



# Asian Development Bank & Indonesia

## FACT SHEET

**Table 1. Indonesia: Development Indicators**

Non-MDG	
Population in millions	227.65 (2008)
Annual population growth rate (%)	1.3 (2006–2008)
Adult literacy rate (%)	91.4 (2007)
Percent of population in urban areas	50.3 (2007)
MDG	
Percent of population living on less than \$1.25 a day	21.4 (2005)
Percent of population living below the national poverty line	15.4 (2008)
Under-5 mortality rate per 1,000 live births	31 (2007)
Percent of population using an improved drinking water source	80 (2006)

MDG= Millennium Development Goal.

Sources: ADB. 2009. *Basic Statistics 2009*. Manila.  
UNESCO. 2009. Institute for Statistics Data Centre.  
World Bank. 2009. World Development Indicators Online.

Indonesia has experienced an increasingly strong economic expansion since recovering from the 1997 Asian financial crisis. Economic growth accelerated to a 10-year high of 6.3% in 2007 and a respectable 6.1% in 2008, despite unstable global financial markets and a slowing world economy. At the end of July 2008, international reserves rose to an all-time high of \$60.6 billion before the Government intervened heavily in currency markets in October 2008. By year end, reserves had fallen back to 2007 levels at \$51.6 billion. The overall deficit for 2008 was only 0.1% of gross domestic product (GDP) due to strong revenue growth. Indonesia's debt-to-GDP ratio has continuously declined from 55% in 2004 to 35% in 2007, then down to about 32% by the end of 2008.

Robust economic growth over the last 3 years is reflected in Indonesia's employment numbers. Indonesia's unemployment rate shrank from 11.2% in 2005—the highest rate in the last 5 years—to 8.4% in 2008. Poverty remains challenging, with 15.4% of Indonesians living below the national poverty line.

GDP growth is forecast to slow to 3.6% in 2009 before picking up next year. Low levels of public debt and government actions to arrange external financing, support its plans for a fiscal stimulus package (1.4% of GDP) to bolster the economy.

Under its 2004–2009 Medium-Term Development Plan (RPJM), the Government continues to target equitable and sustainable economic growth, job creation, and poverty reduction, and ensure that measurable progress is made toward achieving the Millennium Development Goals. Medium-term priorities include improving the quantity and quality of physical infrastructure, accelerating rural development, and strengthening social infrastructure and public service delivery.

## Relationship with ADB

Indonesia is a founding member of the Asian Development Bank (ADB) since 1966 and, by the end of 2008, had received 297 loans amounting to \$23.5 billion and 498 technical assistance (TA) projects amounting to \$276.6 million. Measured by loan approvals, Indonesia is ADB's largest client, and its second largest recipient of TA support.

Measured in cumulative ADB lending, 44% of overall lending supported agriculture and natural resources, energy, and transport and communications. From 1998 to 2008, after the Asian financial crisis, lending to the abovementioned sectors decreased to 18%, indicating a shift from project-oriented physical infrastructure support to policy-based lending. Since 1998, almost 50% of ADB lending supported finance and law, economic management, and public policy.

From 2006, ADB support was based on the Country Strategy and Program (CSP) covering 2006–2009. From 2000–2007, annual lending to Indonesia averaged about \$0.7 billion. In 2008, a total of \$1,085 million of loans was approved, including ADB's first multitranche financing facility for Indonesia.

## Impact of Assistance

Indonesia graduated from the Asian Development Fund (ADF) at the end of 2008, and ADB's engagement with Indonesia is increasingly being defined by the complex development needs of a middle-income country. Within this context, the Government is requesting program loans in support of budget priorities. Therefore, 76.5% of lending volume in 2008 was through three policy-based operations, which further advanced the reform agenda in macroeconomic management, infrastructure provision, and decentralized public financial management.

The Second Infrastructure Reform Sector Development Program focused on improving Indonesia's overall investment climate by removing impediments to infrastructure investment and increasing access to infrastructure services through an improved private sector participation framework and enhanced cross-sector coordination.

The Fourth Development Policy Support Program improved the investment climate through investment regulations that clarified the

sectors open to foreign investment, reduced time and cost for importing and exporting, and enhanced access to credit for small and medium-sized enterprises. Public financial management was improved through results orientation in the budget process and streamlined budget execution and public procurement. Public service delivery was improved through strengthened monitoring and evaluation of public expenditure programs, enhancing the pro-poor impact of public expenditures, and raising the quality of publicly provided education.

