

Implementation Status & Results
Indonesia
Program for Economic Resilience, Investment and Social Assistance in Indonesia (P130048)

Project Name: Program for Economic Resilience, Investment and Social Assistance in Indonesia (P130048) Program Stage: Implementation Seq.No: 3 Status: ARCHIVED Archive Date: 25-Jun-2014

Country: Indonesia Approval FY: 2012
 Product Line: IBRD/IDA Region: EAST ASIA AND PACIFIC Lending Instrument: Development Policy Lending
 Implementing Agency(ies):

Key Dates

Board Approval Date	15-May-2012	Original Closing Date	30-Jun-2014	Planned Mid Term Review Date	31-May-2013	Last Archived ISR Date	26-Jun-2013
Effectiveness Date	29-Jun-2012	Revised Closing Date	30-Jun-2014	Actual Mid Term Review Date			

Program Development Objectives

Program Development Objective (from Program Document)

The main objective of the proposed operation is to enhance the Government’s crisis preparedness to address the potential adverse impact of ongoing volatility in financial markets on Government’s ability to meet its gross fiscal financing needs from markets. Learning the lessons from the crisis of 1997/98 and more recently 2008/09, the Government would like to ensure that essential public expenditures are maintained and, if necessary, augmented to provide economic stimulus during this period of stress. Therefore, as part of its proactive response to the current global situation, the Government would like to put in place arrangements that would boost the confidence of international and domestic financial markets to enable the Government to raise necessary resources from them. These arrangements include a set of confidence-boosting policy measures as well as back-up financing arrangements—a part of which is the proposed loan—that would be available in the event that the worsening of global financial markets prevents Indonesia from accessing financing at reasonable rates.

Has the Program Development Objective been changed since Board Approval of the Program?

Yes No

Overall Ratings

	Previous Rating	Current Rating
Progress towards achievement of PDO	Moderately Satisfactory	Moderately Satisfactory
Overall Implementation Progress (IP)	Moderately Satisfactory	Satisfactory

Implementation Status Overview

The program is on track and progress towards the program objectives has been made in the following areas:

- (i) **Maintaining financial system stability:** Financial system stability has been maintained during a relatively turbulent period in financial markets and an ongoing slowdown in domestic deposit and credit growth. Despite the overall soundness of the system, risks remain (for example, from stress or a failure of a smaller-sized bank) and the authorities have been working to address several important gaps in the crisis framework.
- (ii) **Sustaining critical public expenditures:** The Government has continued to have access to financial markets at reasonable cost and met its issuance target in 2013 despite the tightening in financing conditions and rise in yields. Financing in 2014 has been on track to date although financing needs are set to rise with the likely increase in the fiscal deficit

as revenue growth weakens and fuel subsidies continue to push up spending.

Central government spending in 2013, excluding energy subsidies, interest payments and regional transfers, reached 89 percent of the revised Budget allocation. The disbursement rate on capital spending was similar, up from 82 percent in 2012, but its nominal growth rate fell. The draft revised 2014 Budget, currently under discussion with Parliament, includes proposed line ministry spending cuts which would trim the capital spending allocation by 17 percent relative to the original Budget.

(iii) Improving the effectiveness of social protection programs to support the poor and vulnerable: The Government's progress in enhancing the effectiveness of social protection programs to support the poor and vulnerable, through improvements in the design and targeting of social assistance programs aimed at poor and vulnerable households, was demonstrated by the comprehensive compensation package for the June 2013 subsidized fuel price increase (including a temporary Unconditional Cash Transfer and further expansion of long-term social assistance programs).

The World Bank is providing support to these activities through its regular program, which ensures ongoing supervision of this operation. Follow up actions in the reform aims supported by PERISAI are being supported by technical assistance activities and through other DPL operations.

