease Control	81.4		Jun-97	Sep-97	03-Mar	-	12	7.58	4.55	S	S
SOC	Second Junior Secondary Education	149.0		Nov-97	Jun-98	03-Aug	-	2	2.22	4.03	S	S
SOC	Second Junior Secondary Education		15.1	Nov-97	Jun-98	03-Aug	-	2	-	0.76	S	S
SOC	Metro Medan Urban Development	97.4		Dec-97	Mar-98	03-Sep	-	6	3.23	1.97	PS	S
SOC	Social Protection Project	100.0		Jul-98	Jul-98	01-Jan	-	53	50.00	50.00	S	S
SOC	Social Protection Project	200.0		Jul-98	Jul-98	01-Jan	-	53	67.53	105.41	S	S
SOC	Health and Nutrition Program	100.0		Mar-99	Mar-99	Sep-00	-	-	50.00	50.00	S	S
SOC	Health and Nutrition Project	200.0		Mar-99	Mar-99	01-Dec	-	10	0.64	20.13	S	S
I&F	Industrial Technology and HRD	21.0		Mar-96	Jul-96	01-Jun	-	60	16.12	16.89	PS	PS
I&F	Financial Governance Reforms SDP	1,400.0		Jun-98	Jun-98	Dec-99	-	-	1,050.00	1,050.00	S	S
I&F	Financial Governance Reforms Project	47.0		Jun-98	Jun-98	01-Dec	-	-	-	-	PS	S
I&F	Capacity Building for Financial Governance	50.0		Jun-98	Jun-98	02-Feb	-	32	12.25	12.16	HS	S
ENE	Power XX	235.0		Sep-90	Jan-91	Jun-97	Dec-99	100	184.42	217.09	PS	HS
ENE	Power XXII	324.0		Aug-92	Dec-92	Sep-99	-	100	311.10	284.54	HS	HS
ENE	Power XXIII	240.7		Nov-93	May-94	Dec-00	-	75	101.74	80.48	PS	PS
ENE	Sumatra Power	192.7		Sep-94	Apr-95	Apr-99	Dec-00	70	147.82	124.78	PS	PS
ENE	Gas Trans & Dist.	218.0		Jun-95	Feb-96	Mar-99	02-Dec	60	107.83	123.44	PS	S
ENE	Power XXV	246.6		Oct-95	Jun-96	01-Jun	-	35	49.45	20.24	PS	PS
ENE	Power Sector Restructuring	380.0		Mar-99	Mar-99	Sep-00	-	-	200.00	200.00	HS	HS
ENE	Cap. Bldg.. For the Estab. of Electricity Mkt.	20.0		Mar-99	Mar-99	02-Oct	-	-	-	-	HS	S
T&C	Inland Waterways	36.4		Jul-91	Nov-91	Dec-96	Jun-00	100	26.04	29.86	S	S
T&C	Telecoms	78.0		Feb-92	Jul-92	Jun-97	01-Dec	100	63.70	77.97	S	S
T&C	East INO Airports	110.0		Mar-93	Jul-93	Dec-97	01-Jun	41	63.07	47.55	PS	PS
T&C	Third Local Roads	157.1		May-93	Oct-93	Sep-97	Jun-98	100	128.04	151.16	S	S
T&C	Second Telecommunications	89.5		Jun-93	Dec-93	Dec-98	Dec-99	91	68.62	70.63	S	S
T&C	Eastern Islands Roads	126.6		Nov-94	Jun-95	Dec-99	Dec-00	66	73.44	59.52	PS	S
T&C	North Java Road Improvement	82.4		Jan-96	May-96	Nov-00	-	20	60.48	25.19	S	S
T&C	Eastern Islands Air Transport	103.0		Dec-97	Nov-98	02-Dec	-	8	-	0.11	S	S
OTH	BAPEDAL	39.1		Jun-96	Sep-96	01-Oct	-	20	7.63	4.80	S	S
	<b>Total</b>	<b>8,090.9</b>	<b>231.2</b>						<b>4,098.5</b>	<b>4,068.2</b>		

<sup>a</sup> Excludes cumulative contract awards and disbursements of \$147.6 million and \$163.8 million, respectively for loans closed in 1999.

<sup>b</sup> Sector: AGR = Agriculture and natural resources  
SOC = Social infrastructure  
I&F = Industry and finance  
T&C = Transport and Communications  
OTH = Others

**INDONESIA**  
**OVERALL EXTERNAL ASSISTANCE**

External Source (\$ million)	1994/95-1997/98 (annual ave.)			1998/99		
	Loan	Grant	Total	Loan	Grant	Total
<b>A. Multilateral Assistance</b>						
ADB	1,175.0	11.2	1,186.2	1,880.0	12.0	1,892.0
World Bank	1,350.0	-	1,350.0	2,700.0	7.8	2,707.8
IDB	83.7	-	83.7	100.0	-	100.0
UN System	-	40.1	40.1	-	-	-
Others	20.6	111.0	131.6	150.0	144.0	294.0
Subtotal	2,629.3	162.3	2,791.6	4,830.0	163.8	4,993.8
<b>B. Bilateral Assistance</b>						
Japan	1,735.5	172.5	1,908.0	1,145.8	259.7	1,405.5
Germany	83.8	55.5	139.3	211.3	21.0	232.3
USA	25.0	57.3	82.3	56.0	243.7	299.7
France	115.9	0.5	116.4	20.5	3.4	23.9
Others	161.2	118.3	279.5	100.0	155.0	255.0
Subtotal	2,121.4	404.1	2,525.5	1,533.6	682.8	2,216.4
<b>Total</b>	4,750.7	566.4	5,317.1	6,363.6	846.6	7,210.2
Memo items:						
External Assistance (disbursement)						
As percentage of Regular Expenditure		23.5			36.6	
As percentage of Dev't. Expenditure		36.9			79.7	

**INDONESIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**  
(Amounts in \$ million)

Sector/Project Name	Strategic		Responsible Division	Year of PPTA	PROJECT COST				
	Dev't. Objectives <sup>a</sup>				TOTAL	Bank		Gov't	Cofinancing (Others)
	Primary	Secondary				OCR	ADF		
<b>2000 FIRM LOANS</b>									
<b>Agriculture and Rural Sector</b>									
1 Natural Resources Management Sector	ENV	POV	AEFN	1999	150	-	150		
2 Agriculture and Rural Sector	POV	ECO	AEAR		100	50	150		
<b>Subtotal</b>					250	50	300		
<b>Finance and Industry</b>									
1 Industrial Competitiveness and Small and Medium Enterprise Support Program	ECO		IEFI		200	-	200		
2 State-Owned Enterprise Reform Program	ECO		IEFI		200	-	200		
<b>Subtotal</b>					400	-	400		
<b>Social Infrastructure</b>									
1 Basic Education	HD	POV	AEEH	1998/2000	50	50	100		
2 Health Services Decentralization	HD	POV	AEEH	1997/2000		50	50		
<b>Subtotal</b>					50	100	150		
<b>Transport and Communications</b>									
1 Road Rehabilitation (Sector) Project	ECO		IETC	1999	150	-	150		
<b>Subtotal</b>					150	-	150		
<b>Others</b>									
1 Governance and Legal Reforms TA Loan	b		OGC/PE2		20	-	20		
<b>Subtotal</b>					20	-	20		
<b>Total</b>					870	150	1,020		
<b>2000 STANDBY LOANS</b>									
<b>Social Infrastructure</b>									
1 Water Supply and Sanitation Sector	HD	POV	AEWU	1999	100		100		
2 Technological and Professional Skills Dev.	HD	ECO	AEEH	1997/1999	150		150		
<b>Subtotal</b>					250		250		
<b>2001 LOAN PIPELINE</b>									
<b>Industry and Finance</b>									
1 Non-Bank Financial Institution SDP	ECO		IEFI		250	-	250		
2 Trade Financing Reforms	ECO		IEFI		50	-	50		
<b>Subtotal</b>					300	-	300		
<b>Transport and Communications</b>									
1 Medan Airport	ECO		IETC		150	-	150		
<b>Subtotal</b>					150	-	150		
<b>Social Infrastructure</b>									
1 Women and Child Protection and Development	POV	HD	AEEH	1997	50	50	100		
2 Nonformal Education	POV	HD	AEEH	2000	50	50	100		
3 Technological and Professional Skills Development	HD	ECO	AEEH	1997/1999	150	-	150		
4 Urban Development Sector I (Bandar Lampung and M.Bandung)	POV	ENV	AEWU	1996	200	-	200		
5 Water Supply and Sanitation Sector	HD	POV	AEWU	1999	100	-	100		
<b>Subtotal</b>					550	100	650		
<b>Total</b>					1,000	100	1,100		

<sup>a</sup> ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.

<sup>b</sup> The project's objective can not be classified specifically into any of the existing categories.

**INDONESIA**  
**LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002**  
 (Amounts in \$ million)

Sector/Project Name	Strategic Dev't. Objectives <sup>a</sup>		Responsible Division	Year of PPTA	PROJECT COST				
	Primary	Secondary			TOTAL	Bank		Gov't	Cofinancing (Others)
						OCR	ADF		
<b>2002 LOAN PIPELINE</b>									
<b>Agriculture and Natural Resources</b>									
1 Agriculture and Rural Sector II	POV		AEAR		150	-	150		
2 Natural Resources Management II	ENV	POV	AEFN	1999	150	-	150		
<b>Subtotal</b>					300	-	300		
<b>Industry and Finance</b>									
1 Contractual Savings SDP	ECO		IEFI		200	-	200		
<b>Subtotal</b>					200	-	200		
<b>Energy</b>									
1 Second Power SDP	ECO		IEEN	2001	200	-	200		
<b>Subtotal</b>					200	-	200		
<b>Social Infrastructure</b>									
1 Health and Nutrition II	HD	POV	AEEH	2000	200	-	200		
2 School-based Based Education II	HD	POV	AEEH	2001	200	-	200		
3 Regional Development Account II	HD		AEWU		100	-	100		
4 Urban Waste Management	ENV	POV	AEWU	2000	100	-	100		
<b>Subtotal</b>					600	-	600		
<b>Total</b>					<b>1,300</b>	<b>-</b>	<b>1,300</b>		

<sup>a</sup> ECO = Economic Growth; HD = Human Development; POV = Poverty Reduction; and ENV = Environmental Protection.



