ADB

Completion Report

Project Number: 31660
Loan Number: 1620
December 2006

Indonesia: Capacity Building for Financial Governance

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – rupiah (Rp)

		At Appraisal	At Project Completion
		March 1998	16 May 2005
Rp1.00	=	$.00012	$.00010
$1.00	=	Rp8,500	Rp9,472

ABBREVIATIONS

ADB	–	Asian Development Bank
Bapepam	–	Badan Pegawas Pasar Modal (Capital Markets Supervisory Agency)
Bapepam-LK	–	Badan Pegawas Pasar Modal-Lembaga Keuangan (Indonesian Capital Market and Non-Bank Financial Service Supervisory Agency)
BI	–	Bank Indonesia
BKN	–	Badan Kepegawaian Negara (National Civil Service Agency)
BPKP	–	Badan Pegawas Keuangan dan Pembangunan (Financial and Development Supervisory Board
BPLK	–	Badan Pendidikan dan Ltihan Keuangan (Financial Education and Training Agency)
Bulog	–	Badan Urusan Logistik Nasional (food logistics agency)
CBFG	–	Capacity Building for Financial Governance (TA loan)
DGFI	–	Directorate General of Financial Institutions
EMI	–	Extended Mission for Indonesia
FGRSDP	–	Financial Governance Reforms Sector Development Program
GDP	–	gross domestic product
IBRA	–	Indonesian Bank Restructuring Agency
IRM	–	Indonesia Resident Mission
JITF	–	Jakarta Initiative Task Force
MIS	–	management information system
MOF	–	Ministry of Finance
SME	–	small and medium-sized enterprise
SOE	–	state-owned enterprise
TA	–	technical assistance
USAID	–	United States Agency for International Development

NOTES

(i) The fiscal year (FY) of the Government and its agencies during the initial period of project implementation ran from 1 April to 31 March. From 2001, FY runs from 1 January to 31 December. FY before a calendar year denotes the year in which the fiscal year ends.

(ii) In this report, "$" refers to US dollars.

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BASIC DATA

A. Loan Identification

1.	Country	Indonesia
2.	Loan Number	1620
3.	Project Title	Capacity Building for Financial Governance
4.	Borrower	Republic of Indonesia
5.	Executing Agency	Ministry of Finance
6.	Amount of Loan	$50 million
7.	Project Completion Report Number	974

B. Loan Data

1.	Appraisal	
	– Date Started	Not required
	– Date Completed	Not required
2.	Loan Negotiations	
	– Date Started	3 April 1998
	– Date Completed	3 April 1998
3.	Date of Board Approval	15 June 1998
4.	Date of Loan Agreement	26 June 1998
5.	Date of Loan Effectiveness	
	– In Loan Agreement	24 September 1998
	– Actual	26 June 1998
	– Number of Extensions	0
6.	Closing Date	
	– In Loan Agreement	14 February 2002
	– Actual	16 May 2005
	– Number of Extensions	3
7.	Terms of Loan	
	– Interest Rate	London interbank offered rate
	– Maturity (number of years)	15
	– Grace Period (number of years)	3
8.	Terms of Relending (if any)	
	– Interest Rate	
	– Maturity (number of years)	
	– Grace Period (number of years)	
	– Second-Step Borrower	

9. Disbursements

a. Dates

Initial Disbursement	Final Disbursement	Time Interval
24 September 1998	16 May 2005	79 months and 22 days
Effective Date	**Original Closing Date**	**Time Interval**
26 June 1998	14 February 2002	43 months and 20 days

b. Amount ($ million)

Category	Original Allocation	Last Revised Allocation	Amount Canceled	Net Amount Available	Amount Disbursed	Undisbursed Balance
International Consulting Services	25.50	24.52	0.98	24.52	24.52	0
Domestic Consulting Services	1.80	1.68	0.12	1.68	1.68	0
External Training	12.80	8.31	4.49	8.31	8.31	0
Domestic Training	0.80	0.89	(0.09)	0.89	0.89	0
Equipment/ Materials	3.00	1.28	1.72	1.28	1.28	0
Unallocated	6.10	0	6.1	0	0	0
Total	**50.00**	**36.68**	**13.32**	**36.68**	**36.68**	**0**

10. Local Costs (Financed)

- Amount ($)	1.34
- Percent of Local Costs	33.43
- Percent of Total Cost	3.64

C. Project Data

1. Project Cost ($ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	46.00	35.34
Local Currency Cost	4.00	1.34
Total	50.00	36.68

2. Financing Plan ($ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower Financed	3.00	
Asian Development Bank Financed	50.00	36.68
Other External Financing	0.00	n.a.
Total	53.00	36.68

3. Cost Breakdown by Project Component ($ million)

Component	Appraisal Estimate	Actual
Bank Indonesia	23.00	10.16
Capacity Building for Capital Market Development	3.00	1.64
Capacity Building for Financial Sector Management	8.00	6.24
Strengthening Public and Private Sector Accountability	12.00	6.67
Modernizing the Public Sector	1.00	0.53
Bankruptcy and Secured Transactions	2.00	0.00
Facilitate Debt Restructuring (Jakarta Initiative/MOF)	1.00	0.76
Special Audits		8.49
Added Components		
Deposit Insurance		0.00
Jamsostek Audit and Review		1.27
Insurance Company Review		0.92
Nonbank Financial Institution Supervision		0.00
Total	50.00	36.68

MOF = Ministry of Finance.

4. Project Schedule

Item	Appraisal Estimate	Actual
Date of Contract with Consultants		
Completion of Engineering Designs	n.a.	
Civil Works Contract	n.a.	
Date of Award	n.a.	
Completion of Work	n.a.	
Equipment and Supplies		
Dates		
First Procurement		
Last Procurement		
Completion of Equipment Installation		
Start of Operations	n.a.	
Completion of Tests and Commissioning	n.a.	
Beginning of Start-Up	n.a.	
Other Milestones	n.a.	

