CURRENCY EQUIVALENTS
(as of 1 September 2020)

Currency unit – rupiah (Rp)
Rp1.00 = $0.000069
$1.00 = Rp14,590

ABBREVIATIONS

ADB – Asian Development Bank
ASEAN – Association of Southeast Asian Nations
BAPPENAS – Badan Perencanaan Pembangunan Nasional
(National Development Planning Agency)
COVID-19 – coronavirus disease
CPS – country partnership strategy
GDP – gross domestic product
MSME – micro, small, and medium-sized enterprise
OP – operational priority
PPP – public–private partnership
RPJMN – Rencana Pembangunan Jangka Menengah Nasional
(National Medium-Term Development Plan)
SDG – Sustainable Development Goal
SERD – Southeast Asia Department
SOE – state-owned enterprise
TA – technical assistance

NOTE
In this report, “$” refers to United States dollars.

<table>
<thead>
<tr>
<th>Vice-President</th>
<th>Ahmed M. Saeed, Operations Group 2</th>
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</thead>
<tbody>
<tr>
<td>Director General</td>
<td>Ramesh Subramaniam, Southeast Asia Department (SERD)</td>
</tr>
<tr>
<td>Country Director</td>
<td>Winfried F. Wicklein, Indonesia Resident Mission (IRM), SERD</td>
</tr>
<tr>
<td>Team leader</td>
<td>Yurendra Basnett, Country Economist, IRM, SERD</td>
</tr>
<tr>
<td>Team members</td>
<td>Benita Ainabe, Financial Sector Specialist (Capital Markets), Public Management, Financial Sector, and Trade Division (SEPF), SERD</td>
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<td></td>
<td>Priasto Aji, Senior Economics Officer, IRM, SERD</td>
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<td></td>
<td>Emma Allen, Country Economist, IRM, SERD</td>
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<tr>
<td></td>
<td>Syarifah Aman-Wooster, Principal Social Development Specialist (Safeguards), Energy Division (SEEN), SERD</td>
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<td>Joven Z. Balbosa, Advisor, Office of the Director General (SEOD), SERD</td>
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<td></td>
<td>Robert Boothe, Senior Public Management Specialist, SEPF, SERD</td>
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<td></td>
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</tr>
</tbody>
</table>
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Bruno Carrasco, Chief of Governance Thematic Group, Governance Thematic Group, SDCC
Muhammad Ehsan Khan, Senior Advisor, Office of the Director General, Central and West Asia Department

In preparing any country partnership strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
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# COUNTRY AT A GLANCE

## Economic

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## Poverty and Social

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<th>Year</th>
<th>Population (million)</th>
<th>Population growth (annual % change)</th>
<th>Maternal mortality ratio (per 100,000 live births)</th>
<th>Infant mortality rate (below 1 year/per 1,000 live births)</th>
<th>Life expectancy at birth (years)</th>
<th>Adult literacy (%)</th>
<th>Primary school gross enrollment (%)</th>
<th>Child malnutrition (% below 5 years old)</th>
<th>Population below national poverty line (%)</th>
<th>Population using at least basic drinking water (%)</th>
<th>Population using at least basic sanitation services (%)</th>
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<tbody>
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<td>2010</td>
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<td>1.3</td>
<td>359 [2012]</td>
<td>32 [2012]</td>
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## Environment

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<th>Year</th>
<th>Carbon dioxide emissions (million tons)</th>
<th>Carbon dioxide emissions per capita (tons)</th>
<th>Forest area (million hectares)</th>
<th>Urban population (% of total population)</th>
</tr>
</thead>
</table>

## ADB Portfolio (active loans)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of loans</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
</tr>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Total loan amount ($ million)</th>
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<td>As of 31 December 2019</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage disbursed (disbursed amount/net loan amount)</th>
<th>Sovereign</th>
<th>Nonsovereign</th>
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</thead>
<tbody>
<tr>
<td>As of 31 December 2019</td>
<td>9</td>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, GDP = gross domestic product, GNI = gross national income, M2 = broad money, OCR = ordinary capital resources.

a Covers OCR financing for projects and programs, excluding policy-based lending that were already financially closed. Cumulative data since 1966 is available in ADB and Indonesia: Fact Sheet.

b Net of droppages and cancellation.

I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Challenges.** Indonesia has made remarkable development strides in the 21st century, including sustained economic growth and reduction of the poverty rate to single digits. An upper middle-income country, Indonesia aspires to be a high-income country by 2045, while avoiding the middle-income trap. However, the progress made thus far and Indonesia’s upward development trajectory are at risk of reversal because of the enormous impact of the coronavirus disease (COVID-19) pandemic on lives, livelihoods, and the economy. In the near term, urgent public health measures as well as the expansion of social and economic assistance will be needed. As part of its economic recovery strategy, Indonesia will have to overcome its long-standing development challenges, including human development constraints and a lack of competitiveness, manage climate change and disaster risks, and achieve environmental sustainability, including building back greener. In tackling these challenges, Indonesia must navigate a medium-term context of heightened economic uncertainty, while managing emerging megatrends such as climate change, technological disruptions, demographic changes, rapid urbanization, and shifting economic powers.

2. **Strategy.** The proposed Asian Development Bank (ADB) country partnership strategy (CPS) for Indonesia, 2020–2024 aims to support inclusive, competitive, and sustainable development. It is geared toward helping Indonesia emerge stronger from the COVID-19 pandemic by focusing on three strategic pathways: (i) improving well-being—by strengthening the health care system, expanding social protection, advancing educational quality in an equitable manner, and developing workforce skills; (ii) accelerating economic recovery—by supporting economic policy and structural reforms, domestic resource mobilization, financial market deepening and inclusion, and the development of high-quality infrastructure; and (iii) strengthening resilience—by supporting climate change mitigation and adaptation measures, environmental sustainability and green recovery, disaster risk management and finance, and water and food security. Support to the COVID-19 recovery is an overarching theme, under which ADB will incorporate the following crosscutting priorities in its operations: (i) private investment and innovative financing; (ii) gender equality and socially inclusive approaches; (iii) enhanced governance and institutional capacity; (iv) digitalization and technological transformation; (v) local and regional economic development; (vi) regional cooperation and integration; and (vii) achievement of the Sustainable Development Goals (SDGs). The CPS is fully aligned with Indonesia’s National Medium-Term Development Plan (RPJMN), 2020–2024; ADB’s Strategy 2030; and the SDGs.

3. **Approach.** Given the medium-term context of elevated uncertainty, the CPS provides a flexible and agile framework for ADB operations to support Indonesia’s evolving needs and priorities. ADB’s financial assistance, knowledge solutions, and technical support will pivot toward COVID-19 response, recovery, and building back better. ADB will be responsive to increased demand for financial support and seek to leverage its financing by attracting private sector investment, catalyzing official cofinancing, and applying innovative financing approaches. It will intensify its knowledge work and policy dialogue with the government, and advance partnerships with the public and private sectors, academe and think tanks, civil society, and other development partners. It will use innovative technologies, approaches, and processes in its operations to the greatest extent possible. In delivering the strategy, ADB will bring to bear its full suite of support modalities in an integrated manner and as “One ADB”. ADB will adopt mitigating measures tailored to ensuring business continuity in this period of disruption related to COVID-19.
II. COUNTRY DEVELOPMENT CONTEXT

4. Country background. Indonesia is Southeast Asia's largest economy, with a nominal gross domestic product (GDP) of more than $1 trillion. It is the world's fourth most populous country (268 million people), and the world’s largest archipelagic nation with a high degree of biodiversity and cultural diversity. A Group of Twenty (G20) member, Indonesia has the seventh-largest economy in the world in terms of purchasing power. With its relatively young population, more than two-thirds of its inhabitants are projected to be of productive age (15–64 years) in 2030 (Box 1).¹

5. COVID-19. The COVID-19 pandemic has caused an unprecedented, multidimensional crisis. The government faces challenges in balancing health and economic impacts, and managing the economic disruptions arising from measures to curb the spread of the disease. The focus on flattening the pandemic curve has led to adverse impacts on jobs and livelihoods in Indonesia, placing a particularly heavy burden on the most vulnerable segments of society, including women, and increasing poverty. The human toll of a health care system that is unable to cope with a pandemic of the current scale in an environment with substantial regional inequality has become evident since March 2020 when the first COVID-19 case was identified. The costs of the health crisis, coupled with a sharp global economic slowdown that may continue for several years, make the path to economic recovery long and arduous. A concerted government policy framework that combines critical public health measures with creative economic policies is needed to manage the pandemic and support the recovery efforts, while structural reforms will be needed to thrive in the post-COVID-19 world.