**INDONESIA**  
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2000 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Tree Crops Sector	AEAR	AD	150.0	-	150.0
2 Forestry Sector	AEFN	PP	800.0	-	800.0
3 Water Resources Management Sector	AEFN	PP	300.0	-	300.0
	<b>Subtotal</b>		1,250.0	-	1,250.0
<b>Industry and Finance</b>					
1 Support for Non-Bank Sector Reforms	IEFI	AD	1,000.0	-	1,000.0
2 Support for Financial Regulatory Reforms	IEFI	AD	1,000.0	-	1,000.0
TAs to support Deregulation and SME Dev't. Program					
1 Support for Deregulation and Competition	IEFI	AD	1,500.0	-	1,500.0
2 SME Development	IEFI	AD	2,000.0	-	2,000.0
TAs piggy backed to Corporate Governance					
1 SOE Privatization and Restructuring Program II	IEFI	AD	2,600.0	-	2,600.0
2 Commercialization of Public Sector Obligations	IEFI	AD	1,000.0	-	1,000.0
	<b>Subtotal</b>		9,100.0	-	9,100.0
<b>Energy</b>					
1 Public/Private Partnership in Gas Sector	IEEN	AD	500.0	-	500.0
	<b>Subtotal</b>		500.0	-	500.0
<b>Social Infrastructure</b>					
1 School-based Basic Education Improvement	AEEH	PP	150.0	-	150.0
2 Health Services Decentralization	AEEH	PP	150.0	-	150.0
3 Nonformal Education	AEEH	PP	500.0	-	500.0
4 Monitoring of Health and Nutrition (Supplementary)	AEEH	AD	1,000.0	-	1,000.0
5 Urban Development Sector I	AEWU	PP	150.0	-	150.0
6 Urban Waste Management	AEWU	PP	500.0	-	500.0
7 PDAM Restructuring and Rehabilitation	AEWU/PSG	AD	1,000.0	-	1,000.0
	<b>Subtotal</b>		3,450.0	-	3,450.0
<b>Others</b>					
1 Institutionalization of Forest Fire and Haze Pollution Management	ENVD	AD	500.0	-	500.0
2 Environmental Control Strategy and Planning	ENVD	AD	600.0	-	600.0
3 Improving Public Expenditure Management in Indonesia	PEOD	AD	225.0	-	225.0
4 Anticorruption Workshops and Public Relations Activities	PE2	AD	150.0	-	150.0
5 Capacity Building of Attorney General's Office	OGC	AD	1,000.0	-	1,000.0
6 Improving Public Sector Procurement	PE2/COPP	AD	1,000.0	-	1,000.0
	<b>Subtotal</b>		3,475.0	-	3,475.0
<b>Total</b>			<b>17,775.0</b>	-	<b>17,775.0</b>
N.B. Overprogramming anticipates possible ACCSF financing of some TAs.					

**INDONESIA**  
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2000-2002

Sector/Project Name	Responsible Division	Type of TA	Amount (\$'000)		
			Bank	Others	Total
<b>2001 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Agriculture and Natural Resources</b>					
1 Participatory Agriculture and Rural Development	AEAR	PP	1,000.0	-	1,000.0
	<b>Subtotal</b>		<u>1,000.0</u>		<u>1,000.0</u>
<b>Industry and Finance</b>					
1 Promotion of Contractual Savings Sector	IEFI	AD	1,800.0	-	1,800.0
	<b>Subtotal</b>		<u>1,800.0</u>		<u>1,800.0</u>
<b>Energy</b>					
1 Power Sector SDP II	IEEN	PP	1,000.0	-	1,000.0
	<b>Subtotal</b>		<u>1,000.0</u>		<u>1,000.0</u>
<b>Transport and Communications</b>					
1 Second Road Sector Rehabilitation and Development	IETC	PP	1,000.0	-	1,000.0
	<b>Subtotal</b>		<u>1,000.0</u>		<u>1,000.0</u>
<b>Social Infrastructure</b>					
1 School-based Basic Education II	AEEH	PP	500.0	-	500.0
2 Health and Nutrition II	AEEH	PP	500.0	-	500.0
3 Skills Development	AEEH	PP	500.0	-	500.0
4 Public Nutrition Management	AEEH	AD	1,000.0	-	1,000.0
5 Regional Development Account II	AEWU	PP	500.0	-	500.0
6 Urban Sector Program	AEWU	PP	1,000.0	-	1,000.0
7 Strengthening of PDAM Resource Mobilization	AEWU	AD	700.0	-	700.0
8 Local Government Financial Management	AEWU	AD	600.0	-	600.0
	<b>Subtotal</b>		<u>5,300.0</u>		<u>5,300.0</u>
<b>Others</b>					
1 Capacity Building of Regional Environment Mgmt. (BAPEDALDA)	ENVD	AD	600.0	-	600.0
	<b>Subtotal</b>		<u>600.0</u>		<u>600.0</u>
<b>Total</b>			<u><b>10,700.0</b></u>		<u><b>10,700.0</b></u>
<b>2002 TECHNICAL ASSISTANCE PROGRAM</b>					
<b>Energy</b>					
1 Gas Sector Development	IEEN	AD	1,000.0		1,000.0
<b>Total</b>			<u><b>1,000.0</b></u>		<u><b>1,000.0</b></u>

**INDONESIA**  
**LENDING PROGRAM BY TYPE AND SECTOR, 2000-2002**

Classification	2000 (Firm)		2001-2002	
	No.	%	No.	%
<b>I. By Type</b>				
A. Economic Growth	4	50.0	5	31.3
B. Projects Directly Aimed at Social Concerns	3	37.5	2	12.5
C. Projects Directly Aimed at Environmental Concerns	1	12.5	9	56.2
D. Economic Growth-oriented Projects with Social and/or Environmental Concerns	-	-	-	-
<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>
<b>II. By Sector</b>				
A. Agriculture and Natural Resources	2	25.0	2	12.5
B. Energy	-	-	1	6.2
C. Finance and Industry	2	25.0	3	18.8
D. Transport and Communications	1	12.5	1	6.2
E. Social Infrastructure	2	25.0	9	56.3
F. Others/Multisector	1	12.5	-	-
<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>