5. Project Performance Report Ratings

	Ratings	
Implementation Period	**Development Objectives**	**Implementation Progress**
From 30 Nov 1998 to 29 Feb 2000	Satisfactory	Highly satisfactory
From 31 Mar 2000 to 30 Nov 2000	Satisfactory	Satisfactory
From 31 Dec 2000 to 31 May 2001	Satisfactory	Unsatisfactory
From 30 Jun 2001 to 31 Jul 2001	Satisfactory	Satisfactory
From 21 Aug 2001 to 30 Apr 2005	Satisfactory	Partly satisfactory

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members
Fact-Finding	4 Dec 1997–19 Jan 1998	11		Manager, senior economist, senior. economist and program officer, senior financial analyst, senior economist, investment officer, counsel, program officer, economist, capital market specialist, and young professional
Fact-Finding (follow-up)	6–24 Feb 1998	6	108	Manager, senior economist, assistant general counsel, senior economist, program officer, senior financial economist, senior financial economist, senior program officer
Loan Review 1	2–5 Feb 1999	3	12	Capital market specialist, lead financial specialist, consulting services specialist
Loan Review 2	9–13 Aug 1999	1	5	Lead financial specialist
Loan Review 3	12–15 Dec 1999		4	
Loan Review 4	24–28 Jun 2000		5	
Loan Review 5	17–23 Jan 2000	1	5	Lead financial specialist
Loan Review 6	8–12 May 2000	2	9	Lead financial specialist, economics analyst
Loan Review 7	25–28 May 2000		4	
Loan Review 8	10–14 Jul 2000	2	10	Lead financial specialist, senior financial specialist
Loan Review 9	11–12 Sep 2000	1	2	
	11–14 Dec 2000	1	5	Senior financial analyst
Loan Review 10	18–23 Jun 2001	1	6	Senior banking sector specialist
Loan Review 11	18 May–3 Jun 2001	1	8	Senior financial analyst
Loan Review 12	1–7 Jul 2001	1	6	Senior banking sector specialist
Loan Review 13	22–24 May 2001	1	3	
Loan Review 14	3–12 Dec 2001	1	10	Senior banking sector specialist
Loan Review 15	14–16 May 2002	1	3	Economics analyst
Loan Review 16	25 Jul 2002	1	1	
Loan Review 17	11–15 Nov 2002	2	10	Financial economist, economics analyst
Loan Review 18	30 Apr–3 May 2003	1	4	
Loan Review 19	14–16 Dec 2004	2	6	Financial economist, national officer
Loan Review 20	14 Mar 2005	1	2	
Project Completion Review	10–14 Jul 2006	2	10	Financial economist, national officer

I. PROJECT DESCRIPTION

1. On 25 June 1998, the Asian Development Bank (ADB) approved the Capacity Building for Financial Governance[1] (CBFG) technical assistance (TA) loan of $50 million from ADB's ordinary capital resources to the Government of Indonesia, in conjunction with the Financial Governance Reforms Sector Development Program[2] (FGRSDP) for $1.4 billion. Directorate General of Financial Institutions (DGFI), Ministry of Finance (MOF) was the Executing Agency as well as an implementing agency for a number of CBFG components; other implementing agencies included Bank Indonesia (BI), Capital Market Supervisory Agency (Bapepam), Financial Education and Training Agency (BPLK), Finance and Development Supervisory Board (BPKP), and National Civil Service Agency (BKN).

2. The FGRSDP and CBFG were integral parts of an International Monetary Fund-led multi-funding-agency rescue package to help Indonesia overcome the financial and economic crisis that began unfolding in late 1997. The FGRSDP was intended to provide urgently needed financial support and to strengthen the credibility of the country's economic management by introducing measures to revive banks and addressing fundamental issues facing the financial sector. The CBFG focused on providing complementary technical and capacity-building support for implementation of these reforms. Areas initially covered under the CBFG included (i) assisting in bank restructuring, (ii) building capacity for capital market development, (iii) building capacity for public sector financial management, (iv) strengthening public and private sector accountability, (v) modernizing public sector management, (vi) building capacity for bankruptcy and secured transactions, and (vii) facilitating debt restructuring.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

3. Reflecting its complementary role to the FGRSDP, the CBFG was broad in scope and covered a wide range of areas from support for bank and debt restructuring to strengthening public and financial sector governance—areas relevant to addressing either the immediate exigencies of the crisis or key vulnerabilities that contributed to it. Design and formulation of its component parts, however, was presented in broad outline rather than in detailed form reflecting the tight time constraints and urgency under which the package was put together. Stakeholder participation in this aspect appears to have been limited (for similar reasons) and this is reflected in some cases in a mismatch between identified implementing agencies and particular components, leading to subsequent reformulation, reassignment, and/or cancellation of the component (e.g., several components related to Bank Indonesia as well as secured transactions). Limited stakeholder participation also appears to have contributed to weak ownership by implementing agencies over components, in some cases contributing to implementation issues (e.g., secured transactions and special audit of Jamsostek).

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[1] ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Technical Assistance Loan to the Republic of Indonesia for Capacity Building for Financial Governance*. Manila (Loan 1620-INO).

[2] ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of Indonesia for the Financial Governance Reforms: Sector Development Program*. Manila (Loan 1618-INO).

B. Project Outputs

4. Outputs under the CBFG include seven components originally identified as well as additional components added over the course of project implementation.

1. Bank Restructuring

5. This component provided assistance to Bank Indonesia in the restructuring of commercial banks. As originally conceived, this component was intended to support restructuring of the banking system through (i) conduct of financial reviews of banks (outside of those already covered by the Indonesian Bank Restructuring Agency) including all regional development banks, (ii) provision of expert advice on options for handling nonviable banks, (iii) preparation and implementation of restructuring plans for potentially viable commercial banks, (iv) support for restructuring regional development banks, and (v) support to Bank Indonesia for implementation of Basel Core Principles.

6. During implementation the scope of this component was significantly narrowed[3] to focus on (i) financial reviews of commercial banks, and (ii) support for assessment of bank restructuring plans. The reduction in scope was due to proposed areas already being sufficiently addressed by other development partners supported by grant-based funds (e.g., International Monetary Fund with respect to implementation of Basel Core Principles) or falling outside Bank Indonesia's jurisdiction (e.g., MOF was the relevant authority for regional development banks).

7. The CBFG supported the financial review by independent international audit firms of selected banks. The reviews revealed that many banks—including all state banks—were insolvent. The component also provided support to Bank Indonesia in assessing bank restructuring plans in line with the Government's recapitalization program. The restructuring plans formed the basis for formal rehabilitation and/or restructuring agreements for the banks to qualify for recapitalization assistance. By November 2000, 70 insolvent private banks had been closed and the Government had taken over 12 and transferred them to the Indonesian Bank Restructuring Agency (IBRA). Restructuring plans were prepared for state and IBRA banks. Recapitalized banks were subject to time-bound financial performance and operational restructuring targets under recapitalization agreements.

8. Bank Indonesia considers the component as implemented to have been successful. Support provided was judged as timely (particularly important in the context of the crisis) and of generally good quality. The main implementation issues were difficulties in getting access to necessary information from banks and the often poor quality of the information itself.

2. Capital Market Development

9. This component aimed to support capital market development by strengthening Bapepam's capacity in regulation and supervision, and support for development of market infrastructure. Areas covered include (i) development and implementation of a staff training program, (ii) development and implementation of a management information system (MIS), and (iii) establishment of a framework for a clearing and settlement system in line with international best practices.