Results

Results Indicators

Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
OJK Preparation Team	<input type="checkbox"/>	Text	Value			
			Date		31-Mar-2014	
			Comments		See previous ISR - OJK exists and there is no more OJK transition team.	
Stability of the Financial System	<input type="checkbox"/>	Yes/No	Value	Yes	Yes	Yes
			Date	16-Apr-2012	31-Mar-2014	30-Jun-2014
			Comments	Financial system remains stable	Financial system remains stable. Loans increased by a 21 percent and deposits by 12 percent from January to December 2013, although both have shown a slightly decreasing trend over the past three years. The Loan to Deposit ratio (LDR) increased from 84 percent to 90 percent over the same period and liquidity conditions tightened, esp. for smaller banks. But, key aggregate indicators (NPL, ROA, CAR etc) remain solid.	Financial system remains stable.
Intervention by the Financial Sector Stability Coordination Forum	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	16-Apr-2012	31-Mar-2014	30-Jun-2014

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			Comments	No need for FSSC Forum Intervention	See previous ISR - there has been no financial institution failure requiring FSSC intervention.	FSSC Forum has intervened if needed
Functioning of the Financial Sector Stability Coordination Forum	<input type="checkbox"/>	Text	Value		FKSSK taking leading role in coordination and decision making and leading medium-term work on on important policy issues.	Improved common understanding of the policy options and measures that can be used in the event of a financial institution failure
			Date		31-Mar-2014	30-Jun-2014
			Comments		The FKSSK has taken a lead role in coordination and decision making, through leading regular quarterly and monthly meetings among members and deputies to assess current risks and the status of the financial sector. They have also played a lead role in facilitating communication and decision making during the financial market turbulence in mid-2013. The FKSSK is also leading medium term work among the members on important topics (such as determination of whether a financial institution is system, enhancing systemic risk analysis, etc).	
Government access to financial markets	<input type="checkbox"/>	Percentage	Value	26.00	99.00	100.00
			Date	15-Mar-2012	31-Dec-2013	31-Dec-2012
			Comments		Gross securities issuance of IDR 323.4 trn reached 98.9% of the target in 2013, which had been revised up substantially from an initially approved IDR 280.4 trillion to IDR 331.8 trillion in the revised Budget (and then moved down marginally to	

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					IDR 326.9 trillion in November).	
Duration Budget Revision Process	<input type="checkbox"/>	Days	Value	30.00		1.00
			Date	30-Mar-2012	31-Mar-2014	30-Jun-2014
			Comments	Budget revision processes can take 30-60 days.	No emergency Budget revision process to date. As in 2012 and 2013, the 2014 Budget Law includes provision (in Article 35) for Parliament to approve an emergency budget revision in 24 hours.	Note the target is for the time for an emergency Budget revision process.
Capital Expenditures Disbursement	<input type="checkbox"/>	Percentage	Value	16.00		23.00
			Date	30-Jun-2011	31-Mar-2013	29-Jun-2012
			Comments		Indicator is for percentage of full-year capital expenditures disbursed in H1. 18.5% of original Budget in H1 2013. Data for 2014 not yet available.	
Access to Household and Labor force survey data	<input type="checkbox"/>	Days	Value	60.00	7.50	10.00
			Date	16-Apr-2012	31-Dec-2013	30-Jun-2014
			Comments		Similar comments to previous ISR. The time from request for data to receipt is between 5-10 days (end-2013)	
Improved performance social assistance programs in a crisis	<input type="checkbox"/>	Text	Value			
			Date			
			Comments		The design of the compensation package implemented as part of the proposed rise increase in the subsidized fuel prices increases showed improvements. In particular, the Government combined both short-term compensation measures with increases in long-term poverty reduction and social assistance investments (redirecting spending from fuel subsidy to	

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					targeted Social Assistance). Better targeting can also be seen in the scholarships component of the compensation program: BSM now uses the unified database to identify student beneficiaries, instead of through nomination by school committees as previously used. Overall, improvement in the targeting and adequacy assistance, as well as integrated delivery of benefits will further improve effectiveness of the SA programs in Indonesia.	
Better Targeting (exclusion error for the poorest 30% of HH)	<input type="checkbox"/>	Percentage Sub Type Supplemental	Value	48.00		35.00
Time to disburse in a crisis	<input type="checkbox"/>	Months Sub Type Supplemental	Value	5.00	2.50	3.00

Data on Financial Performance (as of 16-Aug-2012)

Financial Agreement(s) Key Dates

Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P130048	IBRD-81640	Effective	15-May-2012	31-May-2012	29-Jun-2012	30-Jun-2014	30-Jun-2014

Disbursements (in Millions)

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P130048	IBRD-81640	Effective	USD	2,000.00	2,000.00	0.00	0.00	2,000.00	0.00

Tranches

Tranche 1

Amount (USD)	Expected Release Date	Actual Release Date	Status
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Pending

Released

Key Decisions Regarding Implementation

No Key Decisions for Disclosure

Restructuring History

There has been no restructuring to date.

Related Operations

There are no related projects.