## INDONESIA

PROJECT PROFILE																								
1. <b>Project Name:</b> Natural Resources Management Sector			2. <b>Sector/Subsector:</b> Agriculture and Natural Resources/ Agricultural Support Services																					
3. <b>Dev. Objective:</b> Primary: ENV Secondary: POV																								
4. <b>Rationale &amp; Objectives:</b>  The rationale for the sector loan modality in this case includes the following arguments: (i) there has been inadequate investment in the natural resources sector for the past two years because of the economic crisis; (ii) in accordance with the Government's sector investment plan, ADB has prepared several investment projects using PPTAs and TA loans that have been deferred; (iii) the economic crisis has placed additional pressures on Indonesia's natural resources and there is a clear connection between increasing poverty, food security and environmental degradation; (iv) there are some constant themes in the proposed subprojects (spatial planning, information management, decentralization, and capacity building) which enable the Bank to build on past involvement with experienced sectoral agencies; and (v) there are substantial policy improvements in the sector which are made possible by the current political climate. There is sufficient policy content in the various subprojects to justify a sector development program loan modality, if the lending window in the year 2000 allows. The Project's objective is to provide natural resources management information in critical sectors of the economy to promote decentralization of natural resource management and environmental protection through effective planning and wise utilization of Indonesia's natural resource endowments.			5. <b>Beneficiary Participation/Consultation Needs:</b>  Beneficiaries have been involved in all aspects of subproject preparation, through initial social assessments, questionnaires, beneficiary participation workshops, and community mobilization and group formation.  During implementation, it is intended to expand the community-based management of coral reefs, mangroves, and forests with the assistance of NGOs in mobilizing communities and group formation. Communities and stakeholders will be given increased opportunities to participate in resource management planning and resource allocation decisions with increased transparency and availability of natural resource information.																					
6. <b>Scope:</b>  The scope of the Project encompasses (i) marine resources evaluation, management, and planning; (ii) national biodiversity information network; (iii) coral reef rehabilitation and management; (iv) mangrove rehabilitation and management; (iv) planning for fire prevention and drought management; and (v) other aspects of natural resource management and environmental protection.																								
7. <b>Estimated Cost &amp; Financing Plan (\$):</b>			Remarks																					
<p><b>Loan Project Cost (\$m)</b></p> <table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>TBD</td> <td>TBD</td> <td>150.0</td> </tr> <tr> <td>Cofinancing</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>Borrower</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td><b>Total</b></td> <td><b>TBD</b></td> <td><b>TBD</b></td> <td><b>150.0</b></td> </tr> </tbody> </table>			Financing (Source)	FC	LC	Total	Bank	TBD	TBD	150.0	Cofinancing	TBD	TBD	TBD	Borrower	TBD	TBD	TBD	<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>150.0</b>	More detailed and precise coverage and scope of the Project will be defined through the proposed PPTA.	
Financing (Source)	FC	LC	Total																					
Bank	TBD	TBD	150.0																					
Cofinancing	TBD	TBD	TBD																					
Borrower	TBD	TBD	TBD																					
<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>150.0</b>																					
8. <b>Estimated Benefits and Beneficiary Groups:</b>  The recent government decisions or retention of revenues by the local government provides a huge incentive for increased local interest in how natural resources are allocated and managed. Potential beneficiaries have been actively consulted in preparation of all the core subprojects of the proposed sector loan.																								
9. <b>Executing Agency:</b>			11. <b>Project Implementation Period:</b>																					
10. <b>Previous Bank Experience with EA (Good, Fair, Poor):</b>			<table> <tr> <td></td> <td>PPTA</td> <td>Loan</td> </tr> <tr> <td>Start:</td> <td>2001</td> <td></td> </tr> <tr> <td>End:</td> <td>2003</td> <td></td> </tr> </table>			PPTA	Loan	Start:	2001		End:	2003												
	PPTA	Loan																						
Start:	2001																							
End:	2003																							
12. <b>Portfolio Feedback:</b>			13. <b>Expected Issues:</b>																					
14. <b>Environmental Category:</b>																								
15. <b>Input Date:</b> 22-Jul-1999			16. <b>Processing Year:</b>																					
			<table> <tr> <td></td> <td>TA</td> <td>Loan</td> </tr> <tr> <td></td> <td>1999</td> <td>2000</td> </tr> </table>			TA	Loan		1999	2000														
	TA	Loan																						
	1999	2000																						