Decentralization reforms are being supported through the second Local Government Finance and Governance Reform Sector Development Program. Regional autonomy and local governance has been improved by clarifying expenditure and functional assignments and establishing a legal basis for the creation of new regional governments. Greater equity, predictability, and transparency in the release of fiscal transfers and shared revenues has been realized through the removal of the hold harmless provision, de-linking of the wage bill from the transfer formula, and improvements in the allocation formula. Access of regional governments to own-source revenues has been strengthened, and data systems for monitoring subnational debt have been established.

ADB is administering grant assistance of \$300 million for the Government's \$6.8 billion reconstruction program to rebuild Aceh Province and Nias Island, devastated by the December 2004 tsunami. The grants assisted in rebuilding social and economic infrastructure and contributed to the recovery of livelihoods and economic activity in rural areas. Poverty levels in Aceh are now below the pre-tsunami level, and the program is on schedule to be completed in 2009.

Table 2. Indonesia: Economic Indicators, 2004–2008

Economic Indicator	2004	2005	2006	2007	2008
Per capita GNI, Atlas method (\$)	1,110	1,250	1,420	1,650	...
GDP growth (% change per year)	5.0	5.7	5.5	6.3	6.1
CPI (% change per year)	6.1	10.5	13.1	6.4	10.3
Unemployment rate (%)	9.9	11.2	10.3	9.1	8.4
Fiscal balance (% of GDP)	-1.1	-0.5	-1.0	-1.2	-0.1
Export growth (% change per year)	10.4	22.9	19.0	14.0	18.0
Import growth (% change per year)	28.0	37.2	6.3	15.4	36.0
Current account balance (% of GDP)	0.6	0.1	2.9	2.4	0.1
External debt (% of GNI)	56.9	48.8	37.5	33.9	...

... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2009. *Asian Development Outlook 2009*. Manila.

ADB staff estimates.

World Bank. 2009. World Development Indicators Online.

Table 3. Indonesia: 2008 Loan, TA, and Grant Approvals (\$ million)

Loans		TA	Grants	Total
Sovereign	Nonsovereign			
1,010.0	75.0	13.0	–	1,098.0

– = nil.

Cumulative Lending (as of 31 Dec 2008) : \$23,523.3 million  
Cumulative Disbursements (as of 31 Dec 2008) : \$18,401.0 million

Table 4. Indonesia: Cumulative ADB Lending as of 31 December 2008

Sector	Loans (no.)	Amount (\$ million)	% <sup>a</sup>
Agriculture and Natural Resources	92	3,864.29	16.43
Education	32	2,222.35	9.45
Energy	31	3,781.05	16.07
Finance	17	3,121.10	13.27
Health, Nutrition, and Social Protection	13	1,068.30	4.54
Industry and Trade	13	650.70	2.77
Law, Economic Management, and Public Policy	14	2,509.22	10.67
Multisector	42	3,216.83	13.68
Transport and Communications	33	2,713.86	11.54
Water Supply, Sanitation, and Waste Management	10	375.60	1.60
<b>Total</b>	<b>297</b>	<b>23,523.30</b>	<b>100.00</b>

<sup>a</sup> Total may not add up because of rounding.

Table 5. Indonesia: Project Success Rates

By Sector	Percentage <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	40.0	65
Education	95.2	21
Energy	69.6	23
Finance	77.8	9
Health, Nutrition, and Social Protection	71.4	7
Industry and Trade	20.0	5
Law, Economic Management, and Public Policy	75.0	4
Multisector	70.0	20
Transport and Communications	95.8	24
Water Supply, Sanitation, and Waste Management	16.7	6
<b>Total</b>	<b>63.0</b>	<b>184</b>
By Year of Approval		
1960s	100.0	2
1970s	59.0	39
1980s	61.1	54
1990s	63.9	83
2000s	83.3	6

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PCRVRs), and project/program evaluation reports (PPERs) using PCRVR or PPER ratings in all cases where PCR and PCRVR/PPER ratings are available.

Sources: PCRs, PCRVRs, and PPERs containing a rating circulated as of 31 December 2008.