6. Social development. Indonesia has made remarkable progress in combating poverty, more than halving the share of people living below the national poverty line from 23.4% in 1999 to 9.2% in 2019.² But a sizable proportion of the population is clustered marginally above the

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¹ Inclusive and Sustainable Growth Assessment (accessible from the list of linked documents in Appendix 3).

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Box 1: Selection of Country Partnership Strategy Background Studies

<table>
<thead>
<tr>
<th>Study Title</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Indonesia and the Asian Development Bank: Fifty Years of Partnership</td>
<td></td>
</tr>
<tr>
<td>(ii) Policies to Support the Development of Indonesia’s Manufacturing Sector during 2020–2024</td>
<td></td>
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<tr>
<td>(iii) Innovate Indonesia: Unlocking Growth Through Technological Transformation</td>
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<tr>
<td>(iv) Skills and Training for Industry 4.0</td>
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<td>(v) Diagnostics of the Social Protection System</td>
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<tr>
<td>(vi) Indonesia: Enhancing Productivity through Quality Jobs</td>
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<tr>
<td>(vii) The Evolution of Indonesia’s Participation in Global Value Chains</td>
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<tr>
<td>(viii) Reforms, Opportunities, and Challenges for State-Owned Enterprises</td>
<td></td>
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<tr>
<td>(ix) Climate Risk Country Profile: Indonesia</td>
<td></td>
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<tr>
<td>(x) Independent Assessment of Indonesia’s Energy Infrastructure Sector</td>
<td></td>
</tr>
<tr>
<td>(xi) Policies to Support Investment Requirements of Indonesia’s Food and Agriculture Development during 2020–2024</td>
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<tr>
<td>(xii) Summary of Indonesia’s Private Sector Development Assessment</td>
<td></td>
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<tr>
<td>(xiii) Public Financial Management Systems—Indonesia</td>
<td></td>
</tr>
<tr>
<td>(xiv) SDG Country Implementation Snapshot and Financing Roadmap</td>
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</tbody>
</table>

national poverty line, and about one-fifth of the population remains poor or near poor and is highly vulnerable to shocks (footnote 1). In 2018, 31% of children exhibited signs of stunting.\(^3\) Since the onset of the COVID-19 pandemic, close to 10 million people have been at risk of falling below the national poverty line, and the poverty incidence is expected to increase to 11.9%–12.8% in 2020.\(^4\) The deterioration of the labor market will be felt disproportionately by the most vulnerable, including informal sector workers, who account for 57% of the labor force.\(^5\) Income inequality has increased since 2009, as the incomes of the top deciles of the income distribution have been growing faster than those of the lowest deciles (footnote 1). While women make up most students in tertiary education, 26% of young women were not in employment, education, or training in 2019, compared with 21% of Indonesia’s youth overall, a result of persistent gender inequalities.\(^6\) Women’s labor force participation has stagnated, reaching only 55% in February 2020, compared with 84% for males, and a substantial gender wage gap persists (footnote 6). These factors contribute to lower levels of well-being for women and their households and prevent the economy from deploying the full potential of its human capital.

7. **Human capital.** Indonesia ranked 87th out of 157 countries in 2018 in the Human Capital Index, placing it among the bottom half of countries globally.\(^7\) The availability of basic education is almost universal in Indonesia, but the quality of education is often poor and varies significantly by province. Indonesia’s struggling education system contributes to a shortage of high school graduates with the capacity to become trained as skilled workers. Higher education institutions perform poorly in global rankings. Enrollment in polytechnic programs is low, particularly among women, and the quality of these programs is often poor. While employers frequently report difficulties in finding high-skilled workers, on-the-job training is widely underutilized.

8. **Health.** Indonesia aspires to ensure good health outcomes at an affordable cost for all. However, the burden of communicable diseases, coupled with the rising prevalence of noncommunicable diseases, challenges an overburdened system that is unable to cope with emerging infectious diseases. The sudden shock of the COVID-19 pandemic has burdened the fragile health care system, and revealed weaknesses in pandemic preparedness including mitigation, surveillance, response, and treatment. Ensuring access to essential health services for all ages remains difficult, especially in rural areas, because of deficiencies in human resources, health infrastructure, equipment, and supplies, as well as financing gaps. Limitations in governance and transparency of public health management have become apparent during the pandemic. As a result, health outcomes remain poor and health inequalities persist. The gaps in health financing leave many people vulnerable to catastrophic health expenditures that erode household income and exacerbate poverty. The government’s experience in achieving effective partnerships with the private sector is still nascent and could be better harnessed to increase the scope, efficiency, and effectiveness of service delivery.

9. **Social protection.** As part of its poverty reduction strategy, Indonesia has invested considerably in building a social protection system that prioritizes those living below the national poverty line. While the government expanded the coverage and scope of its various social assistance programs when COVID-19 struck, the pandemic exposed the limitations of the overall system, such as insufficient coverage, poor targeting, inadequate benefits, and a lack of


integration across social assistance programs and with social security and social insurance schemes. The social protection system must become more resilient to exogenous shocks such as natural and non-natural disasters, and to changing demographic structures. Although Indonesia has a young population at present, a drop in the fertility rate coupled with a rise in life expectancy will mean that 10% of the population could be 65 years and older by 2030, up from the current level of 6%. Ensuring sufficient protection for all, regardless of age, sex, or disability, will be key to reducing poverty and ensuring stability throughout people’s lives.

10. **Economic development.** Indonesia’s economy recorded sustained economic growth since the Asian financial crisis of 1997–1998, while sound macroeconomic management helped weather many headwinds. On the demand side, domestic consumption and investments were the main drivers of growth; on the supply side, it was the service industry. Given the economic disruption caused by the COVID-19 pandemic, Indonesia’s economy is expected to contract by 1% in 2020 (compared to 5% growth in 2019). High reliance on resource extraction, commodity exports, and portfolio inflows to finance current account deficits make the economy vulnerable to shocks and price fluctuations. Conventional sources of growth, such as relying on a large pool of low-cost labor for competitiveness, may not be reliable in a global context of increased protectionism, shifting global value chains, and rapid technological change. As part of its post-COVID-19 economic recovery framework, Indonesia may be able to tackle some of these long-standing structural issues.

11. **Competitiveness and private sector development.** As Indonesia recovers from the impact of COVID-19, boosting productivity and competitiveness will be critical to improve the medium-term economic outlook including for investment and quality jobs. Creating a more enabling business environment requires addressing regulatory bottlenecks, cumbersome licensing and permitting processes, and inconsistent application of national regulations across different local jurisdictions. Improving access to finance, especially for micro, small, and medium-sized enterprises (MSMEs), will be critical for inclusive growth. Deeper structural reforms to revitalize a stagnating manufacturing sector and generate a more diverse range of productive industries will support quality and equitable job creation and enable higher value-added production of goods and services. Reforming the state-owned enterprise (SOE) portfolio, which accounts for one-third of infrastructure investments and holds monopolies in a range of sectors, will enhance SOE performance and private sector development. Recognizing the importance of boosting Indonesia’s competitiveness and attractiveness as an investment destination, particularly post-COVID-19, the government has initiated important reforms of the enabling business environment and structural transformation of the economy, including restructuring of SOEs. The government has launched a substantial support program for private enterprises, particularly MSMEs, as part of its COVID-19 economic recovery program.

12. **Infrastructure.** One of the most critical challenges facing Indonesia is that the quality of its infrastructure is insufficient to support a modern economy. The mostly fossil-fuel-based electricity distribution network suffers regular overloading, and unreliable supply affects several high-density areas. The coverage of piped and safely managed drinking water and sanitation is low. Poor spatial planning and land management has led to uncontrolled development in conservation and flood-prone areas, reducing the potential for groundwater recharge and escalating flood risks to residents, property, and agricultural land. The costs imposed by poor

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transport infrastructure curb competitiveness, constrain domestic economic activity, and limit integration into global production chains, while poor energy infrastructure restricts business investments and productivity. The limited capacity of local governments to provide affordable land, services, and housing has resulted in the growth of informal settlements with poor access to basic infrastructure and services. These infrastructure deficits contribute significantly to the disproportionate burden of unpaid care work and drudgery for women and girls. Despite the recent increases, infrastructure investment has fallen short of the climate-risk adjusted need of 6% of GDP. The proposed new capital in East Kalimantan province is an opportunity to develop a state-of-the-art green city, but also poses considerable planning, designing, and financing challenges. Stepping up green infrastructure investments, including by incorporating G20 principles for quality infrastructure investment, will help stimulate recovery from the economic impact of the COVID-19 pandemic, and support a green recovery path and broad-based job creation.