## INDONESIA

PROJECT PROFILE																								
<b>1. Project Name:</b> Agriculture and Rural Sector Project  <b>Location (Province):</b>			<b>2. Sector/Subsector:</b>  Agriculture/Rural Development																					
<b>3. Dev. Objective:</b> Primary: POV      Secondary: ECO																								
<b>4. Rationale &amp; Objectives:</b>  In the current crisis it is vital that the potential increase in rural poverty is averted through a strengthened rural sector which will also support recovery. The objective is to raise rural incomes, especially those of the poor through increasing productivity in agricultural production and related activities.			<b>5. Beneficiary Participation/Consultation Needs:</b>  Beneficiaries will be consulted.																					
<b>6. Scope:</b>  The Project will cover three provinces: North, Central and Southeast Sulawesi. The investments would comprise a mix of rural infrastructure; establishing sites for private sector led markets, storage, agroprocessing estate or ports; demand-driven agriculture research at local universities; and capacity building for the provincial agriculture services.																								
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>  Amount: \$100M Source: OCR  <b>Loan Project Cost (\$m)</b>			<b>Remarks</b>																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Financing (Source)</th> <th style="text-align: center;">FC</th> <th style="text-align: center;">LC</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td style="text-align: center;">100.0</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">100.0</td> </tr> <tr> <td>Cofinancing</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> </tr> <tr> <td>Borrower</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> <td style="text-align: center;">TBD</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>100.0</b></td> <td style="text-align: center;"><b>TBD</b></td> <td style="text-align: center;"><b>100.0</b></td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	Bank	100.0	TBD	100.0	Cofinancing	TBD	TBD	TBD	Borrower	TBD	TBD	TBD	<b>Total</b>	<b>100.0</b>	<b>TBD</b>	<b>100.0</b>
Financing (Source)	FC	LC			Total																			
Bank	100.0	TBD			100.0																			
Cofinancing	TBD	TBD			TBD																			
Borrower	TBD	TBD			TBD																			
<b>Total</b>	<b>100.0</b>	<b>TBD</b>	<b>100.0</b>																					
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Increased incomes in the rural population especially the poor.																								
<b>9. Executing Agency:</b>  Ministry of Agriculture/Provincial Authorities Bureau of Planning			<b>11. Project Implementation Period:</b>  Start:        2001 End:           2007																					
<b>10. Previous Bank Experience with EA (Good, Fair, Poor):</b> Good																								
<b>12. Portfolio Feedback:</b>			<b>13. Expected Issues:</b>																					
<b>14. Environmental Category:</b>																								
<b>15. Input Date:</b> 9-Jul-1999			<b>16. Processing Year: 2001</b> <table border="1" style="float: right; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">TA</th> <th style="text-align: center;">Loan</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">-</td> <td style="text-align: center;">\$100 m</td> </tr> </tbody> </table>		TA	Loan	-	\$100 m																
TA	Loan																							
-	\$100 m																							

## INDONESIA

PROJECT PROFILE				
<b>1. Project Name:</b> Industrial Competitiveness and SME Development		<b>2. Sector/Subsector:</b> Industry		
<b>3. Dev. Objective:</b> Primary: ECO Secondary:		<b>5. Beneficiary Participation/Consultation Needs:</b>  Consultations were held with (i) industry groups regarding deregulation and measures to facilitate investment; (ii) medium and small enterprises and NGOs representing them; and (iii) importer and expatriate groups regarding efficiency of trade facilitation measure  NGOs representing SMEs will be represented in body to be consulted by Government and the Bank in the design and implementation of SME support policies.		
<b>4. Rationale &amp; Objectives:</b>  The overall goal of the Program loan is to promote a higher rate of economic growth through more efficient resource allocation. The Program's objective is to promote a more diversified and efficient industrial structure through adoption of policies that promote greater competition and provide a more level playing field for all private enterprises including SMEs. The scope of the Program will include the following key issues: (i) promoting competition through strengthening the legal environment for competition policy and comprehensive deregulation involving liberalization for licensing and regulatory regimes, removing constraints to the efficient operation of the distribution system, and further liberalization of international trade; (ii) investment promotion and trade facilitation through a refocusing of investment policy to attracting foreign direct investment on a non-discriminatory basis and the improvement of customs procedures; and (iii) promotion of SMEs through removal of regulatory and licensing barriers that restrict market access and growth, improving financial intermediation, strengthening technical and business service support, and improved policy coordination and implementation.				
<b>6. Scope:</b>  The scope of the Program will include the following key issues: (i) promoting competition through strengthening the legal environment for competition policy and comprehensive deregulation involving liberalization for licensing and regulatory regimes, removing constraints to the efficient operation of the distribution system, and further liberalization of international trade; (ii) investment promotion and trade facilitation through a refocusing of investment policy to attracting foreign direct investment on a non-discriminatory basis and the improvement of customs procedures; and (iii) promotion of SMEs through removal of regulatory and licensing barriers that restrict market access and growth, improving financial intermediation, strengthening technical and business service support, and improved policy coordination and implementation.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>			<b>Remarks</b> .	
<b>Loan Project Cost (\$m)</b>				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>		<b>Total</b>
Bank	200.0			200.0
Cofinancing				
Borrower				
<b>Total</b>	<b>200.0</b>		<b>200.0</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Addressing the key issues covered by the Project will benefit medium and small enterprises, consumers and importers.				
<b>9. Executing Agency:</b>  Ministry of Finance		<b>11. Project Implementation Period:</b>  PPTA      Loan Start:                      2000 End:                         2001		
<b>10. Previous Bank Experience with EA (Good, Fair, Poor):</b> Good		<b>13. Expected Issues:</b>  Issues for policy dialog: 1. Competition Policy Law 2. Efficient Financial Intermediation for SMEs		
<b>12. Portfolio Feedback:</b>				
<b>14. Environmental Category:</b>		<b>TA</b>	<b>Loan</b>	
<b>15. Input Date:</b> 22-Jul-1999		1999	2000	
		<b>16. Processing Year:</b>		