Table 6. Indonesia: Portfolio Performance Quality Indicators for Sovereign Lending, 2007–2008

Number of Ongoing Loans (as of 31 Dec 2008)		31	
	2007 (\$ million)	2008 (\$ million)	
Contract Awards/Commitments	1,187.1	1,031.2	
Disbursements	1,136.3	949.6	
Loans at Risk (%)	6.1	–	

– = nil.

## Future Directions

ADB's 2006–2009 CSP is focused on accelerating growth, job creation, and poverty reduction through improving the quantity and quality of physical and social infrastructure and by effectively using public, external, and private sector resources. Policy, institutional, and regulatory reforms remain vital for improving public sector governance and enhancing investor confidence.

Lending and TA support under the CSP will be subject to the Government's overall financing and investment requirements. ADB will focus on strengthening public–private partnerships and will align its support with the Government's own programs and projects to reduce the transaction costs of designing and delivering assistance.

Together with Indonesia's main development partners, ADB signed the Jakarta Commitment in January 2009, which provides key principles to increase development effectiveness through high standards of transparency, mutual accountability, and focus on country ownership.

## Operational Challenges

Given Indonesia's size and diverse needs, past ADB-supported projects have had wide geographic coverage, but looking ahead, greater selectivity and a more balanced program and project pipeline is expected

**Table 7. Cumulative Nonsovereign Operations Portfolio Distribution by Top Countries, 1983–2008<sup>a,b</sup>**

Country	No. of Projects	Total ADB Approvals (\$ million)
India	37	2,268
People's Republic of China	21	1,694
Indonesia	15	879
Philippines	28	768
Pakistan	27	721
Kazakhstan	5	550
Thailand	10	319
Viet Nam	8	305
Sri Lanka	13	280
Bangladesh	8	242
Afghanistan	6	208
Lao People's Democratic Republic	1	100
Other DMCs	13	87
Azerbaijan	4	66
Nepal	4	59
Regional	36	930

DMC = developing member country.

<sup>a</sup> Includes nonsovereign projects processed by the Private Sector Operations Department and various regional operations departments of ADB. Regional operations departments started nonsovereign operations in 2007.

<sup>b</sup> Net of facilities cancelled in full before signing.

Source: Private Sector Operations Department.

**Table 8. Indonesia: Contractors/suppliers involved in ADB loan projects, 1 January 2004–31 December 2008**

Contractor/Supplier	Sector	Contract Amount (\$ million)
B-Care JV	Energy	34.65
Waskita-GXED/TKL Consortium	Energy	28.27
Adhi Karya Persero	Transport and Communications	22.14
HG Consortium	Energy	21.35
Balfour Beatty Sakti Indonesia	Energy	20.60
Waskita Karya (Persero)	Transport and Communications	17.86
Seneca - Perwita, JO	Transport and Communications	16.39
Meta Epsi Engineering	Energy	12.63
Pembangunan Perumahan	Multisector	11.96
PAL Indonesia	Energy	11.33

to be developed. The decentralized nature of the country has meant lengthy project preparation times and high implementation costs. This calls for more innovative modalities, and ADB is applying its Innovation and Efficiency Initiatives to foster better implementation results.

## Partnership

ADB collaborates closely with the World Bank and the Government of Japan in supporting the Government of Indonesia's development policy agenda in areas of public financial management, infrastructure development, investment climate, and public service delivery.

Besides these policy-based programs, several development partners are supporting various technical assistance, such as the Government of the Netherlands in areas of infrastructure, education, health, and public and water resources management; the Governments of the United Kingdom and Canada in areas of water supply and health; and the Government of Australia and the European Union in education.

Further partnerships are related to various trust funds ADB is implementing on behalf of other bilateral partners.

There was broad collaboration between ADB and many development partners in the emergency reconstruction support for tsunami-affected areas in Aceh and North Sumatra provinces and earthquake-affected areas around Yogyakarta.

Partnerships with various civil society organizations, and recently with major Indonesian universities, support knowledge exchange. Close collaboration is pursued with banks and representatives from private sector organizations.

**Table 9. Indonesia: Top consultants (individual consultants and consulting firms) involved in ADB loan projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Multi Area Conindo	9	8.33
Inacon Luhur and Associate	3	6.61
Pillar Pusaka Inti and Associates	2	4.43
Yayasan Agribisnis	1	4.11
Katahira and Engineera and Association	1	3.55
Arcadis Euroconsult (INO)	3	3.42
PPA Consultants	4	3.06
China Engineering Consultants Incorporation	1	3.04
Reka Spasia Indonesia	4	2.82
Indonesian Individual Consultants*	51	2.12
Surya Abadi Konsultan JV Arkonin and Ruptek	2	2.08

\* Consultant may have one or more contracts within the period covered.

