



Draft Design and Monitoring Framework

Project Number: 40273

Indonesia: Fourth Development Policy Support Program

A design and monitoring framework is an active document, progressively updated and revised as necessary, particularly following any changes in project design and implementation. In accordance with ADB's public communications policy (2005), it is disclosed before appraisal of the project or program. This draft framework may change during processing of the project or program, and the revised version will be disclosed as an appendix to the report and recommendation of the President.

Asian Development Bank

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/ Reporting Mechanisms	Assumptions and Risks
<p>Impact Higher pro-poor economic growth that is sustained over the medium term</p>	<p>Real GDP growth increased to 6.7% in 2012 from 5.0% in 2004</p> <p>Poverty level decreased to 12.0% in 2012 from 16.6% in 2004</p> <p>Corruption reduced (to be monitored through corruption perception surveys and cases handled by KPK)</p>	<p>BPS</p> <p>BPS</p> <p>KPK</p>	<p>Assumption Macroeconomic and political stability</p> <p>Risks Slow pace of reforms</p> <p>Public opposition to reforms</p>
<p>Outcome Improved overall economic management anchored on good governance</p>	<p>Improved investment climate, better public financial management, and improved public service delivery achieved by 2010. These achievements will be demonstrated among others, by the following (see also outputs below):</p> <p>Increase the investment–GDP ratio (from 26% in Q2 2008)</p> <p>Improve percentage of capital expenditures disbursed in the first half of the fiscal year (from 21% during the first half of 2008)</p> <p>Public expenditure made more pro-poor by reducing the fuel subsidy and reallocating the savings toward pro-poor programs (fuel subsidy 4.7% of GDP in 2008)</p>	<p>MOF</p> <p>PEPI</p> <p>DG Treasury</p> <p>MOF</p>	<p>Assumptions Economy able to withstand external or domestic shocks</p> <p>Fuel and food prices contained</p> <p>Risks Legal and regulatory uncertainties continue to prevail</p> <p>Lack of effective coordination between national government ministries</p>
<p>Outputs</p> <p>Improved investment climate</p> <ol style="list-style-type: none"> 1. Reduce uncertainty for investors by improving investment regulations 2. Make it easier to start and operate a business 3. Reduce the time needed for and cost of importing and exporting 4. Reduce compliance 	<p>Key investment climate, fiscal, and public service delivery indicators on a steady course of improvement (current assessment, where appropriate, in parentheses)</p> <p>Increase the value of FDI net inflows (from \$2.9 billion in Q2 2008)</p> <p>Reduce the time to start and operate a business (from 76 days in 2008)</p> <p>Reduce the average import and export container dwell time (7.3 days for imports and 3.8 days for exports in 2007)</p> <p>Reduce the average time to obtain a</p>	<p>PEPI</p> <p>World Bank's, <i>Doing Business</i></p> <p>Port Authority, and Jakarta International Container Terminal</p>	<p>Assumptions</p> <p>Government stays fully on course in election year with key policy reform measures and is able to liaise with Parliament and explain its policy and regulatory stance to judicial authorities effectively</p> <p>Social tensions relating to key policy changes effectively contained</p> <p>Risks Unanticipated global or regional</p>