## INDONESIA

PROJECT PROFILE																												
1. <b>Project Name:</b> SOE Governance Reform			2. <b>Sector/Subsector:</b> Public Sector, State-Owned Enterprises																									
3. <b>Dev. Objective:</b> Primary: ECO Secondary:			5. <b>Beneficiary Participation/Consultation Needs:</b>  The SOERP is designed to (i) improve resource allocation in the public sector, (ii) reduce the net costs of operating SOEs, and (iii) promote private sector participation in all commercial activities heretofore exercised by the Government.																									
4. <b>Rationale &amp; Objectives:</b>  Government interference, poor internal controls, lack of reliable accounting practices, and absence of effective performance incentives have affected the performance of SOEs in Indonesia. Poor governance practices in SOEs survived because of inadequate enforcement of commercial laws and regulations, market protection and price controls. The SOEs have not been an efficient supplier of public service and goods and their financial burden and inefficiencies have held back growth and quality service. Investment in SOEs have yielded sub-optimal returns and their financial position has deteriorated due to increases in debt servicing costs, a drop in domestic demand for goods, an increase in the cost of imported raw materials and tightening of credit availability. The economic downturn has severely affected the long-term profitability of most SOEs. Given the state of companies and the growing competition, it is critical to restructure SOEs to facilitate privatization																												
6. <b>Scope:</b> The objective is to be achieved by: (i) introducing sound corporate governance practices within SOEs; (ii) creating a level playing field by gradually eliminating market distorting measures, and separating commercial activities from social obligations of SOEs; (iii) strengthening the legal and regulatory environment necessary to facilitate privatization and support the efficient flow of resources through the economy; (iv) corporate and financial restructuring of SOEs in the preparation for eventual privatization; (v) establishing fair and transparent procedures for managing labor redundancies; and (vi) application of existing or development of new guidelines for the procurement of SOEs and its effective enforcement mechanisms.																												
7. <b>Estimated Cost &amp; Financing Plan (\$):</b>			Remarks																									
<table border="1"> <thead> <tr> <th colspan="4">Loan Project Cost (\$m)</th> </tr> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>200.0</td> <td>-</td> <td>200.0</td> </tr> <tr> <td>Cofinancing</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Borrower</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Total</b></td> <td><b>200.0</b></td> <td><b>-</b></td> <td><b>200.0</b></td> </tr> </tbody> </table>			Loan Project Cost (\$m)				Financing (Source)	FC	LC	Total	Bank	200.0	-	200.0	Cofinancing	-	-	-	Borrower	-	-	-	<b>Total</b>	<b>200.0</b>	<b>-</b>	<b>200.0</b>	The Government is currently considering to apply for cofinancing of a matching amount.	
Loan Project Cost (\$m)																												
Financing (Source)	FC	LC	Total																									
Bank	200.0	-	200.0																									
Cofinancing	-	-	-																									
Borrower	-	-	-																									
<b>Total</b>	<b>200.0</b>	<b>-</b>	<b>200.0</b>																									
8. <b>Estimated Benefits and Beneficiary Groups:</b>  Improved profits will allow the SOEs to provide proper dividends to the Government until they are privatized. These contributions, together with the proceeds from privatization of SOEs until they are privatized, will help to alleviate budgetary pressures. The Government has agreed with the IMF to earmark the revenues from privatization for financing the cost of banking sector restructuring and rehabilitation. The SOERP prescribes a corporate governance mechanism for all SOEs that incorporates incentives and a legal basis for improving the accountability and performance of the enterprises. Through the implementation of corporate governance, the SOEs will become model corporate firms reflecting high standards of relationship with their shareholders, lenders, employees, and all other stakeholders. The listing of a number of SOEs on the Jakarta Stock Exchange (JSE) over the coming years will increase the market pressure on other listed entities to pursue improvements in corporate governance.																												
9. <b>Executing Agency:</b> Ministry of Finance in cooperation with Ministry for Investment and State Owned Enterprises			11. <b>Project Implementation Period:</b>  Start: April 2000 End: June 2002																									
10. <b>Previous Bank Experience with EA (Good, Fair, Poor):</b> Good			13. <b>Expected Issues:</b>  Political opposition to privatization																									
12. <b>Portfolio Feedback:</b>  Need for improved public relations to alleviate opposition to privatizations.																												
14. <b>Environmental Category:</b> B			16. <b>Processing Year:</b>																									
15. <b>Input Date:</b> 19 January 2000			1999      2000																									