**Table 10. Indonesia: Top consultants (individual consultants and consulting firms) involved in ADB technical assistance projects, 1 January 2004–31 December 2008**

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Indonesian Individual Consultants*	214	5.32
Organization for Individual, Spiritual, and Cultural Advancement	2	2.98
Moores Rowland PT	1	1.58
Inti Hexa Semesta (HIS), PT	2	1.02
PA Consulting Indonesia, PT	1	0.74
Research Triangle Institute (INO)	1	0.50
Intersys Kelola Maju, PT	1	0.50
Multi Area Desentralisasi Pembangun	1	0.40
British Council (INO)	1	0.40
Multi Area Conindo, PT	1	0.34
Hatfield PT, Indonesia	1	0.20

\* Consultant may have one or more contracts within the period covered.

## Cofinancing and Procurement

Cofinancing operations enable ADB's financing partners—government or their agencies, multilateral financing institutions, and commercial organizations—to participate in financing ADB projects. The additional funds are provided in the form of grants, guarantees, loans, or syndications.

In 2008, commercial cofinancing in the form of a B-loan for \$225.0 million was approved for the Bank Mandiri (Persero).

As of year-end 2008, cumulative direct value-added cofinancing for Indonesia amounted to \$2.6 billion for 27 investment projects, and \$47.1 million for 57 TA projects.

A summary of projects with cofinancing from 1 January 2004 to 31 December 2008 is available at [www.adb.org/Documents/Fact\\_Sheets/Indonesia/cofinancing.asp](http://www.adb.org/Documents/Fact_Sheets/Indonesia/cofinancing.asp).

As of 31 December 2008, 10,330 consultant contracts were awarded under ADB loan projects worth \$4.17 billion, of which 2,695 contracts were awarded to Indonesian consultants worth \$523.9 million.

From 1 January 1985 to 31 December 2008, 18,104 consultant contracts were awarded under ADB TA projects worth \$2.33 billion, of which 511 contracts were awarded to Indonesian consultants worth \$34.5 million.

A summary of procurement contracts awarded to companies and consultants from Indonesia for goods and works, and consulting services can be found at [www.adb.org/Documents/Fact\\_Sheets/Indonesia/procurement.asp](http://www.adb.org/Documents/Fact_Sheets/Indonesia/procurement.asp).

## About Indonesia and ADB

Indonesia is the fifth largest shareholder among regional members and the sixth largest overall.

### ADB membership

Joined	1966
Shares held	192,700 (5.43%)
Votes	205,932 (4.65%)

**Ceppie K. Sumadilaga** is the Executive Director and **CJ (Stan) Vandersyp** is the Alternate Executive Director representing Indonesia on the ADB Board of Directors.

**James A. Nugent** is the ADB Country Director for Indonesia. The Indonesia Resident Mission (IRM) was opened in 1987 and provides the primary operational link between ADB and the government, private-sector, and civil-society stakeholders in its activities. IRM engages in policy dialogue and acts as a knowledge base on development issues in Indonesia.

The Indonesia government agency handling ADB affairs is the Ministry of Finance.

## About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2008, lending volume was \$10.49 billion (86 projects), with TA at \$274.5 million (299 projects) and grant-financed projects at \$811.4 million (49 projects). This also generated \$1.65 billion in direct value-added cofinancing from financing partnerships operations. Over the last 5 years (2004–2008), ADB's annual lending volume averaged \$7.70 billion, with TA averaging \$231.5 million and grant-financed projects \$655.1 million. As of 31 December 2008, the cumulative totals were \$143.53 billion in loans for 2,147 projects in 41 countries, \$4.08 billion for 263 grant projects, and \$3.55 billion for 6,599 TA projects.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Country website  
[www.adb.org/indonesia](http://www.adb.org/indonesia)

Asian Development Outlook  
[www.adb.org/Documents/Books/ADO/2009/](http://www.adb.org/Documents/Books/ADO/2009/)

Annual Report  
[www.adb.org/Documents/Reports/Annual\\_Report/2008/](http://www.adb.org/Documents/Reports/Annual_Report/2008/)

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