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costs, enhance taxpayer services, and improve the efficiency and equity of the tax administration	VAT refund for low-risk taxpayers (1 month in June 2008) Reduce average time to process tax audit objections (3.4 months in June 2008)	Tax department	macroeconomic shocks may affect Indonesia's economy
5. Facilitate trade integration and promote export competitiveness	Increase in year-on-year growth in value of manufacturing exports (from 13.3% in the first half of 2008)	Tim Tarif	Weak interagency coordination
6. Improve access to credit for micro, small, and medium-sized enterprises	Increased share of bank loans that go to micro, small, and medium-sized enterprises (50.6% in June 2008)	Bank Indonesia	Capacity constraints slowing policy reforms and reducing the quality of outputs
(ii) Improved public financial management and governance			
7. Improve budget and cash management within the central Government	Reduction in percentage deviation between line ministry quarterly cash plans and actual cash flows (cash planning currently not based on expected disbursements)	MOF accounts Ministry quarterly cash plans	Delays in enacting laws, which would lead to delays in regulations
8. Improve results orientation of the budget process	Utilize the new medium-term expenditure framework performance-based budgeting templates in preparing the 2010 budget		
9. Streamline budget execution and management of budget authority	All expenditure line ministries initiate the procurement process for the current fiscal year during the previous year by including a line item in the budget identifying pre-financing needs for the following year's budget	DG Budget/Bappenas Annual budget law	
10. Improve the accounting functions of line ministries and their financial statements	Implement new accounting regulations and train 7,000 accounting staff in line ministries on the accounting changes and accounting issues generally (3,185 persons trained to date)		
11. Improve public procurement	Adoption of a new set of standard bidding documents in 2009 and enactment of Procurement Law in 2010	Pertinent government regulations, LKPP	
(iii) Improved delivery of public services			
12. Institutionalize government systems for poverty program evaluation/assessment	The Deputy for Performance Evaluation in Bappenas to prepare a new program structure to evaluating performance under the medium-term development plan (2010–2015). The new system to be pilot-tested in 2009	Bappenas	

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<p>13. Improve the capacity of local governments to plan, budget, and spend for better service delivery</p> <p>14. Adjust community block grants of PNPM to maximize employment and poverty impacts</p>	<p>Issue a handbook on pro-poor budgeting and planning for local governments and distribute the handbook to 400 local governments</p> <p>Progressively increase the average size of community block grants per subdistrict, and make adjustments to the size of the block grant for poorer versus richer subdistricts</p>	<p>Bappenas</p> <p>Bappenas</p>	
<p>Activities with Milestones (during the program period)</p> <ol style="list-style-type: none"> 1. Issue presidential decree on negative lists 2. PEPI to undertake a mapping of business licenses in key sectors and identify overlapping, and unnecessary licenses to be eliminated. 3. Continue implementation of the national single window (NSW) by increasing the number of participating government agencies and companies and rolling out the NSW to additional ports 4. MOF to issue implementing regulations for the Tax Administration Law and DG Tax to issue circular letter to monitor and report on response time eight major tax payer services 5. Ministry of Finance to issue regulation on tariff harmonization and a decree to renew the mandate of <i>Tim Tarif</i> 6. Issue Presidential Regulation on establishment of provincial credit guarantee institutions 7. MOF to issue a regulation on the roll out of TSA into revenue accounts and a regulation for establishing a team within the Treasury to implement the new treasury automated system 8. DG Budget to revise the budget submission templates and draft accompanying MTEF-PBB budget preparation instruction manuals. 9. DG Treasury to issue circular letters to eliminate annual requirement to reappoint project managers for multiyear projects, to encourage ministries to formulate DIPAs as soon as the budget is approved by Parliament in October. LKPP to issue a circular clarifying that parallel processing of procurement is permitted 10. Issue MOF regulation on revised accounting procedures and train line ministry staff on these changes 11. Recruit staff and allocate budget for the LKPP and begin revising Presidential Decree 80/2003 to accommodate a new set of standard bidding documents 12. Bappenas to issue regulation creating the Deputy for Performance Evaluation 13. Bappenas to issue a handbook on pro-poor budgeting and planning for local governments 14. Government to increase the community block grant of PNPM in 2008 			<p>Inputs</p> <p>ADB program loan of \$200 million for DPSP-4</p> <p>World Bank support of \$750 million for DPL-5</p> <p>Parallel cofinancing support from the Government of Japan envisaged at \$100 million</p>

Bappenas = National Development Planning Agency; BPS = Central Bureau of Statistics, DG = Directorate General, DIPA = spending warrant; GDP = gross domestic product, KPK = Corruption Eradication Commission, LKPP = National Public Procurement Office; MTEF-PBB = Medium Term Expenditure Framework-Performance Based Budgeting; MOF = Ministry of Finance; PEPI = National Team on Accelerating Investment and Exports; PNPM = National Community Empowerment Program; VAT = value-added tax; TSA = treasury single account.