[3] Resulting in savings of about $12.8 million—subsequently reallocated to other components.

10. **Staff Training Program.** The training portion of the component provided capacity building support to Bapepam staff in several specialized areas including (i) enforcement, (ii) development of market infrastructure and products, and (iii) preparation for transition to a consolidated financial sector supervisory authority. It also provided more broad-based staff support for strengthening English language and information technology proficiency.

11. Bapepam's own formal assessment found the training to have generally been effective in terms of its focus and impact. Bapepam particularly valued the impact of training in English language and information technology proficiency. English language training strengthened Bapepam's capacity to keep abreast of developments in the sector and meet its international obligations, as well as allowed staff to qualify for advanced training opportunities and scholarships abroad, while the information technology training was particularly useful in supporting Bapepam's efforts to develop an integrated database and website, simplify procedures through automation, and improve service delivery (e.g., via initiatives such as e-licensing).[4]

12. **Management Information System.** This portion of the component was ultimately canceled following a series of delays in the procurement process. As the likelihood of Bapepam merging with other nonbank financial sector supervisory bodies became clearer, a decision was taken to cancel the component and defer development of such a system until the structure of the new agency was established. Any merger would likely significantly impact the system's design and technical specifications.

13. **Clearing and Settlement System.** This portion of the component provided support for the conduct of a study on development of a clearing and settlement system. Market infrastructure was improved through establishment of the Indonesian Clearing and Guarantee Corporation and the Indonesian Central Securities Depository in 1998.

3. Public Sector Financial Management

14. This component aimed to strengthen MOF capacity in key functional areas through provision of scholarships to staff for advanced degree programs abroad in relevant fields (e.g., accounting, economics, public administration, and public finance). Over the course of its implementation, the component supported scholarships for more than 100 staff, with the vast majority of these successfully completing their degrees and returning to MOF.

15. While directly assessing the impact of the component on strengthening MOF capacity in key functional areas is difficult, a proxy may be found in the improving revenue performance of Directorate General of Tax and Directorate General of Customs, where the majority of staff that received scholarships under the component came from (and returned). BPLK, the implementing agency for this component, also conducted a survey of alumni under the program and their supervisors who generally found skills acquired under the program to be relevant to strengthening the organization's performance—with the majority of alumni (77%) now in significant decision-making roles and a sizable minority (30%) in leadership roles (survey results attached as Appendix 1).

[4] Bapepam subsequently won e-Government awards in 2003 and 2005.

4. Public and Private Accountability

16. This component aimed to strengthen the capacity of the Financial Development Supervisory Board (BPKP) to promote efficiency and accountability in the use of public resources, through strengthening the legal and regulatory framework for anticorruption and strengthening the capacity of public sector auditors. Subcomponents included (i) audit process and human resource development; (ii) performance audit; and (iii) anticorruption.

17. **Audit Process and Human Resource Development.** The audit process portion focused on capacity building for BPKP staff in conduct of (i) financial audits, and (ii) audits with respect to electronic data processing. BPKP assessed the training to have been well-focused and effective, noting its impact was clearly visible in audits being (i) processed faster, (ii) of increased quality, and (iii) expanded in scope beyond basic findings to include constructive feedback and recommendations. All staff trained have remained with BPKP to date, and served as resource persons for regular courses now offered by BPKP for other staff in these areas.

18. BPKP also considers the human resource development portion of the component to have been effective. It supported the development of an assessment center, which is now operational and being used to conduct systematic assessments of BPKP staff with regard to selection for training and promotion. This has greatly increased transparency with respect to these processes with a resulting marked boost to staff morale and performance. Some 99% of echelons 1–3 and 70% of echelon 4 staff in BPKP have now undergone assessment using the center, and BPKP is providing these services to other institutions at their request on a limited basis.

19. **Performance Audit.** Training under this portion complemented the training in financial and electronic data processing audits conducted under the audit process portion. BPKP staff trained in these areas have now been formed into multidisciplinary task forces that are able to arrive at a much more comprehensive assessment of audited entities. Staff trained under this component also serve as resource persons for regular courses now offered by BPKP for other staff in this area.

20. **Anticorruption.** BPKP assessed this portion of the component as successful, noting that it allowed some 50 staff from BPKP and other key agencies in this area (Attorney General's Office and the police) to qualify for accreditation as certified fraud examiners.[5] BPKP staff trained under the component have, among other things, subsequently provided significant support to Indonesia's recently established Anti-Corruption Commission (KPK) in the conduct of its operational work (e.g., in developing cases and as expert witnesses), and have been appointed to key positions in the Aceh reconstruction and rehabilitation effort. BPKP has now developed preparatory courses for certified fraud examiner accreditation; they are being regularly conducted through the BPKP assessment center.

5. Public Sector Modernization

21. This component was initially intended to support modernization of public sector management through conduct of a study focusing on decentralizing public sector administration, private sector provision of public services, and a review of staffing and salary. The National Agency for State Administration (LAN) was originally identified as the implementing agency for the component. Its responsibilities with respect to the objectives of the component however

[5] Certified fraud examiner is an important internationally recognized professional qualification in this field.

changed subsequent to loan approval with relevant authority shifted to BKN (National Civil Service Agency) and MENPAN (State Ministry for Administrative Reform).

22. The component was consequently reallocated to BKN and its scope modified to support BKN's effort to develop an MIS capable of accurately registering, storing information, and tracking the movements of Indonesia's 3.6 million civil servants. A central database was successfully established and linked to the client systems in BKN's nine regional offices. BKN plans to extend this network to provincial and local government offices to provide more comprehensive coverage and timely update of information.

6. Bankruptcy and Secured Transactions

23. This component was to provide support for (i) the preparation of implementing rules and regulations for bankruptcy procedures and secured transactions, and (ii) training to strengthen the capacity of personnel involved in bankruptcy procedures and secured transactions. While the State Secretariat was initially identified as the relevant implementing agency for this component, this was later reallocated to the Ministry of Law and Human Rights. Neither agency, however, appears to have been appropriate in terms of technical background to serve as implementing agency and understanding and ownership of the component appears to have been weak at best, with the component ultimately being canceled at the request of the Government in 2003. Recently, the Ministry of Trade drafted and submitted a similar law to Parliament in 2006—a law on warehouse receipts permitting inventory to be used as secured collateral.

7. Debt Restructuring Facilitation

24. This component aimed to support efforts to facilitate the resolution of private sector debt through support for the Jakarta Initiative Task Force (JITF), a Government-sponsored mechanism to facilitate voluntary out-of-court restructuring of corporate debt.