## INDONESIA

PROJECT PROFILE					
1. <b>Project Name:</b> Basic Education			2. <b>Sector/Subsector:</b> Social Infrastructure/Education		
3. <b>Dev. Objective:</b> Primary: HD Secondary: POV					
4. <b>Rationale &amp; Objectives:</b>  As a result of accumulated experience with its basic education projects and its declared policy of decentralization, the Government is now focusing on a comprehensive province-based approach to further develop basic education, encompassing attention to both the public school systems under Ministry of Education and Culture (MOEC) and Ministry of Religious Affairs (MORA) and their private counterparts. Under this framework, each province has reviewed its own basic education needs and prepared district project proposals using a bottom-up, multi-agency participatory approach with MOEC's central office providing policy guidance.  The Project would assist the provinces of Bali and NTB and the metropolitan area of DKI Jakarta in improving the quality and relevance of basic education; expanding access to junior secondary education; while maintaining universal access to primary education; and improving management and institutional capacity for basic education, with special attention to decentralization and school-based quality management.			5. <b>Beneficiary Participation/Consultation Needs:</b>		
6. <b>Scope:</b>  The Project will address the specific priority needs of each location (Bali, NTB, and DKI Jakarta) including: (i) improvement of primary school access through enhanced scholarship programs, assistance for disadvantaged children, improved textbook provision, student nutrition programs, and enhanced community participation; (ii) quality improvement through teacher development, an enhanced teacher incentive system, and improved textbooks and training materials; (iii) improvement of basic education management through decentralization of planning, management, and delivery, adoption of school-based quality management approach, and mobilization of community participation; and (iv) improvement of school facilities, equipment, and infrastructure when necessary.					
7. <b>Estimated Cost &amp; Financing Plan (\$):</b> Amount: Source:  <b>Loan Project Cost (\$m)</b>			Remarks		
<b>Financing (Source)</b>			<b>FC</b>	<b>LC</b>	<b>Total</b>
Bank			TBD	TBD	50.0
Cofinancing			TBD	TBD	TBD
Borrower			TBD	TBD	TBD
<b>Total</b>			<b>TBD</b>	<b>TBD</b>	<b>50.0</b>
8. <b>Estimated Benefits and Beneficiary Groups:</b>  The Project would benefit schoolchildren (particularly those disadvantaged at present) and their families and communities, teachers, principals, and education administrators, mostly at the district and provincial level.					
9. <b>Executing Agency:</b>  Ministry of Education and Culture			11. <b>Project Implementation Period:</b>  Start: 2000 End: 2001		
10. <b>Previous Bank Experience with EA (Good, Fair, Poor):</b> Good					
12. <b>Portfolio Feedback:</b>			13. <b>Expected Issues:</b>  Government budget stringency and availability of counterpart funds.		
14. <b>Environmental Category:</b>			16. <b>Processing Year:</b>		
15. <b>Input Date:</b>			1999-2000		
			2000		



## INDONESIA

PROJECT PROFILE					
1. <b>Project Name:</b> Health Services Decentralization			2. <b>Sector/Subsector:</b> Social Infrastructure/Health		
3. <b>Dev. Objective:</b> Primary: HD      Secondary: POV					
4. <b>Rationale &amp; Objectives:</b>  To improve health services delivery and its accessibility to the poor segment of the population.			5. <b>Beneficiary Participation/Consultation Needs:</b>  Beneficiaries will be consulted.		
6. <b>Scope:</b>  The scope of the Project will include local health services planning and financing, management and quality assurance, public-private partnership in health services delivery, and participation of the beneficiaries (the communities and the families). The Project will pay special attention to the poor and vulnerable groups, in urban as well as rural areas: their access to essential quality services, their participation in identifying issues and developing and implementing solutions adapted to the local circumstances, and programs tackling health problems that affect particularly the poor (such as tuberculosis, infectious diseases, diseases related to an unhealthy environment).					
9. <b>Estimated Cost &amp; Financing Plan (\$):</b>  Amount: \$50M Source: ADF			Remarks		
<b>Loan Project Cost (\$m)</b>					
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>			<b>Total</b>
Bank	TBD	TBD			50.0
Cofinancing	TBD	TBD			TBD
Borrower	TBD	TBD			TBD
<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>50.0</b>		
8. <b>Estimated Benefits and Beneficiary Groups:</b>  Increased access to health services of the poor population.					
9. <b>Executing Agency:</b>  The principal focus will be district administrations/health authorities supported by the Ministry of Health at the central level, in close collaboration with provincial health authorities.			11. <b>Project Implementation Period:</b>  Start:        2000 End:         2001		
10. <b>Previous Bank Experience with EA (Good, Fair, Poor):</b>					
14. <b>Portfolio Feedback:</b>			15. <b>Expected Issues:</b>		
14. <b>Environmental Category:</b>					
15. <b>Input Date:</b> 20 January 2000			16. <b>Processing Year: 2001</b>		
			<b>TA</b>	<b>Loan</b>	
			1997	2000	

## INDONESIA

PROJECT PROFILE																								
<b>1. Project Name:</b> Road Rehabilitation (Sector) Project			<b>2. Sector/Subsector:</b> Transport and Communication (Road Subsector)																					
<b>3. Dev. Objective:</b> Primary: ECO Secondary:			<b>5. Beneficiary Participation/Consultation Needs:</b>																					
<b>4. Rationale &amp; Objectives:</b>  The Project will assist the Government in implementing rehabilitation and upgrading of the existing national and provincial road network through road betterment and bridge placement works. The Project will also assist the Government's efforts to improve the national economy and reduce poverty through saving costs and applying labor incentive construction methods.																								
<b>6. Scope:</b>  The scope will include (i) rehabilitation and improvement of about 900 km of strategic road links in southern Sumatra; (ii) rehabilitation and improvement of road links in less developed areas in the eastern islands; and (iii) consulting services for construction supervision and training.																								
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>  Amount: Source:  <b>Loan Project Cost (\$m)</b>			<b>Remarks</b>																					
<table border="1"> <thead> <tr> <th>Financing (Source)</th> <th>FC</th> <th>LC</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>TBD</td> <td>TBD</td> <td>150.0</td> </tr> <tr> <td>Cofinancing</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td>Borrower</td> <td>TBD</td> <td>TBD</td> <td>TBD</td> </tr> <tr> <td><b>Total</b></td> <td><b>TBD</b></td> <td><b>TBD</b></td> <td><b>150.0</b></td> </tr> </tbody> </table>					Financing (Source)	FC	LC	Total	Bank	TBD	TBD	150.0	Cofinancing	TBD	TBD	TBD	Borrower	TBD	TBD	TBD	<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>150.0</b>
Financing (Source)	FC	LC			Total																			
Bank	TBD	TBD			150.0																			
Cofinancing	TBD	TBD			TBD																			
Borrower	TBD	TBD			TBD																			
<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>150.0</b>																					
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Road users and residents around the Project area will benefit from lower transport costs and better access to markets.																								
<b>9. Executing Agency:</b>  Directorate General of Highways																								
<b>10. Previous Bank Experience with EA (Good, Fair, Poor):</b> Good																								
<b>12. Portfolio Feedback:</b>  N/A																								
<b>14. Environmental Category:</b> B			<b>11. Project Implementation Period:</b>  Start: 2001 End: 2005																					
<b>15. Input Date:</b> 31-Jul-1999			<b>13. Expected Issues:</b>																					
			<b>16. Processing Year:</b>																					
			TA	Loan																				
			1999	2000																				