13. **Domestic resource mobilization.** Indonesia’s revenue-to-GDP ratio fell from 13.1% in 2015 to just 12.4% in 2019 (footnote 1). The trend is being exacerbated by COVID-19. In 2020 revenues are anticipated to be at least 20% below projections because of the slowdown in economic activity as well as the tax relief provided as part of COVID-19 economic response measures (footnote 1). Tax revenues are limited because of the narrow tax base, lower oil and gas revenues, and poor tax administration capacity. The government’s tax reform agenda includes a gradual reduction in corporate taxes, while broadening the tax base, simplifying tax administration, and streamlining and consolidating regional taxes. The government is also modernizing tax administration by moving to e-filing and e-payment, and to modern compliance management tools such as risk-based audits. It is implementing measures to combat base erosion and profit shifting in line with its G20 responsibilities.

14. **Climate change, environment, and disasters.** Indonesia is the fourth-largest greenhouse gas emitting country in the world and is itself highly exposed to climate change risks and natural disasters. As an archipelagic country that is home to many large coastal cities in a seismically active region, Indonesia’s water and food security, the habitability of its settlements, and the functioning of critical infrastructure are vulnerable to changing rainfall and temperature patterns. Despite its globally significant terrestrial and marine biodiversity, Indonesia is one of the major sources of ocean plastic, some of its rivers are among the world’s dirtiest, and deforestation rates remain intractably high. Significant disasters since 1990 have caused an annual average cost of $1.4 billion, an amount that will be dwarfed by the impact of COVID-19. The existing infrastructure is inadequate to cope with the challenges posed by climate change. Notable government responses have included a low-carbon development initiative to help meet Paris Agreement targets; the 2018 disaster risk financing and insurance strategy; and the 2019 launch of the Environmental Trust Agency as a vehicle for mobilizing finance related to climate change, the environment, and disasters. The government has also set up the National Plastic Action Partnership to bring together the private sector and civil society to tackle plastic pollution with concerted action. Indonesia could also use the COVID-19 recovery to reorient its economy toward a more strategic low-carbon trajectory while simultaneously addressing underlying vulnerabilities, and improving the climate and disaster resilience of communities and sectors.

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15. **Governance.** The government has identified weak governance and institutional capacity, issues of corruption, and bureaucratic inefficiencies as constraints to inclusive growth. While Indonesia has substantially improved its public financial management, it needs to strengthen budget reliability, the management of assets and liabilities, and external scrutiny and auditing. The government has also launched public procurement reforms and invested in building the capacity of the national procurement agency. Although Indonesia’s performance on the Corruption Perceptions Index has improved, corruption concerns remain widespread, discouraging investments and delaying project and policy implementation; the impact of the changes to the Corruption Eradication Commission law in 2019 remains to be seen.

16. **Local development and decentralization.** Vast economic disparities between regions complicate convergence within Indonesia, compounded by wide differences in the quality of public service provision across local governments. For instance, Jakarta’s per capita regional GDP is about 13 times higher than that of East Nusa Tenggara, while 26.5% of the residents of Papua are below the national poverty line, compared with 9.2% nationwide and 3.4% in Jakarta. Decentralization has delegated the provision of most local public services, including education and health care, to district governments, and the central government transfers funds directly to more than 74,000 village-level units in Indonesia. Subnational governments now account for 53% of total government spending, of which 38% is managed by district governments. Subnational governments are constrained by relatively weak capacity and a lack of access to capital markets for infrastructure projects, which translates into relatively low development outcomes. Efforts to further strengthen the decentralized provision of public services will likely gain momentum in the post-COVID-19 economic recovery, including recognition of the need to invest in the digitalization of public services.

17. **Achieving the SDGs.** Indonesia’s 2019 voluntary national review of its SDG progress found three primary hurdles to overcoming gaps in SDG attainment: (i) limited access to public services and inequality of economic opportunity because of poverty and the remoteness of locations; (ii) weak capacity of subnational governments to comply with national standards, which limits the effectiveness of public services; and (iii) limited availability of adequate, up-to-date, and disaggregated data for development planning. The estimated annual gap in SDG financing in Indonesia is projected to increase from $10 billion–$21 billion in 2020 to $175 billion–$355 billion in 2030 (footnote 1). In the post-COVID-19 environment, it will be vital to ensure that adequate resources are mobilized to meet the SDGs, which will be a challenge.

18. **Regional cooperation and integration.** Indonesia plays an important role in regional cooperation in Southeast Asia, being one of the founding members of and the largest economy in the Association of Southeast Asian Nations (ASEAN). Indonesia in 2019 established the Indonesia Agency for International Development, which will have an initial focus on supporting Pacific developing countries through South-South and triangular cooperation. Regional efforts to strengthen connectivity are aligned with Indonesia’s interest in building cross-border agreements, including a local currency settlement framework, and infrastructure to promote trade and economic growth, thereby reducing regional inequality in its border areas. The timely conclusion of the Regional Comprehensive Economic Partnership could help boost regional trade and recovery from the economic impact of COVID-19.

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III. COUNTRY STRATEGY FRAMEWORK

A. Lessons from Previous Strategy

19. To support more inclusive and environmentally sustainable growth, ADB’s CPS for Indonesia, 2016–2019 focused on infrastructure services, economic governance, and enhanced human resource development. The country assistance program evaluation assessed ADB’s support for Indonesia during 2005–2018 and found good results in the major sectors of focus. Lessons from the evaluation indicate that (i) strong country ownership is important; (ii) strong partnerships with clients are essential for ensuring the relevance of ADB support; (iii) cooperation with multiple stakeholders, including SOEs and subnational governments, is vital for delivering infrastructure projects; (iv) a community-driven approach is a cost-effective way of delivering infrastructure projects in villages; and (v) coordination and capacity constraints across central and subnational governments can impact project implementation.

20. The evaluation made two strategic recommendations: (i) focus on boosting Indonesia’s path to inclusive, environmentally sustainable, and climate-resilient growth; and (ii) strengthen local government capacity. It also made operational recommendations: (i) tackle project readiness issues and offer better and more innovative project designs to improve the quality and implementation of projects; (ii) diversify financing options to ensure that policy reforms supported by policy-based lending are complemented by other lending modalities; and (iii) improve the framing of operations with analytical underpinnings and results frameworks to support policy reforms, capacity building, and institutional strengthening. The lessons and recommendations informed the framing of the overall goal, the selection of the strategic pathways, and the implementation plan of the CPS for 2020–2024.

B. National Development Strategy

21. National development agenda. The RPJMN, 2020–2024, which completes the National Long-Term Development Plan (RPJPN), 2005–2024, establishes the goal of achieving prosperous, fair, and sustainable development by 2024. The government’s policy priorities include persistent efforts to accelerate the development of human capital, improve infrastructure and connectivity, simplify regulations and bureaucracy, and promote economic transformation. To close the infrastructure gap, the government plans to mobilize $450 billion in infrastructure development under the RPJMN. The RPJMN includes targets that represent a continuation and acceleration of current progress, rather than a major change in trend. The adverse impact of COVID-19 means that the topline goals of the RPJMN may be difficult to achieve. The government has established a taskforce on COVID-19 response and economic recovery, which prioritizes health care and social protection systems as well as economic support measures.

22. Government strategy to achieve the SDGs. The government instituted the National SDGs Secretariat at the National Development Planning Agency (BAPPENAS) in 2016, and the SDGs National Coordination Team overseen by a steering committee chaired by the President in 2017. Of 169 SDG targets, 94 were mainstreamed into the RPJMN, 2015–2019, while the


RPJMN, 2020–2024 sets more targets and provides greater alignment with the SDGs. Indonesia presented its voluntary national reviews on SDG progress in 2017 and 2019. Mainstreaming SDGs nationally via the RPJMN will guide the formulation of regional medium-term development plans. In addition, several SDG-specific plans (e.g., implementation of the SDG road map for 2019–2030; SDG national action plan, 2020–2024; and SDG regional action plans, 2020–2024) contain programs and activities to support the achievement of the SDGs.

C. Role of Development Partners

23. The government leads the coordination of international assistance, and development partners coordinate closely with each other at various levels, e.g., regular heads of agency meetings; (sub)sector coordination groups; regular international development bank group meetings; and bilateral coordination, including cofinancing. ADB and the World Bank are the largest multilateral institutions providing development financing and knowledge support. In 2018, net official development flows—official development assistance and other official flows—totaled $4.7 billion, or 3% of central government expenditure. Development partners have reprioritized their programs to support the COVID-19 response and recovery measures.