25. The JITF was established primarily to provide facilitation services for large debtors and creditors. The CBFG focused on a small- and medium-sized enterprise (SME) subcomponent. It targeted at least 20 medium-sized debtors (debts between Rp5 billion and Rp50 billion) and 200 smaller loans for resolution. The JITF SME component restructured the debts of about 89 SMEs with total debt of Rp350 billion (about \$30 million–\$40 million). An additional 90 cases (total debt amounting to Rp1.5 trillion) were under facilitation at the time of closure of the component.

26. The program of assisting with debt restructuring of SMEs was highly relevant to supporting economic recovery from the crisis. As a result of the financial crisis, IBRA took over at least 100,000 nonperforming small- to medium-sized debts (mainly mortgages and credit-card debts), of which around 5,000 were nonperforming loans of SMEs in the manufacturing sector.

27. While debt restructuring was crucial to returning SMEs to solvency and viability, only a fraction of SME debts was referred to the JITF, and only about 90 were resolved under the JITF-SME subprogram. Assessments of the program provide several reasons for the small number of referrals to the JITF and eventual SME debt resolution. These include lower prioirity accorded by the Government and JITF to resolving SME debts given the magnitude of the overall debt problem faced in the corporate sector. They felt, perhaps correctly, that resolution of large corporate debt was of greater priority to returning the corporate sector to viability given its impact on the banking and the economy. In hindsight, the JITF was also not an appropriate

mechanism for resolving small debts due to their large number, which made resolving SME debts on a case-by-case basis very time and resource intensive. Eventually IBRA introduced universal incentives to resolve small debts, as well as outsourced resolution to financial restructuring agencies.

28. In terms of sustainability, the JITF-SME component was a one-off activity to facilitate private sector debt restructuring on a voluntary basis, and in this sense sustainability of the institution was never an objective. However, the JITF built a base for specialists in debt restructuring, as a large number of Indonesians acquired significant skills in corporate debt restructuring and mediation, and many found jobs in the financial sector. Overall, the JITF met its main objective of facilitating resolution of large debtors on a voluntary basis, and contributed to improved solvency of the corporate sector postcrisis.

8. New Component: Special Audits of State-Owned Enterprises

29. In 2000, the Government requested ADB to reallocate savings from the unutilized Bank Indonesia component to finance special audits of Pertamina, the domestic petroleum monopoly; PLN, the electricity monopoly; and Bulog, the food logistics agency. The Government also requested an audit of the Reforestation Fund under the Ministry of Forestry. These audits were required to meet conditions of the International Monetary Fund’s standby program aimed at fiscal reform through promoting improved governance in the management of state enterprises and potential for their privatization. The independent audit of state enterprises was a key condition of the FGRSDP.[6]

30. The audits were not investigative or forensic, but aimed at uncovering fraudulent practices arising from weak management or business process audits between 1995 and 1998. The engagement of reputable international consulting firms under the CBFG gave credibility to the findings. The summary findings on the audits on Pertamina and Bulog were made public in October 1999. The audits on Bulog and PLN were delayed by disagreement on the methodology but their summary findings were made public by December 1999.

31. The audits substantiated for the first time the scale of financial mismanagement in these highly visible public sector entities. Some of these agencies have been subsequently reformed. Notably, Parliament passed the Government’s draft oil and gas bill into law in 2004 removing Pertamina’s monopoly, starting with deregulation of the domestic gasoline distribution sector. The Government has also raised gasoline prices several times to remove the budget subsidy and improve financial efficiency of Pertamina.

9. Other New Components

32. Savings also allowed for the addition of several other new components that were broadly in line with the CBFG's thrust of strengthening the financial sector. These include (i) Jamsostek audit and review, (ii) insurance company review, (iii) nonbank financial institution supervision, and (iv) implementation of a deposit insurance scheme. DGFI, was designated as the implementing agency for all of these.

[6] FGRSDP policy condition 17 on SOEs.

33. **Jamsostek Audit and Review.** This component was intended to support the audit of PT Jamsostek[7] (a policy condition under a subsequent program in the sector).[8]

34. While the audit generated useful recommendations for strengthening the governance and performance of PT Jamsostek, few of the recommendations have been implemented. MOF had difficulty implementing recommendations on its own, as other agencies (i.e., Ministry of Manpower and Transmigration, and Ministry of State-Owned Enterprises) are also involved in the decision making with regard to Jamsostek. However, Jamsostek's board of directors is aware of the audit findings and has taken some of the recommendations into consideration, such as the separation of Jamsostek's administrative fund from the members' fund.

35. **Insurance Company Review.** This component was intended to conduct a diagnostic assessment of the insurance subsector and support the identification of key troubled firms. Support for an in-depth financial review of a systemically important firm was also provided. The findings confirmed DGFI's own understanding of the situation and provided useful support for measures to strengthen the subsector. Selected firms were required to adopt time-bound business plans aimed at reaching solvency—implementation of these is being monitored by a team in the Insurance Bureau, Bapepam. DGFI's involvement in conduct of the review was also useful in building its own capacity as it lacked previous experience in this area.

36. **Nonbank Financial Institution Supervision**. The component was intended to support strengthening of nonbank financial institution supervision through establishment of a MIS and the provision of long-term consulting support in the areas of pensions, insurance, capital markets, and information technology to provide day-to-day support on technical issues and to assist in building staff capacity. The component was ultimately canceled due in part to delays related to procurement of the MIS.

37. **Deposit Insurance**. This component was intended to provide support for establishing a deposit insurance scheme to replace the blanket guarantee put in place during the crisis to restore confidence in the banking system. The component was subsequently canceled as MOF received offers of support in this area from other development partners, which it chose to accept. A deposit insurance agency was established in late 2005 with support from the United States Agency for International Development (USAID) and the Japan International Cooperation Agency.

C. Project Costs and Disbursements

38. The $50 million approved under the CBFG loan was originally allocated to seven project components. In 1999, MOF requested ADB to reallocate loan funds to finance special audits of a selected number of state-owned enterprises (SOEs): Pertamina, Bulog, PLN, and the Restoration Fund. Although these audits were not specifically identified as components of the CBFG, ADB considered them important for improving financial governance. On 21 September 2000, ADB approved a major change in scope, reducing the allocation to the bank restructuring component by $11 million, following the narrowing of scope of the component, and using part of the savings for the financing of the four special audits for $8.7 million.

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7 PT Jamsostek administers social insurance programs covering private sector workers; and provides lump sum pensions; employment accident, life, and health insurance.

8 ADB. 2002. *Report and Recommendation of the President to the Board of Directors on Proposed Cluster, First Loan and Technical Assistance Grant to the Republic of Indonesia for the Financial Governance and Social Security Reform Program.* Manila (Loan 1965-INO).

