

INTERIM COUNTRY PARTNERSHIP STRATEGY, 2015: INDONESIA

1. The interim country partnership strategy (I–CPS), 2015 for Indonesia extends the validity of the CPS, 2012–2014 for 1 year.¹ This will allow the next CPS, 2016–2019 to be aligned with the government’s 5–year National Medium–Term Development Plan (RPJMN), 2015–2019, including the implementation arrangements, which are being finalized in the first 6 months of 2015. The I–CPS, 2015 is consistent with the priorities set out in the Midterm Review of Strategy 2020 of the Asian Development Bank (ADB).²

A. Background

2. The CPS, 2012–2014 focused on two pillars: inclusive growth and environmental sustainability with climate change mitigation and adaptation. It was aligned with the government’s RPJMN, 2010–2014, which envisaged an Indonesia that was prosperous, democratic, and just.

3. The inclusive growth pillar encompassed (i) facilitating energy, transport logistics, and trade to enhance connectivity among islands and with neighboring countries; (ii) improving access to water supply and sanitation in poor towns and selected cities; (iii) mobilizing sources of long–term finance and enhancing access to finance for the nonbank financial subsector; (iv) focusing vocational education to cater to the needs of employers and industries in support of the master plan for higher productivity and wages; and (v) supporting community–driven basic infrastructure for poor communities. The pillar for environmental sustainability with climate change mitigation and adaptation encompassed (i) renewable energy and energy efficiency, (ii) river–basin management for water delivery efficiency and water quality, (iii) water supply and sanitation, (iv) strategies to mitigate and manage floods from changing and more extreme weather events, (v) resilient irrigation and agricultural practices, (vi) marine and coastal resources, and (vii) sustainable use of forest resources.

B. I–CPS Focus

4. ADB’s Midterm Review of Strategy 2020 calls for ADB to be focused and selective in its support for middle–income countries. The government has likewise advised ADB that it would like to use ADB assistance primarily for infrastructure development and human development, and to support economic policy and institutional reform. The government’s borrowing policy emphasizes the importance of knowledge services to assist the government in using its own resources more efficiently and effectively.

5. Consistent with the CPS, 2012–2014, priority is given to supporting inclusive economic growth in line with RPJMN priorities. The I–CPS, 2015 will focus on (i) infrastructure development, (ii) human development, and (iii) enabling economic policies.

6. The I–CPS pillar for infrastructure development will support Indonesia in (i) strengthening energy security against the rapidly growing energy demand by reforming energy sector policy; extending the reach, reliability, and efficiency of the national electricity grid; and fostering greater use of clean sources of primary energy; and (ii) reducing poverty and increasing food security by improving agricultural and fishery productivity and competitiveness, fostering income diversification, and improving the availability of bulk water supply for agricultural use.

¹ ADB. 2012. *Country Partnership Strategy: Indonesia, 2012–2014*. Manila.

² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila

7. To strengthen Indonesia's human development, ADB will assist the government in (i) improving education quality and access, (ii) facilitating skills development more closely aligned with business needs, (iii) improving the health of the urban population through better urban sanitation and more livable cities, and (iv) strengthening public financial management where this will improve the delivery of government services.

8. Supporting the development and application of the country's enabling economic policies will (i) deepen and strengthen Indonesia's capital markets, (ii) foster greater financial inclusion, and (iii) reduce impediments to investment and economic growth.

9. In each of the strategic pillars, ADB will adopt a medium-term programmatic approach to support the government by combining support for key government investment programs with assistance for policy reform, capacity building, and provision of new knowledge. Climate change will be incorporated into the investments through clean energy, infrastructure, disaster risk reduction, and climate adaptation investments. Within its strategic pillars, the I-CPS will also work toward measures to foster regional competitiveness as well as intraregional and interregional competitiveness.

C. Preparation of the Country Partnership Strategy, 2016–2019

10. The RPJMN, 2015–2019 provides Indonesia's development objectives and development strategy for the next 5 years. The government's detailed implementation strategies and plans are expected to be approved by mid-2015. These will provide the structure and program detail required for aligning ADB support in a focused and results-oriented manner.

11. An extension of the CPS, 2012–2014 by 1 year will permit a smooth transition into the new CPS, 2016–2019, aligning with the 5-year development planning cycle of the government. The proposed timing takes into consideration: (i) the delivery of the detailed strategies and plans for implementation of the RPJMN; (ii) the need for close alignment between the CPS and the government's 5-year foreign borrowing plans; (iii) the time and resource requirements for preparation of a full CPS; and (iv) the need to integrate the use of new lending instruments into the full CPS.

12. ADB has already initiated the process of preparing the CPS, 2016–2019 for Indonesia, building on the lessons and recommendations of the CPS, 2012–2014 final review and CPS final review validation. The economic, sector, and thematic studies and stakeholder consultations are under way. The initiating meeting is scheduled for mid-2015 and Board consideration in February 2016.

D. Conclusion

13. Given the status of the government's planning cycle, with the RPJMN, 2015–2019, detailed implementation strategies, and financing plans being scheduled for approval in mid-2019, the validity of the CPS, 2012–2014 needs to be extended for 1 year. This will enable the CPS, 2016–2019 to be fully aligned with the new 5-year development plan, provide sufficient time for analytical underpinning of the country strategy and program, and ensure concerned government agencies and other key stakeholders are thoroughly consulted.