D. ADB’s Strategic Objectives and Operational Priorities

![Country Partnership Strategy Framework](image)

- **Improving Well-Being**
  - Health care system
  - Social protection
  - Educational quality
  - Workforce skills

- **Accelerating Economic Recovery**
  - Economic policy and structural reforms
  - Domestic resource mobilization
  - Financial market deepening and inclusion
  - Quality infrastructure – Energy, transport, and livable cities

- **Strengthening Resilience**
  - Climate change mitigation and adaptation
  - Environmental sustainability and green recovery
  - Disaster risk management and finance (natural and pandemic)
  - Water and food security

**CROSSTcutting Priorities to Support Bounce Back from COVID-19**
- Private investment and innovative financing
- Gender equality and social inclusion
- Governance, institutions, and capacity
- Digitalization and technological transformation
- Local and regional economic development
- Regional cooperation and integration
- Sustainable Development Goals

**ADB Value Addition**
- One ADB at every step
- Continuous innovation (technology; financing; products and modalities; processes)
- Knowledge generation and sharing
- Project readiness and implementation
- Partnerships and cofinancing
- Strategic flexibility

*Source: Asian Development Bank.*

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24. The strategy. The CPS aims to support inclusive, competitive, and sustainable development in Indonesia. It is geared toward helping Indonesia emerge stronger from the COVID-19 pandemic by focusing on three strategic pathways: (i) improving well-being, (ii) accelerating economic recovery, and (iii) strengthening resilience. The strategy will be supported by seven crosscutting priorities. It is fully aligned with Indonesia’s national priorities, the SDGs, and ADB’s corporate strategy.

1. Strategic Pathway: Improving Well-Being

25. ADB will help Indonesia overcome the adverse effects of COVID-19 on health and livelihoods by improving the well-being of its people, while remaining mindful of the different impacts on the young and the elderly, and particularly of women and vulnerable groups, including indigenous people. It will prioritize efforts to (i) strengthen the health care system, (ii) expand social protection coverage, (iii) improve education quality, and (iv) develop workforce skills.

26. Health care system. ADB will support reforms and investments promoting the government’s goal of universal health coverage and the promotion of knowledge transfer between developing member countries. It will help control the COVID-19 outbreak by providing medical equipment and supplies, and liaising with the government on how to enhance testing capacity as well as access to vaccines. It will provide knowledge support on strengthening health security and governance, including areas related to equitable human resource development, as well as public sector management. ADB will also assist the development of sustainable health financing to increase the affordability and efficiency of the health insurance system. It will support investments in medical teaching institutes to boost their capacity for developing high-quality health personnel. Building on previous nonsovereign investment in the health sector, ADB will seek opportunities for promoting private sector investments and public–private partnerships (PPPs) to improve health care services.

27. Social protection. ADB will support the government’s efforts to ensure that beneficiaries can access a full range of social protection programs, including the transition to social insurance. It will help expand the social protection system to mitigate the impact of COVID-19 and other disasters. It will support measures to expand and strengthen conditional cash and noncash transfer programs, including building the capacity of implementers. ADB will also support investments in developing the capacity of implementing agencies and improving the social registry systems that form the backbone of social protection programs. It will promote greater use of social insurance schemes to help ensure adequate benefits for different life cycle risks. It will provide knowledge support for developing long-term care systems and services for the elderly, human resources, and PPPs for more effective service delivery. ADB’s social protection interventions will directly and indirectly support health, education, and social services.

28. Educational quality. ADB will support knowledge partnerships, policy reforms, and project investments that help to: (i) broaden access to quality tertiary education through nontraditional programs, such as partnerships with foreign universities, and international and domestic online platforms; (ii) improve the quality of education by using affordable and innovative education technology solutions to enrich teaching and learning; (iii) build a critical mass of universities with greater capacity for carrying out research based on advanced technologies and

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25 This strategic pathway is aligned with ADB’s operational priority of addressing remaining poverty and reducing inequalities (OP 1).
commercializing that research, nurturing innovation and improving learning outcomes, and developing entrepreneurship; (iv) enhance education services by promoting PPPs and private sector investments; and (v) strengthen quality assurance and accreditation. ADB will explore opportunities to help educational institutions adapt to changing conditions, build resilience, and improve preparedness for disruptions in teaching and learning as well as workforce readiness.

29. **Workforce skills.** Given the disruptions to the labor market from technological changes and COVID-19, ADB will help develop a tech-savvy workforce and improve access to re-skilling opportunities. ADB is engaged in knowledge work and policy dialogue on the impact of these trends on jobs, skills mapping, and labor market diagnostics. It will provide technical support to help pilot technology interventions focused on skills development in technical and vocational education and training systems. ADB will help to: (i) strengthen technical and vocational education and training by exploring potential synergies with technical high schools, apprenticeships, and links with local employers and other institutions; (ii) upgrade the organizational ability of MSMEs to increase workers’ skills; and (iii) develop programs to improve the school-to-work transition and pre-employment services.

2. **Strategic Pathway: Accelerating Economic Recovery**

30. To support accelerated economic recovery, ADB’s assistance will prioritize (i) economic policy and structural reforms; (ii) domestic resource mobilization; (iii) financial market deepening and inclusion; and (iv) development of high-quality infrastructure (energy, transport, and livable cities). ADB will seek to catalyze private sector investments and support transaction advisory services for infrastructure projects.

31. **Economic policy and structural reforms.** Building on analytical work, technical advice, and policy dialogue, ADB will support the government’s strategy for the economic recovery from COVID-19, related structural reforms, and measures for building economic resilience and inclusiveness. Policy reform support will involve a well-sequenced and programmatic approach tailored to the government’s priority policy areas: (i) removing barriers to investment and helping reduce the cost of doing business; (ii) revitalizing manufacturing in Indonesia to increase productivity; and (iii) catalyzing inclusive local economic development. ADB will support the government’s agenda to reform SOEs and help strengthen public financial management to sustain critical spending in infrastructure and social sectors. It will monitor macroeconomic developments and build capacity for economic forecasting and risk management. It will remain responsive to unforeseen challenges that could undermine Indonesia’s macroeconomic stability.

32. **Domestic resource mobilization.** ADB will provide analytical support and technical assistance (TA) and explore opportunities for programmatic support of the government’s revenue reform agenda, to help address the fall in public revenue because of the COVID-19 economic slowdown. At the same time, lessons learned from past crises need to be taken into consideration in determining the timing for shifting gears from fiscal stimulus toward fiscal consolidation. ADB will explore opportunities to support the government in critical areas such as (i) strengthening taxpayer services and compliance management by streamlining processes and pursuing the digitalization of registration, filing, and payments; (ii) promoting a consistent and non-distortionary approach to local revenue mobilization by strengthening productive tax bases and rationalizing fragmented and administratively costly revenue sources; (iii) combating base erosion and profit shifting by developing dispute resolution mechanisms and supporting mutual agreement.

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29 This strategic pathway is aligned with ADB’s operational priorities of making cities more livable (OP 4) and of strengthening governance and institutional capacity (OP 6).
procedures; and (iv) modernizing local tax administration. ADB will also assist selected subnational governments in issuing municipal bonds to help raise capital for infrastructure investments.

33. **Financial market deepening and inclusions.** In light of the adverse impact of COVID-19 on MSMEs and marginalized groups, including women and youths, ADB will provide programmatic support to the government’s plans to expand financial inclusion by helping to: (i) develop suitable tools and infrastructure for financial inclusion; (ii) improve access to finance, including by supporting the implementation of the National Women’s Financial Inclusion Strategy; and (iii) establish supervision and consumer protection measures for responsible financial inclusion, while incorporating financial technology across all reform areas. ADB will explore opportunities to provide knowledge and programmatic support for the expansion of Islamic finance. It will also help set up a green financing facility and mobilize blended finance for infrastructure projects related to the achievement of the SDGs. With the issuance of long-dated rupiah-denominated bonds, ADB will help meet demand for local currency financing.

34. **Quality infrastructure: energy, transport, and livable cities.** ADB will support quality infrastructure investments in the energy and transport sectors, and the development of livable cities through a combination of knowledge, policy, and financial support. In energy, ADB support will center on policy reforms toward stronger energy sector governance, clean energy and energy efficiency, and private sector participation, while the investment focus will be on sustainable power generation, power transmission systems, and electricity grids. In transport, ADB will explore the development of railway systems, ports, and urban transport in selected cities. To promote livable cities, ADB will continue to work on enhancing access to clean sanitation and water supply, waste management, and reducing informal settlements. It will adopt an integrated approach to urban development through cross-sector coordination, and will seek to mobilize innovative financing solutions, promote PPPs, and help catalyze private sector investments.