39. On 15 May 2001, a minor change in scope was approved to extend the loan closing date, and utilize savings and surplus loan funds. Savings, mainly under the bank restructuring component and the utilization of unallocated surplus enabled allocation of $4.5 million of the funds for new components managed by DGFI to (i) review insurance companies, (ii) audit and review the private sector social insurance program (Jamsostek), (iii) strengthen nonbank financial supervision, and (iv) support implementation of a deposit insurance scheme. On 24 March 2003, ADB approved the cancellation of $6 million from four loan components. On 30 September 2003, ADB approved an additional cancellation of about $1.1 million for two loan components. On 16 May 2005, the loan account was closed, canceling the remaining undisbursed loan amount of about $6.2 million.

Table 1: Loan Amount per Component and Implementing Agency
($ million)

Component	Loan Amount (Original)	Loan Amount (Major Change)	Loan Amount (Minor Change)	Loan Amount (Disbursed)
Bank Restructuring	23.00	12.00	10.20	10.16
Capital Market Development	3.00	3.00	3.00	1.64
Public Sector Financial Management	8.00	8.00	8.00	6.24
Public and Private Accountability	12.00	12.00	12.00	6.67
Public Sector Modernization	1.00	1.00	0.80	0.53
Bankruptcy and Secured Transactions	2.00	2.00	2.00	0
Debt Restructuring Facilitation	1.00	1.00	1.00	0.76
Financing of Special Audits of SOEs		8.70	8.50	8.50
Balance Available for Future Reallocation		2.30		
Added Components				
Deposit Insurance			1.00	0
Jamsostek Audit and Review			1.50	1.27
Insurance Company Review			1.00	0.92
Nonbank Financial Institution Supervision			1.00	0
Total	**50.00**	**50.00**	**50.00**	**36.68**

Source: ADB project files.

D. Project Schedule

40. The initial closing date for the loan was set for 14 February 2002; this was extended to 30 September 2003 following a minor change in scope in 2001. Although timely progress was made with implementation with regard to some components such as bank restructuring; delays were experienced with regard to commencement/implementation of other components in part due to wide-ranging political and institutional changes occurring at the time. New components were also added at the request of the Government—leading to the need for a second extension approved in November 2003, which revised the closing date to June 2004. A final extension extending the closing date to 31 October 2004 was approved in July 2004, at the request of MOF to allow for implementation of the Jamsostek component.

E. Implementation Arrangements

41. Implementation arrangements as designed at appraisal involved DGFI, MOF acting as Executing Agency over a wide range of implementing agencies. During project design this was judged as most efficacious on the grounds that DGFI had direct authority over the widest range

of implementing agencies (albeit not all of them). While alternatives for the executing agency role such as the Coordinating Ministry for Economic Affairs were considered—the indirect nature of their coordinating mandate and authority was felt to not be sufficient to adequately support implementation. In hindsight, and reflecting DGFI's own assessment, this arrangement proved problematic. In many cases, DGFI felt that it could not compel other implementing agencies to provide updates, attend meetings, or expedite progress; and consequently had to rely on their goodwill, perceived self-interest, and cooperation.

42. At the start of the CBFG, implementation was closely monitored through the Extended Mission for Indonesia (EMI)[9] under direct headquarters' supervision as well as missions from headquarters. EMI played an important role in facilitating policy dialogue with the Government and other development partners. However, EMI was dissolved well before the end of the CBFG. Subsequently, a staff position was allocated to ADB's Indonesia Resident Mission (IRM) with responsibility for facilitating day-to-day implementation. But primary administrative responsibility for most components under the CBFG remained with headquarters rather than being transferred to IRM.

43. DGFI has noted that on occasion it experienced difficulties in communicating with IRM on CBFG-related issues. In particular, IRM was often not as aware as DGFI of the status of CBFG components, related issues, and procedures. DGFI has pointed out that for cases in which urgent advice was needed IRM would have been a good place to be able to turn to had the capacity to respond been located there.

F. Conditions and Covenants

44. Delays in the submission of acceptable audit reports for the project account were significant, due in part to difficulties experienced by BPKP in accessing relevant records in Bank Indonesia during a period of serious dispute between the Government and Bank Indonesia. Delays were in excess of the standard 12 months beyond which suspension of loan disbursement is required under Project Administration Instruction 7.05. Acceptable audits, however, were presented for the imprest account and for the project account relating to implementing agencies other than Bank Indonesia. Loan suspension was temporarily withheld pending full compliance with the loan covenant. BPKP was subsequently provided full access to relevant Bank Indonesia records.

45. Compliance with regular progress reporting requirements was weak and uneven across the CBFG's multiple components. Lack of formal authority on the part of DGFI to compel submission of regular reports by the implementing agencies and weaknesses in the capacity of some implementing agencies exacerbated this issue. Selection of an executing agency with effective authority over the implementing agencies and provision of necessary support to build and/or supplement their project administration capacity would likely improve compliance with progress reporting requirements.

[9] EMI was a locally based, special-purpose unit set up in 1998 to, among other things, facilitate day-to-day monitoring, implementation, and coordination of loans 1618 and 1620. EMI was subsequently dissolved in 2000 and its functions transferred back to headquarters. Two components that were implemented early and apparently largely successfully were those related to Bank Indonesia and the JITF—EMI administered both of these.

G. Consultant Recruitment and Procurement

46. Consultant recruitment and procurement under the loan agreement were to be done according to standard ADB guidelines. However, DGFI as well as many of the implementing agencies involved in the CBFG had little or no prior experience in project administration under ADB's TA loan modality and limited support was provided with respect to building necessary capacity in this area prior to implementation of components, beyond provision of guidelines and manual. Issues related to consultant recruitment and procurement arose, leading to substantial delays in implementation of a number of components due to the need to repeat procedures, and cancellation of other components.

H. Performance of Consultants

47. The CBFG involved multiple components, multiple objectives, multiple implementing agencies, as well as dozens of consulting contracts over the 7 years of implementation. Formulation of components during processing was outline in form, terms of reference were developed only during implementation, and the CBFG lacked a proper monitoring framework to facilitate effective tracking of performance of the CBFG as a whole or of individual components.

48. While this project completion report attempts to provide an assessment of the output and impact of individual components as well as the CBFG as a whole; due to time, space, and information constraints it does not attempt to measure consultant performance against the terms of reference in individual contracts. Generally, however, performance of consultants engaged under the TA loan may be considered satisfactory as the majority of outputs under components that were not canceled were substantially achieved, with delays attributable more to procedural issues than to consultant performance.

