

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The proposed subprogram aims to support the government's reform program to improve the investment climate. It supplements other ongoing Asian Development Bank (ADB) programs, such as the Financial Market Development and Inclusion Program and the Sustainable and Inclusive Energy Program.¹ German development cooperation through KfW will cofinance the proposed subprogram.

2. The Government of Indonesia has renewed its commitment to achieving higher levels of investment, charting a reform path that is credible to stakeholders both inside and outside Indonesia. The program takes into account assistance provided by other multinational and bilateral aid agencies to develop aid synergies for the highest possible program effectiveness. The table below provides a summary of recent programs supported by development partners in the core areas related to the program.

Major Development Partners

Development Partner	Project Name	Duration	Amount (\$ million)
Investment Climate and Doing Business			
ADB	Stepping Up Investments for Growth Acceleration Program, Subprogram 1	2013–2014	400.0
	Stepping Up Investments for Growth Acceleration Program, Subprogram 2	2015–2016	500.0
	Inclusive Growth through Improved Connectivity, Subprogram 1	2012	300.0
	Inclusive Growth through Improved Connectivity, Subprogram 2	2013	400.0
	Financial Market Development and Inclusion Program, Subprogram 1	2015–2016	400.0
	Financial Market Development and Inclusion Program, Subprogram 2	2017–2018	400.0
	MDB Infrastructure Assistance Program	2013–2019	0.5
Australia (DFAT)	Indonesia Infrastructure Initiative Facility: Policy and Investment Component Phase 2	2011–2017	33.3
	Program for Economic Resilience, Investment, and Social Assistance	2012–2017	1,000.0
	MDB Infrastructure Assistance Program	2013–2019	40.5
JICA	Program for Economic Resilience, Investment, and Social Assistance	2012–2017	1,000.0
IFC	Indonesia Secured Transactions Project	2014–2016	1.5
	Indonesia Responsible Finance	2015–2019	1.6
World Bank	Indonesia First Financial Sector and Investment Climate Modernization Development Policy Loan	2012	100.0
	Financial Sector Reform and Modernization Development Policy Loan	2014	500.0

¹ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of Indonesia for the Financial Market Development and Inclusion Program*. Manila; and ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of Indonesia for the Sustainable and Inclusive Energy Program*. Manila.

Development Partner	Project Name	Duration	Amount (\$ million)
	Program for Economic Resilience, Investment and Social Assistance in Indonesia	2012–2015	2,000.0
	Indonesia Fiscal Reform DPL 1	2016	400.0
	Indonesia Fiscal Reform DPL 2	2017–2018	300.0
Public–Private Partnerships			
ADB	Infrastructure Project Development Facility	2006–2014	28.5
	Indonesian Infrastructure Financing Facility Company Project	2009–2014	140.0
	Enhancing Inclusive Growth through Connectivity, Subprogram 1	2012	300.0
	Enhancing Inclusive Growth through Connectivity, Subprogram 2	2013	400.0
Australia (DFAT)	Strengthening Public–Private Partnerships in Indonesia (part of the Sustainable Infrastructure Assistance Program TA cluster; administered by ADB)	2013–2017	2.00
	Indonesia Infrastructure Initiative Facility	2011–2015	27.9
	Indonesia Infrastructure Support Trust Fund with World Bank	2008–2016	18.6
Canada (DFATD)	Support to MOF under APEC PPP Center of Excellence Initiative (planned)	2014–2016	5.0
JICA	Road Policy Advisor	2015–2018	
	Jakarta MRT Project Advisor	2015–2017	
	Port Development Policy Advisor	2015–2018	
	Project for Improvement on Aviation Safety & Efficiency	2015–2018	3.43
	Investment Promotion Policy Advisor	2015–2017	
World Bank	Connectivity Development Policy Loan	2012	100.0
	Connectivity Development Policy Loan 2	2013	300.0
	Indonesia Infrastructure Finance Facility	2009–2015	100.0
	Indonesia Infrastructure Guarantee Fund Standby Facility	2012–2018	480.0
	Indonesia Infrastructure Guarantee Fund (additional financing)	2012–2018	29.6
	Support to Design of PPP Unit at MOF	2013–2014	N/A
Land Resettlement			
	Capacity Development for Social Safeguards Preparation and Implementation in Water Resource Management and Energy in Indonesia	2012–2013	0.45
	Aligning ADB and Country Systems for Improved Project Performance: The Use of Country Safeguard System	2013–2016	1.0
United States (MCC)	Green Prosperity Program: Land Mapping Component	2013–2018	332.0
Public Procurement			
ADB	Strengthening Public Procurement Process	2010–2014	1.25
	Aligning ADB and Country Systems for Improved Project Performance	2013–2016	0.5

Development Partner	Project Name	Duration	Amount (\$ million)
	Developing Procurement Capacity for Improved Procurement Outcomes	2012–2015	0.45
	Second Governance and Anti-Corruption Action Plan	2014–2015	0.25
World Bank	Advisory and Analytical Activities to Support Public Procurement Reform	2012–2014	0.75

ADB = Asian Development Bank; APEC = Asia Pacific Economic Cooperation; DFAT = Department of Foreign Affairs and Trade of Australia; DFATD = Department of Foreign Affairs, Trade and Development of Canada; DPL = Development Policy Loan; IFC = International Finance Corporation, JICA = Japan International Cooperation Agency, MCC = Millennium Challenge Corporation; MDB = Multilateral Development Bank; MOF = Ministry of Finance; MRT = Municipal Rapid Transit; PPP = public–private partnership; TA = technical assistance.

Sources: ADB and development partners.

B. Institutional Arrangements and Processes for Development Coordination

3. A formal and regular development partners' forum has not been reestablished since the dissolution of the Consultative Group for Indonesia process in 2007. However, the government has established a strong coordination mechanism with development partners through the Coordinating Ministry for Economic Affairs and the Ministry of Finance as focal agencies. Through this mechanism, ADB missions regularly include dialogue with development partners to exchange information. Development partner coordination meetings are regularly held in the areas of investment, infrastructure development, and public–private partnerships and public financial management (procurement).

4. For the implementation of the proposed program, development partner coordination is being undertaken through regular joint meetings of development partners and government representatives. German development cooperation through KfW is considering parallel financing for subprogram 3.

C. Achievements and Issues

5. Various development partners provide technical assistance in support of the investment climate reform agenda identified by the Government of Indonesia. Close coordination between ADB's policy-based lending and other development partners have allowed the ADB project team to build on the natural synergies and complementarities that exist across their respective portfolios. This approach at the policy and operational levels has provided a solid foundation to maximize synergies, reduce transaction burdens, and better align support with the government's needs. The proposed subprogram provides a platform for close coordination between development partners under a large support program, enabling a consistent approach to improving the investment climate, infrastructure development, and public procurement reform, which are critical challenges for the country's development.

D. Summary and Recommendations

6. The proposed subprogram builds on the success of earlier program-based loans from ADB and development partners, as well as on the synergies and complementarities created by their harmonized approach. The modality for the program is based on continued productive dialogue with the government and development partners to support efforts to formulate and implement high-priority medium-term reforms that are expected to bolster the country's competitiveness and economic growth.