3. **Strategic Pathway: Strengthening Resilience**

35. To safeguard against setbacks to sustained, intergenerational prosperity, ADB will concentrate on strengthening Indonesia’s resilience to natural disasters, the outbreak of diseases, and climate change. Its assistance will prioritize (i) climate change mitigation and adaptation, (ii) environmental sustainability and green recovery, (iii) disaster risk management and finance, and (iv) water and food security. ADB will continue to play a major role in financing climate-related private sector projects in Indonesia, including support for greater use of cutting-edge clean, renewable, and efficient energy technologies.

36. **Climate change mitigation and adaptation.** ADB will embed climate change mitigation and adaptation measures in its infrastructure investments and support Indonesia’s nationally determined contribution goal of 23% of energy supply coming from renewable sources by 2025. ADB will help Indonesia realize its geothermal potential, the large-scale use of its considerable solar photovoltaic and wind resources, and support gas-fired power generation infrastructure to provide backup capacity for intermittent use of renewable energy and the replacement of diesel in Indonesia. It will promote private sector investment in low-carbon initiatives, including technologies that enable the efficient use of renewable energy, and provide knowledge and capacity support to the newly established Environmental Trust Agency. It will help mobilize

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27 This strategic pathway is aligned with ADB’s operational priorities of tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability (OP 3) and of promoting rural development and food security (OP 5).
domestic and international climate finance and establish market-based carbon mechanisms. It will explore partnership opportunities to help Indonesia address land use, land use change, and forestry emissions. ADB’s climate adaptation support will include enhancing resilience-building measures in urban and rural areas, promotion of climate-smart livelihoods, adaptive social protection, and improved forecasting systems to strengthen the resilience and capacity of women and men in vulnerable communities.

37. **Environmental sustainability and green recovery.** ADB will provide knowledge support and help catalyze investments for projects that foster environmental sustainability and a green recovery from COVID-19. As part of its Action Plan for Healthy Oceans and Sustainable Blue Economies, ADB will seek to mobilize public and private sector investments to help improve ocean health. It will explore innovative approaches such as coral reef insurance and blue bonds, marine aquaculture, artificial reefs, renewable energy, and ecotourism for ecosystem services. In line with a green, livable cities approach, ADB will promote PPPs for waste management and waste-to-energy development; mobilize investments for low-emission transport schemes; and support the National Plastic Action Partnership, nature-based solutions, and circular economy practices. It will provide knowledge and TA to help formulate policies and plans aimed at triggering an environmentally sustainable COVID-19 green recovery path.

38. **Disaster risk management and finance.** ADB will promote disaster risk reduction by integrating disaster risk considerations into project designs, reinforcing resilience-building measures, and improving early warning systems. It will continue to take an active role in Indonesia’s COVID-19 response and recovery, support efforts to strengthen Indonesia’s preparedness to shocks. It will explore disaster risk financing options in line with the government’s disaster risk financing and insurance strategy, through instruments such as (i) a contingent disaster financing facility that will improve the management of residual risk and accelerate post-disaster recovery and reconstruction, and (ii) a subnational disaster risk insurance pool (mutualized insurance facility) that will strengthen the fiscal resilience of subnational governments to disasters. ADB will support local responsiveness to disasters by building the capacity of vulnerable and marginalized communities and encouraging their participation in decision-making related to disaster risk management and climate adaptation. ADB will support flood risk management and building-back-better approaches after disaster events.

39. **Water and food security.** ADB will seek to introduce innovations in agriculture and natural resource management covering flood resilience, integrated water supply development, improvement of piped water supply and of the performance of water supply operators, irrigated agriculture, better dryland management, and support for the aquaculture industry. Where feasible, ADB will explore opportunities for PPPs and promote private sector investment in agribusinesses.

4. **Crosscutting Priorities**

40. Support for the COVID-19 recovery is the overarching CPS theme, under which ADB will incorporate the following crosscutting priorities in its operations in the country.

41. **Leverage private investments.** ADB will bring to bear its full range of sovereign and nonsovereign modalities for development finance along with its technical expertise and know-how to help catalyze private investments. It will promote greater use of PPPs, help prepare business

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28 ADB is a member of the steering board of Indonesia’s National Plastic Action Partnership, and ADB co-chairs with the Ministry of Finance the task force on financing.
cases to confirm the bankability of PPP projects, and create opportunities for private sector participation and investments in infrastructure.

42. **Advance gender equity and social inclusion.** ADB will work with stakeholders, including the private sector, toward improved gender outcomes. It will use TA to incorporate transformative gender actions into the design of programs and projects. Its programs will specifically target the empowerment of women and girls. ADB will strengthen gender expertise in the resident mission to support CPS implementation while ensuring that project teams have adequate gender expertise to enable effective monitoring and reporting on gender action plans. ADB will support the government’s programs to help the poor and vulnerable recover from COVID-19.

43. **Strengthen governance and institutions.** ADB will help improve the governance and institutional capacity of executing and implementing agencies through TA and programs that support public financial management and procurement reforms. It will also assist efforts to strengthen the governance and financial resilience of SOEs. ADB programs will help build the capacity of local governments for raising capital (e.g., by issuing municipal bonds) and enabling private investments (e.g., through credit guarantees and PPPs) to close the infrastructure gap and improve the quality of infrastructure.

44. **Promote digitalization and technological transformation.** ADB will support digitalization and technological transformation by introducing big data analytics, financial technologies, and frontier technologies for smart infrastructure planning and monitoring. ADB will use new technologies in its operations, such as satellite technology for flood mapping, urban development, and COVID-19 response measures; web-based asset management information systems for water resources infrastructure; smart grids and meters; and active remote sensing systems (LIDAR) to improve survey and planning processes for the operation and maintenance of assets. ADB will partner with the European Space Agency to introduce innovations in its water security and food security program.

45. **Enhance local and regional economic development.** ADB will support sustainable rural transformation by promoting the economic empowerment of villages, stimulating village entrepreneurship, youth employment and job creation, and strengthening local government planning. Particular attention will be given to regions that have been left behind in terms of economic development. ADB will help strengthen the internal controls and audit capacity of local governments as well as help raise capital and open up opportunities for private investments. ADB will promote community-led disaster resilience building.

46. **Strengthen regional cooperation and integration.** ADB will promote regional cooperation and integration by assisting Indonesia (and other developing member countries) in sharing knowledge on public health responses to the COVID-19 pandemic and the economic recovery from it, improving cross-border infrastructure to increase trade flows, boosting the economic development of border regions, and deepening regional agriculture value chains. ADB will support Indonesia in providing development assistance to other developing countries, including Pacific countries, through triangular cooperation.

47. **Support for attainment of the SDGs.** ADB will support Indonesia’s achievement of the SDGs by aligning the CPS with the RPJMN, 2020–2024, which incorporates the SDGs. It will provide knowledge, TA, and innovative financing solutions to help the government mobilize financing and localize SDG targets, and help assess to what extent the COVID-19 pandemic is affecting the achievement of the SDGs.
E. Priorities for Knowledge Support

48. ADB’s knowledge support will focus on the needs of an upper middle-income economy. This will involve developing knowledge under each strategic pathway under the CPS, both as stand-alone knowledge products and as elements incorporated into projects and government plans. Following the One ADB approach, the country knowledge plan will promote cross-fertilization of knowledge between sovereign and nonsovereign operations, and across sectors and themes. An interdepartmental Indonesia Knowledge Advisory Group, which also includes the ADB Institute, coordinates country knowledge work, and the country director of ADB’s resident mission in Indonesia is the knowledge custodian. The detailed country knowledge plan is in Appendix 2.

IV. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

49. Indonesia, a group C developing member country, is eligible for regular ordinary capital resources lending.29 The indicative resources available during 2020–2023 for sovereign lending operations total $10.7 billion.30 ADB will endeavor to leverage its resources through cofinancing and innovative knowledge solutions and to supplement the national program with regional initiatives (Box 2).

B. Implementation Priorities

50. Selectivity. ADB’s engagement in Indonesia will continue to focus on areas where it can add the most value. As Indonesia has the capacity and resources to overcome more traditional development challenges, ADB operations in each sector will seek to help the government tackle complex development issues through a combination of knowledge, technology, and innovative financing. ADB will support the development of demonstration projects as well as the sharing of experiences and best practices. With the notable exception of public health, ADB has had significant engagement in Indonesia in the sectors selected for the proposed CPS, and projects in the pipeline have been under preparation for some time.