I. Performance of the Borrower and the Executing Agency

49. Given the extraordinary environment under which the FGRSDP and CBFG were conceptualized and implemented, overall performance of the Government and DGFI is rated satisfactory. Notwithstanding delays, the majority of components under the CBFG were by and large, successfully implemented. DGFI, in particular, demonstrated persistent commitment to keep the multiple components of the CBFG on track under often difficult and unstable circumstances that included changes in the Government as well as in key institutions and personnel.

50. A difficulty related to implementation arrangements under the CBFG was that DGFI had to coordinate with multiple implementing agencies—some of which had not been fully consulted at the design stage given the urgency with which the CBFG was processed. Also, DGFI did not have formal authority over some of the implementing agencies, and coordination was a challenge in some cases where other agencies had apparently differing and changing priorities. In general, however, DGFI was persistent and effective in obtaining commitment from other agencies to support program implementation despite lack of formal authority and challenging circumstances.

J. Performance of the Asian Development Bank

51. Performance of ADB in designing and supporting implementation of the CBFG is rated as partly satisfactory.

52. While ADB proved highly responsive in the swift formulation of the package under difficult conditions, implementation offers a more mixed track record. Some government officials feel that ADB could have been more effective in providing guidance and support, particularly in relation to procurement and disbursement activities. They note that procedures involved in commencing and implementing a number of components seem to have been overly bureaucratic, confusing, and difficult. Compounding this was the fact that DGFI and many of the implementing agencies had no previous experience in implementing projects under a TA loan modality, and had received very limited instruction on relevant ADB procedures.[10] They also noted the lack of approval authority at the EMI and IRM in these matters, and delays in obtaining approvals from ADB headquarters. Some flexibility in applying ADB's standard practices and guidelines concerning consultant recruitment and procurement, as well as minor modifications to project arrangements could have helped meet the urgency and peculiarities of a crisis intervention.[11]

53. The limited ADB guidance and assistance to the implementing agencies partly arises because the EMI was not adequately resourced to provide the support necessary for a project of this magnitude. Having a dedicated team of consultants overseeing the TA for the entire duration of the CBFG may have been more effective in providing guidance to the implementing agencies and also oversight of the CBFG to monitor implementation and to identify the emergence of new issues that should be addressed under the TA.

III. EVALUATION OF PERFORMANCE

A. Relevance

54. Given the significance of the impact of the financial crisis, strengthening governance was essential to improve the viability and credibility of the financial sector as quickly as possible. The activities covered under the CBFG were highly relevant, enhancing the Government's capacity to implement financial governance reforms, to strengthen existing institutions, and to create additional institutions important for the viability of the financial sector, as well as to lay the groundwork for stronger institutions to mitigate future crises. A number of the activities were particularly relevant to address these crisis-related issues. The financial reviews of the private banks and the preparation of restructuring plans were crucially important for the banking system recapitalization and restructuring program, and demonstrated the Government's commitment to intervene and to do so in a transparent way. Capacity-building support for Bapepam, BPLK, and BPKP strengthened the Government's capacity in financial sector supervision and public financial management; and laid the foundation for subsequent interventions by ADB and other development partners. The program of assistance to the JITF for SME debt restructuring was highly relevant to economic recovery as thousands of viable SMEs had limited operations due to their nonperforming loans arising from the systemic banking and economic crisis. The special audits of the four SOEs were crucially important for governance, as they substantiated for the first time the scale of financial mismanagement in key public sector entities. The auditing of a major, financially troubled insurance company and PT Jamsostek provided useful information for measures to improve their solvency and corporate governance.

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[10] Many of these procedures have since been simplified with a view to making them less burdensome. In recognition of such issues, ADB now regularly conducts in-country project implementation and administration seminars for executing and implementing agencies.

[11] ADB. 2001. *Special Evaluation Study on the Asian Development Bank's Crisis Management Interventions in Indonesia.* Manila.

B. Effectiveness in Achieving Outcome

55. On balance, the CBFG provided a positive contribution to improving governance of the financial and public sectors. Supporting implementation of reforms under the FGRSDP as well as subsequent programs, the CBGF contributed to restoration of the banking subsector, strengthened key financial sector institutions, and strengthened capacity in implementing agencies. However, effectiveness of the CBFG was uneven and was affected by significant delays in implementation, and the cancellation of a number of components due in part to weak ownership on the part of implementing agencies.

56. The process of bank restructuring is essentially complete, and procedures and processes are being established to mitigate future banking crises. The bank and debt restructuring agencies (IBRA and JITF) have been closed following accomplishment of their mandates. The number of banks has been substantially reduced, and banks have been merged and privatized creating a stronger banking subsector. These reforms have significantly improved the health of banking and financial sector intermediation. For example, the ratio of nonperforming loans has declined from around 50% at the peak of the crisis to 3.4% in private banks and 15.1% in state-owned banks as of September 2005. Capital adequacy ratios have improved for most banks, averaging around 19.4% by the end of 2004 versus minus 15.7% in 1998. Foreign ownership has increased in several major private banks supporting deconcentration of banking assets and greater competition. Finally, credit growth has steadily increased since 2004, growing at about 25% per annum.

57. The CBFG played a critical role in these achievements through its support to Bank Indonesia in providing audits for more than 65 private sector banks and assistance with restructuring plans. However, some of the other components under the CBGF had, on balance, limited impact on the recovery of banking and the corporate sectors. The JITF made an important contribution to encouraging voluntary debt resolution in the corporate sector, but the SME subcomponent had limited impact perhaps because the JITF was not the appropriate mechanism to resolve SME debts on a case-by-case basis due to their large numbers.

58. Market capitalization of the Jakarta Stock Exchange has markedly increased from Rp175.7 trillion in 1998 to Rp801.3 trillion in 2005. Market growth has been accompanied and facilitated by increases in efficiency as well as reductions in risk due to improvements in market infrastructure supported by the CBFG. Trading, clearing, and depository systems are now well integrated; securities have been fully dematerialized; and the settlement period has been shortened from 4 to 3 days.

59. Measures have also been taken to strengthen market institutions. BAPEPAM has tightened rules for securities companies. Gradual increases in capital adequacy ratios took effect at the end of 2003, to be implemented during 2004–2005. New fit and proper tests for owners as well as know-your-customer rules have been introduced. The new rules, together with the costs of required membership for all securities companies in the stock-clearing system, are expected to lead to consolidation and a reduction in their number.

60. Public sector financial management has improved. The ratio of tax revenue to gross domestic product (GDP) has steadily increased since 1997, rising from 16.5% of GDP that year to 20.3% of GDP in 2004. The national Government deficit declined from about 4% in 1995 to less than 1% in 2005. Public debt to GDP fell rapidly from more than 100% of GDP in 2000 to less than 60% in 2006, close to precrisis levels. Measuring the impact of CBFG support to strengthen public sector financial management through provision of scholarships for advanced

training in relevant fields for MOF staff is difficult, due to the absence of a personnel tracking system and in recognition that impacts are expected to show up after a much longer period than evaluated in this report. However, the fact that the majority of staff trained under the component came from and returned to two departments (Directorate General of Tax and Directorate General of Customs) where revenue performance indicators have notably improved suggests a positive impact. Recent structural reforms in MOF (implemented independently of the CBFG) should complement and help strengthen the impact of the capacity-building component.

