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ASIAN DEVELOPMENT BANK

## Project Data Sheet

Project 50168-001

Project Name	Fiscal and Public Expenditure Management Program (Subprogram 1)
Project Number	50168-001
Country / Economy	Indonesia
Project Status	Closed
Project Type / Modality of Assistance	Loan

### **Loan 3454-INO: Fiscal and Public Expenditure Management Program (Subprogram 1)**

Source of Funding / Amount	Ordinary capital resources	US\$ 500.00 million
	<b>Loan: Fiscal and Public Expenditure Management Program (Subprogram 1)</b>	
	KfW Bankengruppe	US\$ 224.00 million

Strategic Agendas Inclusive economic growth

Drivers of Change Governance and capacity development  
Partnerships

Sector / Subsector **Public sector management** / Public expenditure and fiscal management

Gender No gender elements

Description FPEMP supports the government's commitment to reduce household income inequality, and represents a medium- to long-term partnership between the Asian Development Bank (ADB) and the government. The government's priority areas to reduce income inequality include (i) aligning medium-term expenditure and programs with its national medium-term development plan (RPJMN) and Sustainable Development Goals (SDGs) targets, (ii) enhancing the national public expenditure systems to improve quality of spending, and (iii) improving fiscal transfers and subnational governments' spending to promote better public service delivery.

Project Rationale and Linkage to Country/Regional Strategy	Indonesia is facing the twin problems of a prolonged economic slowdown and rapidly rising household income inequality. Economic growth has steadily declined from 6.4% in 2010 to 4.8% in 2015, and is expected to remain only slightly above 5.0% in 2016 and 2017. Growth slowed initially because of falling commodity prices, which then fed back into lower growth in the non-resource sector, while new sources of growth have yet to emerge. The economic slowdown, combined with persistent volatility in the global financial and commodity markets, also translated into lower fiscal revenue collection, which in turn challenges the government's efforts to stimulate the economy. Revenue collection fell by 9.8% from January to April 2016, compared with the same period in 2015, and the government expects a shortfall of \$16.7 billion in 2016. Given the constitutional limit on the budget deficit at 3.0% of gross domestic product (GDP), falling budget revenues impose constraints on the government's spending in the social sector and for infrastructure, even though these are necessary to overcome the income inequality problem. ADB analysis shows that expenditure on education and health is most sensitive to declines in revenue and to overall deficit levels, despite the government being legally required to allocate 20% of the budget to education and 5% to health.
Impact	Reducing household income inequality (National Medium-Term Development Plan, 2015-2019)

### **Project Outcome**

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Description of Outcome	Better targeted social sector and public infrastructure spending
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Progress Toward Outcome

### **Implementation Progress**

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Description of Project Outputs	<ol style="list-style-type: none"> <li>1. Medium term spending aligned with RPJMN and SDGs</li> <li>2. Improved national public expenditure quality</li> <li>3. Strengthened public expenditure management system at local government level</li> </ol>
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Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location	Nation-wide
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### **Safeguard Categories**

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Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

### **Summary of Environmental and Social Aspects**

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Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

### **Stakeholder Communication, Participation, and Consultation**

During Project Design

During Project Implementation

Responsible ADB Officer Mohd Ismail, Mohd Sani

Responsible ADB Department Southeast Asia Department

Responsible ADB Division Public Management, Financial Sector and Trade Division, SERD

Executing Agencies *Fiscal Policy Office-Ministry of Finance*

### **Timetable**

Concept Clearance	02 Aug 2016
Fact Finding	14 Apr 2016 to 22 Apr 2016
MRM	31 Aug 2016
Approval	10 Nov 2016
Last Review Mission	-
Last PDS Update	14 Nov 2016

### **Loan 3454-INO**

#### **Milestones**

<b>Approval</b>	<b>Signing Date</b>	<b>Effectivity Date</b>	<b>Closing</b>		
			<b>Original</b>	<b>Revised</b>	<b>Actual</b>
10 Nov 2016	17 Nov 2016	06 Dec 2016	30 Jun 2017	-	03 Mar 2017

#### **Financing Plan**

#### **Loan Utilization**

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	500.00	Cumulative Contract Awards			
ADB	500.00	17 Jun 2022	500.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	500.00	0.00	100%

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