<table>
<thead>
<tr>
<th>Box 2: Salient Features of the Country Partnership Strategy</th>
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<tbody>
<tr>
<td>Innovative features in the Country Partnership Strategy include:</td>
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<tr>
<td>(i) Presenting a flexible and agile framework to effectively respond to Indonesia’s rapidly evolving priorities in the coronavirus disease context</td>
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<td>(ii) Prioritizing climate and environment</td>
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<td>(iii) Emphasizing innovation and technology to offer cutting-edge solutions</td>
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<td>(iv) Introducing innovative finance and knowledge solutions on national and local levels</td>
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<td>(v) Advancing gender equality</td>
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<td>(vi) Supporting Indonesia’s new aid agency in promoting emerging areas such as ocean health</td>
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<tr>
<td>(vii) Promoting an integrated, One ADB approach in delivering knowledge and finance</td>
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30 In addition, in 2020 ADB provided $1.5 billion to Indonesia under the COVID-19 Pandemic Response Option. Resources for commitment in 2024 are to be determined.
51. **Financing modalities.** The medium-term impact of COVID-19 is likely to increase demand for financial support from development partners. ADB will be responsive to the government’s evolving needs and priorities, while ensuring that the program comprises a diversified and sequenced suite of modalities, so that policy reforms—backed by TA, knowledge support, and policy-based and results-based lending—are reinforced with investments to drive targeted development outcomes. ADB will use the project readiness financing instrument to develop the project pipeline, build technical capacity, and strengthen institutions. It will promote innovative financing instruments, as well as the use of local currency financing of programs and projects, with options for loan conversion.

52. **Project readiness and portfolio implementation.** In view of a growing portfolio of ADB projects under implementation and to enhance delivery, ADB and the government have developed an action plan to strengthen portfolio performance over the CPS period. ADB will utilize project development facilities and TA efforts to augment project support resources in procurement, safeguards, financial management, and disbursement during project processing. To mitigate disruptions to its operations in the context of COVID-19 protocols, ADB will increase the use of national consultants in the near term and apply new technologies (e.g., satellite technology) during project design and monitoring, and closely engage with project counterparts to ensure the timely processing and implementation of projects.

53. **Partnerships.** ADB will advance partnerships, building on its unique role as a multilateral convener. It will collaborate closely with other development partners and the private sector and will seek opportunities to catalyze official and commercial cofinancing, as well as philanthropic sources. It will deepen engagement with civil society, including through the newly established Civil Society Organization Advisory Group for ADB Indonesia. It will strengthen links with academia and think tanks to augment the relevance and quality of knowledge work.

54. **Instituting the One ADB approach.** ADB operations in Indonesia will reinforce an integrated, One ADB approach that encourages collaboration between its sovereign and nonsovereign operations, synergy in knowledge activities between operations and non-operations departments, and integrated solutions through collaboration across sector and thematic groups. In terms of sovereign and nonsovereign collaboration, ADB’s Southeast Asia Department (SERD), Private Sector Operations Department, and Office of Public–Private Partnership will further advance their collaboration and explore joint opportunities. Engagement and dialogue with government agencies and private sector clients on prospective project and program opportunities will cover ADB’s full suite of available financing and advisory assistance options, as well as sector-focused One ADB value propositions. ADB will further boost synergies between sovereign and nonsovereign operations through early involvement at the concept paper stage, and mutual inclusion of project team members as appropriate. Likewise, SERD will collaborate closely with the Strategy, Policy, and Partnerships Department; Economic Research and Regional Cooperation Department; Sustainable Development and Climate Change Department; and the Treasury Department, among others. ADB will deepen its collaboration with the ADB Institute on knowledge work in Indonesia.

55. **Strengthening country presence.** To support an expanding and increasingly complex and knowledge-heavy program, ADB will continue to strengthen its presence in Indonesia. A

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31 The One ADB approach encourages collaboration between ADB’s sovereign and nonsovereign operations, synergy in knowledge activities between operational and central departments, and integrated solutions through collaboration across sector and thematic groups.

strong country presence—including staff outposted from sector divisions of SERD; the Private Sector Operations Department; and the Procurement, Portfolio, and Financial Management Department; supported by central knowledge departments and offices—will be critical in ensuring greater effectiveness of ADB operations in Indonesia.

C. Monitoring of Results

56. ADB will monitor the implementation of the CPS using the CPS results framework (Appendix 1). Where needed, ADB will strengthen the monitoring and evaluation capacity of executing agencies. The CPS results framework indicators are aligned with the RPJMN, 2020–2024 and the ADB corporate results framework indicators, and will be regularly tracked and reported on. ADB will undertake a midterm review of the CPS implementation and update the CPS results framework if a revision of the government's development targets requires it.

D. Risks

57. **COVID-19 and government policy.** Indonesia's outlook will be impacted by COVID-19. A delay in recovery from the pandemic will adversely impact public health and economic performance, and may jeopardize Indonesia's ability to achieve its RPJMN, 2020–2024 targets. In the context of increased economic and external uncertainties, there is a risk of changes in government policies and approaches. The CPS aims to support the government through an enhanced package of financial and knowledge support, dialogue, and partnership. ADB will help the government in managing pandemic and recession curves and devising mitigation approaches. ADB will step up its knowledge work and reform dialogue including regional cooperation. The CPS includes a degree of strategic flexibility taking into account the rapidly evolving development context and priorities.

58. **Climate and disaster risk.** Indonesia is prone to natural hazards, with potential adverse impacts on livelihoods, economic performance, and infrastructure damage. This may also affect the sustainability of ADB-financed projects. The CPS prioritizes climate risk and resilience. ADB stands ready to support the government in addressing the impact of natural disasters through emergency and other support measures. ADB's projects will be designed to be climate proof and ADB will work with the government and communities to strengthen capacity in disaster risk management and financing.

59. **Reform capture.** In a large and diverse economy with a complex geography like Indonesia, there are risks of reforms and large-scale institutional or regulatory changes being captured and held back by vested interests. Successive Indonesian administrations since the Asian financial crisis have put in place measures to promote wider dissemination of information around reform packages and give voice to those likely to be affected. Given the complex political economy of reforms, ADB will continue to work closely with governments at national and local levels, civil society, the private sector, the media, and development partners in supporting forward-looking measures.

60. **Coordination and implementation.** Coordination issues between government ministries and between central and subnational government levels, combined with capacity gaps and accentuated by the impact of COVID-19, may affect implementation of a growing portfolio of investment projects. ADB and the government have reinforced measures to strengthen project preparation and implementation, taking into account the need to make adjustments under COVID-19 protocols.
COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

**Country Development Impact Indicators with which the CPS is Aligned**
1. Gross domestic product growth rate increased to 6.0% per year by 2024 (2015–2019 baseline average: 5.0%)
2. Human development index score increased to 75.54 by 2024 (2018 baseline: 71.39)
3. Investment increased to 6.6%–7.0% by 2024 (2015–2019 baseline average: 5.4%)
4. Improvement in Indonesia’s Environmental Quality Index to 69.7 and reduction in GHG emissions by 27.3% by 2024 (2018 baseline: Environmental Quality Index of 65.1 and reduction in GHG emissions by 22.6%)

<table>
<thead>
<tr>
<th>CPS Strategic Objectives</th>
<th>Priority Areas</th>
<th>Key Outcomes that ADB Contributes to</th>
<th>Outcome Indicators</th>
<th>CPS Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving well-being</td>
<td>Health care</td>
<td>Sustainable provision of essential health services, including prevention, detection, and treatment for COVID-19 and other diseases</td>
<td>Percentage of citizens with access to affordable health care increased to 98% by 2024 (2019 baseline: 84%)</td>
<td>Ongoing portfolio: As of 31 December 2019</td>
</tr>
<tr>
<td></td>
<td>Social protection</td>
<td>Expanded program of social assistance to poor and vulnerable households</td>
<td>Poor and vulnerable households receiving government social assistance increased to 80.0% by 2024, disaggregated by sex (2018 baseline: 65.2%)</td>
<td>Sovereign loan projects Number: 21 Amount: $3.18 billion</td>
</tr>
<tr>
<td></td>
<td>Educational quality</td>
<td>Educational institutions in regional areas better able to provide advanced skills</td>
<td>Gross tertiary enrollment increased to 37.6% by 2024, disaggregated by sex (2018 baseline: 30.2%)</td>
<td>Nonsovereign projects Number: 8 Amount: $1.20 billion</td>
</tr>
<tr>
<td></td>
<td>Workforce skills</td>
<td>Improved skills and competencies for women and men</td>
<td>Percentage of higher education graduates securing a job within one year of completion of study increased to 66.7% by 2024, disaggregated by sex (2019 baseline: 64.3%)</td>
<td>Planned operations and contribution (3-year pipeline as per latest COBP): Sovereign lending operations of $9.1 billion for 2021–2023</td>
</tr>
<tr>
<td>2. Accelerating economic recovery</td>
<td>Economic policy and structural reforms</td>
<td>Increased economic competitiveness and reduced barriers to doing business</td>
<td>Doing business score and ranking improved by 2024 (2020 baseline: overall score of 69.6, ranked 73rd out of 190 countries in 2020 report)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Domestic resource mobilization</td>
<td>Increased revenue for development financing</td>
<td>At least one municipal bond issued by 2024 (2019 baseline: 0)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial market deepening and inclusion</td>
<td>Increased access to financial services</td>
<td>Access to formal bank accounts by 75.0% of the overall adult population reached (2017 baseline: 48.9%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Quality infrastructure</td>
<td>Increased access to energy</td>
<td>Household electrification rate of 99.5% reached by 2024 (2019 baseline: 98.8%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Transmission lines increased to 107,653 ckm by 2024 (2018 baseline: 59,322 ckm)</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 1