61. The CBFG supported greater efficiency and accountability in the use of public resources by strengthening the legal and regulatory framework for anticorruption and building the capacity of public sector auditors. BPKP's capacity has been significantly strengthened with regard to the conduct of its core audit functions and mechanisms (e.g., a training and assessment center has been established to strengthen institutional integrity and performance). Legislative frameworks and key institutions—such as the Anti-Corruption Commission—are now in place to address the fundamental issue of graft and corruption. It should be noted, however, that the courts have overturned a high percentage of Anti-Corruption Commission rulings on legal technicalities rather than for substantive reasons; complementary legal training for relevant staff will be important in addressing this issue along with complementary reforms of the legal and judicial system.

62. The special audits of selected SOEs have supported improved public sector transparency and accountability. They substantiated for the first time the scale of financial mismanagement in key public sector entities leading to subsequent reformation in some cases. Perhaps the most important reform has been the new oil and gas law of 2004 removing Pertamina's monopoly, starting with deregulation of the domestic gasoline distribution subsector. The Government has raised gasoline prices several times since 1998 to reduce the fuel subsidy in the national budget and to improve financial efficiency of Pertamina. While the audit and reforms cannot be directly linked, the findings likely provided a significant input into building the case for such reforms.

63. While the audit of PT Jamsostek was limited in its impact due to MOF difficulties in implementing recommendations on its own as other key stakeholders are also involved in decision making with regard to Jamsostek (i.e., Ministry of Manpower and Transmigration, and Ministry of State-Owned Enterprises), the review of selected insurance companies led to MOF taking measures to restore key troubled firms to solvency.

C. Efficiency in Achieving Outcome and Outputs

64. Progress with CBFG implementation was slow and uneven. While the bank restructuring and debt component were completed at an early stage of the CBFG, capacity building of Bapepam, BPKP, and BPLK started later and, together with the addition of new components, resulted in the project extensions. While the CBFG has generally met the majority of its objectives, its implementation has required several changes in scope and implementation arrangements, as well as extensions of the closing date. Though these changes demonstrate pragmatism and flexibility on the part of ADB, a more deliberate design could have precluded the need for some of them. Perceived delays are also partly attributable to the overly optimistic time frame originally attached to the CBFG, particularly given its wide-ranging scope, outline nature of its design, and the fluid implementation environment during the crisis. The CBFG was also relatively resource intensive in terms of staff time for ADB as well as the executing and implementing agencies.

D. Preliminary Assessment of Sustainability

65. Several key CBFG components and their impacts are assessed as sustainable, while others would benefit from follow-up support by ADB or other development partners. A number of the components were designed as one-off activities to address specific crisis-related problems in the financial sector or relevant institutions, and therefore its sustainability as an activity is less relevant. The sustainability of the training activities are more difficult to assess as insufficient information is available or the programs have not been in place long enough to evaluate effectiveness. Some of the counterparts continued similar training courses after the CBFG closed, although on a much smaller scale due to budget constraints. For example, BPKP officials trained under the CBFG have remained with BPKP and have served as resource persons for regular courses now offered by BPKP for other staff in these areas. However, follow-up support for training may be needed from ADB or other development partners, especially in agencies that have been reorganized or currently under reorganization, such as Bapepam, which has now been merged with DGFI to form a consolidated supervisory authority for the nonbank financial sector (Bapepam-LK). Similarly, the financial audits of the SOEs and agencies were completed, and follow-up may be needed on recommendations for reforms in some of these SOEs.

E. Impact

66. The CBFG, along with the FGRSDP, was classified as environment category C as it had no significant direct or indirect environmental impact. Through the strengthening of the Government’s capacity and assistance with bank restructuring, the CBFG allowed the Government to address fundamental issues facing the financial sector, and to a certain extent, restore investor confidence. Through economic growth and job creation, sociocultural impacts are expected to be positive in the long term.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

67. The CBFG is rated as successful based on the following considerations:

The CBFG is rated as relevant. It contributed considerably to implementation of the reforms under the FGRSDP as well as subsequent programs in the financial sector, and enabled ADB to remain closely engaged as a key development partner throughout the crisis by providing critical financial support in coordination with other international financial institutions, while providing a platform for policy dialogue on key reforms.

(i) The CBFG is rated as effective. It achieved the majority of its goals although some changed over the course of implementation as components were modified, added, and/or dropped.

(ii) The CBFG is rated as less efficient. While the CBFG ultimately achieved the majority of its goals, key implementation arrangements proved problematic (e.g., choice of executing agency), implementation took 7 years rather than 3 as originally envisaged, and administration proved intensive both in terms of ADB and counterpart staff time. In support of greater efficiency, ADB could have

provided more effective capacity-building support to DGFI and implementing agencies with regard to TA loan administration related procedures.

(iii) Sustainability is rated as likely. The Government is demonstrating a continuing commitment to undertake key measures consistent with and supportive of reforms covered under the CBFG and FGRSDP as demonstrated in its recent Financial Sector Policy Package (issued in mid-2006).

B. Lessons

68. The evaluation of implementation and impact of the CBFG provide some important lessons for future design, implementation, and monitoring of large TA projects in a crisis environment.

69. First, project design—its expansive scope and speed of formulation—was highly appreciated by the Government, and contributed to the sense that concrete assistance was being provided to address key factors undermining economic stability. This underscores the importance of speed of response in a crisis. A second lesson, however is that the very breadth of the project design was unwieldy, involving multiple implementing agencies across a wide range of areas—including banking, public sector financial management, capital market development, bankruptcy and secured transactions, audits of SOEs, deposit insurance, and nonbank financial institution supervision, significantly complicating oversight and management for DGFI as well as monitoring by ADB. Consequently delays were experienced in implementation, and some activities were dropped and or eventually implemented by other development partners (secured transactions, deposit insurance).

70. Dividing the CBFG into three or four smaller projects may have been more effective, with quick assistance bundled under the crisis package focused on urgently needed one-off support such as the Bank Indonesia and JITF components; and longer term institutional reform and capacity-building components being separated to allow for greater stakeholder consultation and ownership, and more deliberate and focused design. On the other hand, a legitimate consideration is that adequate time was not available to take this approach.

