Indonesia: Financial Market Development and Inclusion Program (Subprogram 2)

Project Name: Financial Market Development and Inclusion Program (Subprogram 2)
Project Number: 48207-002
Country: Indonesia
Project Status: Active
Project Type / Modality of Assistance: Loan, Technical Assistance
Source of Funding / Amount:
- Loan 3541-INO: Financial Market Development and Inclusion Program (Subprogram 2)
  - Ordinary capital resources: US$ 400.00 million
- TA 9333-INO: Promoting Innovative Financial Inclusion
  - Technical Assistance Special Fund: US$ 800,000.00

Strategic Agendas:
- Inclusive economic growth
- Regional integration

Drivers of Change:
- Governance and capacity development
- Knowledge solutions

Sector / Subsector:
- Finance - Finance sector development

Gender Equity and Mainstreaming: Effective gender mainstreaming

Description:
The proposed subprogram 2 supports the government’s main reform priorities in developing and making the finance sector more inclusive, and represents a medium- to long-term partnership between the Asian Development Bank (ADB), the government, and the Financial Services Authority (OJK). The government’s priority areas include (i) strengthening the regulatory structure for financial stability, (ii) deepening the financial market, and (iii) enhancing financial inclusion with a focus on promoting access to financial services to poor households and women.

Project Rationale and Linkage to Country/Regional Strategy:
The program includes three subprograms aligned with the government’s strategy and critical finance sector reforms. The first subprogram focused on establishing the OJK as a unified and independent financial services regulator and implementing international best practices. Subprogram 2 focuses on support to the consolidated finance sector master plan and advancing OJK’s fiscal independence. Responding to government concerns of rising inequality and the recommendations from the 2016 National Financial Inclusion Strategy, subprograms 2 and 3 further expand ADB’s engagement in financial inclusion, with a focus on improving poor families’ access to financial services, financial literacy, and consumer protection. This provides the platform for a subsequent dedicated financial inclusion sector development program in 2020. The approach uses policy-based lending as it embeds the policy matrix within the government’s policy decision-making process. The loan proceeds provide incentives for reforms.

Impact:
- Annual growth rate of finance sector increased

Project Outcome:
- Development and inclusiveness of the finance sector increased

Progress Toward Outcome:
- Loan-single tranche was released on 15 Sept 2017.
  - The piggybacked TA became Effective on 19 Sept 2017. The TA is ongoing and following are the detailed activities.

Implementation Progress:
- Regulatory structure for financial stability strengthened
- Financial market deepened
- Financial inclusion enhanced

Status of Implementation Progress (Outputs, Activities, and Issues):
- Loan-single tranche was released on 15 Sept 2017.
  - The piggybacked TA became Effective on 19 Sept 2017. The TA is ongoing and following are the detailed activities.

Geographical Location:
- Nation-wide

Safeguard Categories:
- Environment: C
- Involuntary Resettlement: C
- Indigenous Peoples: C

Summary of Environmental and Social Aspects
Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Responsible ADB Officer  Poornima Gayangani Wasana Jayawardana
Responsible ADB Department  Southeast Asia Department
Responsible ADB Division  Public Management, Financial Sector and Trade Division, SERD
Executing Agencies  Ministry of Finance Directorate General of Budget Financing and Risk Management

DIREKTORATPH@KEMENKEU.GO.ID
Frans Seda Building
Jln. Dr. Wahidin Raya No. 1
Jakarta 10710, Indonesia

**Timetable**

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<thead>
<tr>
<th>Task</th>
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<tr>
<td>Concept Clearance</td>
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<tr>
<td>Fact Finding</td>
<td>23 Jan 2017 to 03 Feb 2017</td>
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<td>MRM</td>
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**Loan 3541-INO**

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<th>Effectivity Date</th>
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<td>07 Sep 2017</td>
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<tr>
<th>Financing Plan</th>
<th>Loan Utilization</th>
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**TA 9333-INO**

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<tr>
<th>Financing Plan/TA Utilization</th>
<th>Cumulative Disbursements</th>
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<td>ADB Counterpart Cofinancing</td>
<td>Total</td>
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**Project Page**  https://www.adb.org/projects/48207-002/main

**Request for Information**  http://www.adb.org/forms/request-information-form?subject=48207-002

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