### CPS Strategic Objectives

<table>
<thead>
<tr>
<th>Priority Areas</th>
<th>Key Outcomes that ADB Contributes to</th>
<th>Outcome Indicators</th>
<th>CPS Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved transport infrastructure</td>
<td></td>
<td>Low-voltage distribution lines increased to 696,386 ckm by 2024 (2018 baseline: 565,194 ckm); medium-voltage distribution lines increased to 500,046 ckm by 2024 (2018 baseline: 391,725 ckm)</td>
<td></td>
</tr>
<tr>
<td>Increased progress toward livable cities</td>
<td></td>
<td>Construction completed on three ports in Sulawesi with ADB support by 2024 (2019 baseline: 0)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Feasibility study and detailed design completed for 200 km of roads in Kalimantan and 20 km of mass rapid transit in Jakarta by 2024 (2019 baseline: 0)</td>
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<tr>
<td></td>
<td></td>
<td>70,270 households in Jambi, Makassar, and Pekanbaru connected to central sewerage system by 2024 (2019 baseline: 0)</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Additional 100,000 urban households connected to clean water supply by 2024 (2019 baseline: 14,417,549)</td>
<td></td>
</tr>
<tr>
<td>3. Strengthening resilience</td>
<td>Climate change mitigation and adaptation</td>
<td>Reduced GHG emissions</td>
<td>Share of renewable energy in the national energy mix of 20% reached by 2024 (2018 baseline: 15.1%)</td>
</tr>
<tr>
<td>Environmental sustainability and green recovery</td>
<td></td>
<td>Increased adoption of green solutions</td>
<td>At least one integrated sanitation system adopting green, nature-based solutions by 2024 (2019 baseline: 0)</td>
</tr>
<tr>
<td>Disaster risk management and finance</td>
<td></td>
<td>Increased resilience to disasters triggered by natural hazards</td>
<td>Investment in disaster risk management in the state budget increased to 1.00% of the state budget (2019 baseline: 0.04% of the state budget)</td>
</tr>
<tr>
<td>Water and food security</td>
<td></td>
<td>Increased response to pandemics</td>
<td>National roadmap on COVID-19 vaccine development prepared (2020 baseline: COVID-19 vaccine development roadmap does not exist)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increased water security and resilience (flood and water supply) and increased food production</td>
<td>Additional 10,000 hectares of land with improved water management by 2024 (2019 baseline: 0)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Additional 60,000 hectares of land optimized for agriculture production by 2024 (2019 baseline: 0)</td>
</tr>
</tbody>
</table>

ADB = Asian Development Bank, ckm = circuit-kilometer, COBP = country operations business plan, COVID-19 = coronavirus disease, CPS = country partnership strategy, GHG = greenhouse gas, km = kilometer.

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COUNTRY KNOWLEDGE PLAN

A. Knowledge Needs

1. Indonesia, in its National Medium-Term Development Plan (RPJMN), 2020–2024, establishes the goal of achieving prosperous, fair, and sustainable development by 2024.1 To prepare this strategy document, the Asian Development Bank (ADB) provided high-quality, demand-driven background papers in areas such as revitalization of the manufacturing industry, food and water security, energy sector development, skills and higher education, technological transformation, and development funding strategies. In full alignment with the RPJMN, the country partnership strategy (CPS), 2020–2024 focuses on (i) improving well-being, (ii) accelerating economic recovery, and (iii) strengthening resilience. Indonesia has identified knowledge needs in these areas, including transformative strategies for recovery from the adverse impact of the coronavirus disease (COVID-19) pandemic and building resilience to exogenous shocks.

2. Knowledge needs for improving well-being. Indonesia needs to move closer to global best practices in health care, social protection, education, and skills for a more productive and competitive workforce. As identified in the recent country assistance program evaluation (CAPE),2 this is an area where ADB engagement is particularly needed. The quality of education and health in Indonesia continues to lag, and international assessments frequently grade the country’s education and health outcomes as poor. Innovative knowledge solutions are needed for skilling, reskilling, and upskilling, as well as for improving social safety nets and public health.

3. Knowledge needs for accelerating economic recovery. The government has prioritized structural reforms to promote the economic transformation to higher value-added manufacturing and services. In the development of this agenda, ADB provided knowledge support, particularly on manufacturing and technology, and programmatic support for reforms to increase competitiveness. Macro analysis to inform the government’s medium-term policy development is also needed, as is a focused thematic analysis of the government’s policy priority topics. Routine economic surveillance is required to ensure sound macroeconomic management and to find timely responses to trends that may erode development gains and the investment climate.

4. Knowledge needs for strengthening resilience. The RPJMN highlights how the current focus on natural resource extraction makes it difficult to sustain economic and social progress, especially given the ongoing environmental depletion and the links to unsustainable forest conversion practices. Solutions to disease outbreak, antimicrobial resistance, pollution, environmental degradation, natural hazards, and climate change require strong knowledge operations—particularly given escalating climate and environmental costs and commitments to the Sustainable Development Goals. Efforts are needed to build awareness of these environmental problems and improve the capacity of stakeholders to solve them.

5. Crosscutting governance knowledge needs. Strengthening Indonesia’s governance capacity is a priority, given the knowledge, skills, and information system gaps in national and subnational policy frameworks, project cycle management, and technological readiness. The CAPE highlighted that low capacity and a lack of project implementation ability hindered the effectiveness of infrastructure development. Incorporating knowledge solutions and capacity

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building for implementing partners into projects will be critical for ensuring successful and timely completion. Project preparation, capacity building, and knowledge generation support have been an integral part of previous country programs and will continue to be a focus of the CPS for 2020–2024. Priority will be given to monitoring and evaluation, including for optimizing fiscal multipliers.

B. Scope of ADB’s Planned Knowledge Operations

6. ADB’s approach to knowledge operations in Indonesia seeks to inform its strategy and is implemented through policy dialogue, analysis and monitoring, and knowledge products and solutions (Table A2.1). In line with Strategy 2030 and the RPJMN, ADB will strengthen its knowledge operations to progress national development priorities, foster regional cooperation, and tackle challenges such as COVID-19. Knowledge operations will remain client-driven and responsive to needs for policy or programmatic innovation and key reform initiatives, with all ADB projects and products to incorporate knowledge components.

Table A2.1: Mapping of ADB’s Knowledge Operations in Indonesia

<table>
<thead>
<tr>
<th>Policy Dialogue</th>
<th>Analytics and Monitoring</th>
<th>Knowledge Products</th>
<th>Knowledge Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADB Strategy and programming</td>
<td>Country programming</td>
<td>Program, projects, and technical assistance</td>
<td>ADB knowledge events</td>
</tr>
<tr>
<td>Institutional engagement</td>
<td>• CPS/ISGA/CKP</td>
<td>• Sector assessments</td>
<td>• Digital forum</td>
</tr>
<tr>
<td>• President and senior management meetings</td>
<td>• COBP</td>
<td>• Diagnostic studies</td>
<td>• Social protection week</td>
</tr>
<tr>
<td>• Strategy 2030</td>
<td>• CPM</td>
<td>• Evaluations</td>
<td>• PPP monitor</td>
</tr>
<tr>
<td>• ADB annual meeting, including special topics, committee meetings, and MOUs</td>
<td>• CAPE</td>
<td>• Sustainability assessments</td>
<td>• Asian Regional Public Debt Management Forum</td>
</tr>
<tr>
<td>• Development policy letter for PBLs</td>
<td>• CIN and other briefing notes</td>
<td>• PCR/TCR</td>
<td></td>
</tr>
</tbody>
</table>

| Economic monitoring and surveillance | Reported to the board: Flagship study; signature product; special report; op-eds; policy briefs; technical studies; working papers | Smart solutions |
| • Technical assistance; ADO; Indonesia daily news feed; VPO2 report | • Indonesia knowledge events | • Innovations |
| • Analytic tools and analysis: Nowcasting; macro-monitoring framework; interregional CGE model (IndoTERM); microdata bank and Haver Analytics; just-in-time knowledge, big data, cost benefit analysis | • Case studies; toolkits; learning modules; technical blogs; technical notes; websites; videos; infographics; journal articles; impact evaluations; Q&As; FAQs; guides; databases | • Pilot initiatives |