## INDONESIA

PROJECT PROFILE				
<b>1. Project Name:</b> Governance and Legal Reforms TA Loan			<b>2. Sector/Subsector:</b>	
			Multisector	
<b>3. Dev. Objective:</b> Primary: HD      Secondary:				
<b>4. Rationale &amp; Objectives:</b>			<b>5. Beneficiary Participation/Consultation Needs:</b>	
<p>Improving governance and legal and judiciary reforms are priorities of the Government's medium term development strategy. The proposed TA loans will support Government's efforts.</p>				
<b>6. Scope:</b>				
<p>Preliminary scope of the TA loan will include identification and implementation of further policy and institutional reforms, particularly with regard to enforcement, and provide necessary capacity building support.</p>				
<b>10. Estimated Cost &amp; Financing Plan (\$):</b>			<b>Remarks</b>	
Amount: Source:				
<b>Loan Project Cost (\$m)</b>				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank	TBD	TBD	20.0	
Cofinancing	TBD	TBD	TBD	
Borrower	TBD	TBD	TBD	
<b>Total</b>	<b>TBD</b>	<b>TBD</b>	<b>20.0</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>				
<b>9. Executing Agency:</b>			<b>11. Project Implementation Period:</b>	
<p>Attorney General's Office and Ministry of Law and Legal Affairs. The implementation arrangements will be further determined in the course of project preparation.</p>			Start:      2000 End:        2003	
<b>10. Previous Bank Experience with EA (Good, Fair, Poor):</b>				
<b>12. Portfolio Feedback:</b>			<b>13. Expected Issues:</b>	
<b>14. Environmental Category:</b>			<b>TA</b>	
<b>15. Input Date:</b> 28 January 2000			<b>Loan</b>	
			2000	
			<b>16. Processing Year:</b>	

## INDONESIA

PROJECT PROFILE				
<b>1. Project Name:</b> Water Supply and Sanitation Sector			<b>2. Sector/Subsector:</b> Social Infrastructure/Water Supply	
<b>3. Dev. Objective:</b> Primary: HD Secondary: POV				
<b>4. Rationale &amp; Objectives:</b>  Many water and sanitation entities have experiences deteriorating physical facilities, and difficulties providing safe drinking water and sanitary improvement due to unprecedented economic and social crisis. In the absence of the Project, the water supply and sanitation systems are expected to deteriorate further. By rehabilitating the infrastructure, the Project will improve the efficiency and reliability of the services. The Project aims to improve public health standards, living conditions, and the environment through the provision of water supply and environmental sanitation services.			<b>5. Beneficiary Participation/Consultation Needs:</b>  Beneficiary communities will be consulted and willingness to pay surveys will be carried out during project preparation. Social analyses will be undertaken to determine effective mechanisms to promote community participation	
<b>6. Scope:</b>  The Project will support local governments and water enterprises to enhance their capacity for delivery and expansion of the services. The physical scope will include rehabilitation of water supply and sanitation facilities in the medium- and small-sized cities, with high incidence of poverty. Emphasis will be placed on improvement of services, operational procedures, and management of PDAMs.				
<b>7. Estimated Cost &amp; Financing Plan (\$):</b>			<b>Remarks</b>	
<b>Loan Project Cost (\$m)</b>				
<b>Financing (Source)</b>	<b>FC</b>	<b>LC</b>	<b>Total</b>	
Bank	70.0	30.0	100.0	
Cofinancing				
Borrower		65.0	65.0	
<b>Total</b>	<b>70.0</b>	<b>95.0</b>	<b>165.0</b>	
<b>8. Estimated Benefits and Beneficiary Groups:</b>  Benefits will include higher quality and quantity of water, improved health, better quality of life, and enhanced environmental conditions for the residents of participating medium and small towns. Local governments with higher incidence of poverty will be selected for beneficiary.				
<b>9. Executing Agency:</b>  Directorate General for Human Settlements.			<b>11. Project Implementation Period:</b>  Start: June 2000 End: June 2005	
<b>10. Previous Bank Experience with EA (Good, Fair, Poor):</b>				
<b>12. Portfolio Feedback:</b>  Need for incorporating unaccounted for water reduction measures and obtaining commitment from participating PDAMs and local governments.			<b>13. Expected Issues:</b>  Levels of cost recovery and financing by PDAMs and local governments.	
<b>14. Environmental Category:</b> B				
<b>15. Input Date:</b>			<b>16. Processing Year:</b>	
				<b>TA</b> 1999
				<b>Loan</b> 2000