



Indonesia

12 Sector Program Loan

A
B
C
D

This project was to stabilize the international balance of payments through the provision of financial assistance in foreign currency to Indonesia after the Asian currency crisis, and thereby contribute to the recovery of the national economy. Added to which, it was aimed to fund various development projects in the country with the objective of improving Indonesia's social and economic infrastructure, and thereby contribute to job creation.

Loan Amount/Disbursed Amount: 100,000 million yen/98,525 million yen

Loan Agreement: December 1998

Terms and Conditions: Interest rate 1.0%; Repayment period 30 years (grace period 10 years); General untied

Final Disbursement Date: July 2003

Executing Agency: National Development Planning Agency



External Evaluator: Takuya Okada (KRI International Corp.)

Field Survey: November 2004

Evaluation Result

In this project, foreign currency reserves were accumulated almost as planned, and at the same time, counterpart fund^{*} was amassed to finance the implementation of various development projects. There was a delay in implementation of the projects financed by the counterpart fund, but the project cost was lower than planned.

Foreign exchange reserves have been on a rising trajectory since 1998, and Indonesia is on course to restoring its fiscal balance. These facts indicate that this project made a certain contribution to stabilizing the national economy. The counterpart fund was allocated to a total of over 90,000 projects with short-term job creation effects in 7 sectors with high priority selected by the Government of Indonesia (i.e. agriculture, forestry and fisheries, transport, road maintenance, health, social welfare, residential environment, and local governments). In the shrimp culture infrastructure development project, yield levels increased, and as a result, household finances improved. In the primary school rehabilitation project, improvements to school facilities made these schools popular in the regions, and the advancement rate has risen. In addition, cooperation between schools and the PTA and local communities has tightened.

Since 1998, the current account balance, fiscal balance and GDP

of Indonesia have been on the recovery track, and the poverty ratio has been decreasing. However, the unemployment rate has been rising since 2001.

Among the development projects that were financed by the counterpart fund and were subject to the field survey, the operation and maintenance responsibility has been transferred either to local governments or to direct beneficiaries. They have no problem with technical capacity, operation and maintenance system, or financial status.

^{*} A fund in local currency earned by the government of the recipient county from the domestic sale of goods imported with the loaned funds.

Third-Party Evaluator's Opinion

This project contributed to stabilize the balance of international payments during the Asian currency crisis. It also had an impact on the achievement of the national development plan as well as establishment of the social safety net promoted by the International Monetary Fund (IMF), as the counterpart fund was used for the development of social and economic infrastructure.

Third-Party Evaluator: Mr. Bambang Permadi Soemantri Brodjonegoro (academia)

Obtained a doctoral degree in urban and regional planning from University of Illinois. Presently holds the post of Dean of Faculty of Economics, University of Indonesia. Specializes in urban planning and regional economics.

Beneficiaries of the project



Local shrimp farmer in Banuanul village, Takalar Regency



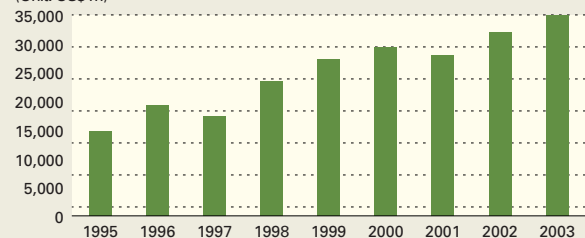
Children learning in the computer room of Tegalrejo No. 1 Primary School

Changes in foreign exchange reserves

Foreign exchange reserves were dropped as a result of the currency crisis of 1997, but recovered in the following year. They continued on a rising trajectory in general up to 2003 so far. Indonesia has maintained foreign exchange reserves equivalent to 8 to 10 months of import cover in recent years.

Foreign exchange reserves

(Unit: US\$ m)



Source: International Financial Statistics 2004 from the International Monetary Fund (IMF)