| Sectoral and thematic dialogues | Other products: Flagship forums; selected research; policy briefs; technical studies; working papers | Advanced technologies |
| • COVID-19 and bounce back strategy: PACER Dialogues | |
| • CARES high-level policy dialogue on monitoring and reporting | |

| Indonesia policy dialogue | National development priorities | Regional cooperation and integration | ADB = Asian Development Bank, ADO = Asian Development Outlook, ASEAN = Association of Southeast Asian Nations, BIMP-EAGA = Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, CAPE |
| Annual International Forum on Economic Development and Public Policy | Annual SDGs forum | Southeast Asia Policy Dialogue | One ADB |
| Indonesia-ADB high-level policy dialogue | Indonesia Development Forum | | • ERCD, SDCC, PSOD, OGC, ITD, SPD cooperation |
| Annual SDGs forum | | • SERD Economist ASEAN Policy Network |
| Indonesia Development Forum | | • ADB Institute working papers |

country assistance program evaluation, CARES = COVID-19 Active Response and Expenditure Support Program, CGE = computable general equilibrium, CIN = Country Information Note, CKP = Country Knowledge Plan, COBP = country operations business plan, COVID-19 = coronavirus disease, CPM = Country Programming Mission, CPS = Country Partnership Strategy, DMCs = Developing Member Countries, ERCD = Economic Research and Regional Cooperation Department, FAQs = frequently asked questions, IMT-GT = Indonesia-Malaysia-Thailand Growth Triangle, ISGA = Inclusive and Sustainable Growth Assessment, ITD = Information Technology Department, MOU = Memorandum of Understanding, OGC = Office of the General Counsel, PACER = Policy Actions for COVID-19 Economic Recovery, PBL = Policy Based Lending, PCR = Program Completion Report, PPP = Public Private Partnership, PSOD = Private Sector Operations Department, Q&As = questions and answers, SDCC = Sustainable Development and Climate Change Department, SDGs = Sustainable Development Goals, SERD = Southeast Asia Regional Department, SPD = Strategy and Policy Department, TCR= Technical Assistance Completion Report, VPO2 = Vice-President (Operations 2).


7. **Integration of knowledge and programming for greater operational value.** Knowledge operations will provide solutions, unlock productive potential, and enhance institutional capacities and partnerships (Table A2.2). Strategic issues will be investigated to support the government in formulating and future-proofing its medium-term development strategies, policies, and programs. Evidence-based policy reform and program development through just-in-time diagnostics will be promoted. Knowledge operations will be provided to address specific central and subnational portfolio challenges and translated into actionable products and services. Support will be provided to pilot new and innovative programs, technologies, and business processes that provide smart solutions. ADB will continue to support capacity development for policy analysis and project implementation, as well as routine economic monitoring and surveillance, to ensure that country programming solutions respond to emerging needs. All programming and knowledge support will leverage ADB’s sovereign and nonsovereign operations to deliver more innovative knowledge and financing solutions. Following the One ADB approach, cross-fertilization of knowledge between sovereign and nonsovereign operations and across sectors and themes will be used to inform sovereign lending, and vice versa. This will allow for the use of technical, crosscutting, and innovation resources for more innovative knowledge solutions across operational priority areas.

| Table A2.2: Country Knowledge Support Framework |

<table>
<thead>
<tr>
<th>Knowledge Support Framework</th>
<th>Vision</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inclusive, Competitive, and Sustainable Development Emerging Stronger from COVID-19</td>
<td>Effective knowledge operations for achieving national development priorities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country Partnership Strategy, 2020–2024</th>
<th>Operational approach</th>
<th>Institutional capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Improving well-being</td>
<td>(i) In-depth and future-proofed analysis for medium-term planning</td>
<td>(i) Capacity development of institutions</td>
</tr>
<tr>
<td>(ii) Accelerating economic recovery</td>
<td>(ii) Knowledge for formulating evidence-based policy and meeting emerging needs</td>
<td>(ii) Knowledge support on economic monitoring and surveillance</td>
</tr>
<tr>
<td>(iii) Strengthening resilience</td>
<td>(iii) Knowledge products and/or services for operational challenges</td>
<td>(iii) Capture tacit knowledge</td>
</tr>
<tr>
<td></td>
<td>(iv) Translate knowledge into products and/or services</td>
<td>(iv) Measurement of knowledge use</td>
</tr>
<tr>
<td></td>
<td>(v) Pilot testing and scaling of innovation</td>
<td>(v) Innovation skills and capabilities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dissemination and partnerships</th>
<th>Knowledge sharing enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Smart documentation of solutions</td>
<td>(i) Research and knowledge production capacity</td>
</tr>
<tr>
<td>(ii) Engagement in forums and virtual communities</td>
<td>(ii) Leveraging sovereign and nonsovereign use</td>
</tr>
<tr>
<td>(iii) Leveraging digital technologies</td>
<td>(iii) One ADB approach</td>
</tr>
<tr>
<td>(iv) Partnerships, including with development organizations, nongovernment organizations, and civil society organizations</td>
<td>(iv) Just-in-time knowledge services</td>
</tr>
<tr>
<td>(v) Knowledge communication strategies</td>
<td>(v) Leveraging digital learning</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Regional and global perspectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Regional and subregional initiatives; (ii) Promote learning between countries; and (iii) Creating global knowledge</td>
</tr>
</tbody>
</table>


8. **Effective knowledge capture for enhanced dissemination and management.** As part of efforts to step up on knowledge, ADB will produce and disseminate knowledge through (i) traditional channels such as project documentation, blogs, opinion articles, working papers, policy forums, and press conferences; and (ii) nontraditional channels such as online platforms, webinars, virtual meetings, and interactive workspaces. Accessibility of knowledge from operational activities, pilot projects, research, policy dialogue, and capacity-building efforts will be enhanced through human- and learner-centered multipronged dissemination strategies. Cross-fertilizing solutions, such as tacit knowledge capture and virtual communities, will be promoted.

C. **Areas of Collaboration with Partners**

9. Following a One ADB approach, knowledge collaboration will be sought across ADB departments, with the ADB Institute, and with other knowledge partners. Partnerships will be leveraged with international and national development agencies and stakeholders in public and private sectors, academia and think tanks, big data entities, and civil society organizations. The Ministry of Finance and ADB maintain an active policy dialogue for strengthening policies and programs, including through monitoring of Indonesia’s economic recovery program. Bank Indonesia and ADB maintain a successful cooperation framework involving joint economic analysis and policy dialogues on selected topics to strengthen policy formulation. ADB has similar knowledge partnerships with the National Development Planning Agency (BAPPENAS) and PT Sarana Multi Infrastruktur, while also regularly engaging in knowledge forums involving a wide array of government agencies in key sectors and themes of ADB operations. ADB also works with higher education institutions and research agencies—such as the Surabaya Institute of Technology, Centre for Strategic and International Studies, and Bandung Institute of Technology—and could expand cooperation to other institutions.

D. **Resource Allocation**

10. The implementation of the country knowledge plan is led by ADB’s internal Indonesia Knowledge Advisory Group (KAG), which is chaired by the country director of the resident mission and comprises all ADB departments and offices involved in knowledge in Indonesia as well as the ADB Institute. The KAG is guided by an annual high-level policy dialogue between ADB and the government. Knowledge work will usually be undertaken by staff or consultants typically funded under ADB’s technical assistance funds including trust funds. ADB will proactively seek to promote partnership and cofinancing arrangements with key partners including the government.

E. **Knowledge Competence or Expertise**

11. The government has built up strong knowledge and expertise, particularly on macroeconomic and fiscal policies. It has continually expressed its strong interest in partnering with ADB to further strengthen its capacity for using and sharing its knowledge and expertise. Indonesia aspires to have deeper engagement in global development by creating and exchanging knowledge and supporting regional and subregional initiatives, including local currency settlements for regional trade and border area development. The government has established a bilateral development aid agency with a focus on the Pacific and expressed interest in working with ADB on a triangular cooperation basis. ADB is well positioned to support this initiative, particularly through regional cooperation and integration initiatives of mutual interest and comparative advantage.
LIST OF LINKED DOCUMENTS
http://www.adb.org/Documents/CPS/?id=INO-2020

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix
3. Indicative Country Operations Business Plan

Supplementary Document

4. One ADB in Indonesia: Leveraging ADB’s Sovereign and Nonsovereign Operations