71. The establishment of EMI to support implementation of the CBFG was highly appreciated. However, the Government ultimately viewed this as an insufficient response to the needs of the CBFG in terms of both the allocation of resources and the sustained long-term support needed. A project of this nature would have benefited from establishing a dedicated group of consultants/experts—perhaps outsourced to a consulting company—to provide close and sustained guidance on TA design and implementation, and related oversight to enable design and implementation issues to be detected early on in the process. The consultants could be placed within each counterpart agency, and also provide timely policy advice on related issues as they emerged, similar to USAID and Australian Agency for International Development projects at the time, or World Bank practice in their resident missions.

72. A third lesson relates to the issue of ownership. While the purpose of a TA loan is to encourage greater client ownership, a number of the activities were funding agency driven with very little ownership by the counterpart. Weak ownership is reflected in the uneven progress in project implementation. For example, CBFG support for Bank Indonesia is assessed very positively because the activity was highly relevant and Bank Indonesia had a clear stake in CBFG success. In contrast to the banking subsector activity, the CBFG activity on secured transactions is viewed as a failure. While the development assistance community saw this as an

important legal instrument to improve creditor’s rights and legal certainty, the Government did not have buy-in and subsequently the activity was dropped. The Government never submitted a secured transaction law to Parliament.

73. Fourth, if a project includes training, then a comprehensive training needs assessment should be carried out prior to committing funding for training programs or scholarships. This would ensure training programs and scholarships were tailored for the skill needs of the agency. In some circumstances the training needs should complement organizational restructuring. The economic crisis exposed weaknesses in institutions that needed to be modernized through organizational reforms. Programs to improve human resources in these agencies would be more sustainable if carried out in parallel to civil service reforms.

74. A fifth lesson relates to placing TA in the appropriate agency. Some components under the CBFG were mismatched with identified implementing agencies. The secured transaction component, for example, was placed with the State Secretariat and then with the Ministry of Law and Human Rights, neither of which possessed appropriate technical understanding or strong interest in the activity. Placing the TA where a potential champion can push the reform agenda is important. The Government recently drafted and submitted to Parliament a similar law but this was done under the Ministry of Trade as that agency appreciates the importance of a warehouse receipts law for improving access to credit for distributors and farmers. In hindsight, placing the SME debt restructuring activity with the JITF was inappropriate, as it was simply not possible for the JITF to restructure small debts on a voluntary case-by-case basis. Eventually Bank Indonesia in coordination with the Government's Financial Sector Policy Committee provided universal incentives to SMEs and outsourced collection to debt restructuring/collecting agencies that proved more effective in resolving small debts.

75. Finally, flexibility in a TA project is necessary during a crisis period where anticipating all relevant assistance needs upfront is difficult, especially in a very fluid political environment where the presidency of the Republic, as well as key counterpart ministers, changed four times between 1998 and 2001. The CBGF's outline design allowed for this and several significant changes with regard to project components and implementation arrangements were made during implementation. These contributed to delays in implementation and completion of the CBFG, but the original time frame of 3 years was perhaps overly optimistic where substantial institutional capacity building requires a much longer time frame. The eventual duration of 7 years to complete the CBFG was more realistic.

C. Recommendations

76. **Monitoring**. A project of this size and complexity would have benefited from sustained and dedicated support from a group of staff/consultants able to provide guidance, supervision, and policy advice to the counterpart agencies in design and implementation of TA components. This would strengthen oversight and allow early detection of problems with implementation and also identification of new issues that should be addressed by the TA. While ADB established EMI, this was likely under resourced in terms of its mandate and was dissolved well before the CBFG was closed.

77. **Further Action or Follow-Up**. The components with a training portion will require follow-up to strengthen sustainability, particularly in relation to agencies that have seen significant changes in their structure and mandate (e.g., the newly created Bapepam-LK).

78. **Timing of the Project Performance Evaluation Report**. A performance audit of the CBFG should be undertaken in 2007. The audit should cover the TA loan as well as the program loan of $1.4 billion and the equity and loan investment relating to establishment of a secondary mortgage facility that was canceled.

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18 September 2006

Thatha Hla
Financial Economist
Governance, Finance & Trade Division
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Re : Post Evaluation of the ADB Scholarship Program for the Period 1999-2001

Dear Mr Hla,

Following up our meeting on July 2006, I have a pleasure to send you the results of the post evaluation of the ADB Scholarship Program for the period of 1999 – 2001. We distributed the questionnaires to 10 units echelon I, within the Ministry of Finance. We chose the Executive Secretaries of those units as representative respondents to fill out the questionnaires, since one of their responsibilities is to manage the human resource within their respective units.

From 10 sets of questionnaires sent, we could get 8 sets back which have been summarized as follows:

1. Regarding to the working performance:
   a. 30% of the respondents were very satisfied
   b. 70 % of the respondents were satisfied
2. Regarding to the knowledge and skills that the alumni acquired in order to improve the organization's performance
   a. 38,5 % of the respondents valued them very helpful
   b. 62,5 % of the respondents valued them helpful
3. Regarding to the contribution of the alumni for improving the performance of the organization, the respondents showed that the alumni :
   a. Involved actively in the process of making important decision (77%)
   b. Involved actively in improving the regulations, systems, procedures and methods (92%)
   c. Involved actively in the organizational leadership (30%)
   d. Acted as an organizational representative in cooperating with the outside parties (54%)
4. Regarding to whether the alumni feels difficult in implementing their knowledge and skills : 92 % respondents stated No
5. Regarding to other potential degree programs, such as:
   a. Doctoral Degree Program : all of the respondents agreed
   b. Master Linkage Program : 77 % of the respondents agreed
   c. Domestic Master Program : all of the respondents agreed
   d. Short Course Program : all of the respondents agreed

6. Regarding to the ability of the curricula taken from the degree in fulfilling the learning needs of the alumni : 100% of the respondents stated Yes
7. Regarding to the open question about the opinion/comment in order to improve the quality of the scholarship program in the future :
   a. Increase the flexibility in using the source of fund, for example,
      i. In some cases, there is a possibility that the fund should be able to cover the monthly allowance longer than 3 months period (like what is granted) especially when such loan agreement will be closing date, and the student hasn't completed his/her study.
      ii. The fund should also cover allowance for dependants
   b. Add the study period for the Ph.D. program from 2 to 3 years
   c. It is important to provide right information about fields of study and universities that can be chosen by the candidates, by
      i. Improving the coordination among the units within the Ministry of Finance in order to find the best suited fields of study.
      ii. Conducting study need analysis
      iii. Providing professional consultant to assist the scholarship awarder in choosing the right universities

I apologize for my late response, since I have waited for some long time the echelon I units filled out the questionnaires and sent them to me. Thank you for your kind attention

Best Regards

Tony Rooswiyanto
Head of the Center