Third Party Evaluator's Opinion on
Sector Program Loan

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Relevance

The background part of the report explained situation when the Asian financial crisis hard hit Indonesia in 1997, how the government of Indonesia coped with the multi-dimensional problems the crisis created, and how the government was short of necessary resources in order to address fundamental cause of the crisis and quickly restore market confidence. The project was understood to help the government by providing them the needed resources and was geared toward first, stabilizing the international balance of payments through the provision of fund to the government's foreign exchange reserves, and second, contributing to create numbers of job for the socially-vulnerable citizens through the provisioning of various development projects throughout the country. Therefore, Evaluator agrees that the proposed solution was logically appropriate to address the problem and to anticipate its future likelihood as well, and that the relevance of the project to the problem was clear.

In addition to that, from a legal perspective, the project was granted a high relevance to the PROPENAS, the National Development Plan (2000-2004), and was in accordance with the IMF's Indonesia Letter of Intent October 31, 1997 in a sense that both were targeting a quick economic recovery through strengthening fiscal and monetary measure(s). The counterpart fund of the project was also relevant not only to the PROPENAS' goal to the provision of social and economic infrastructure, but also to the IMF Letter of Intent's commitment to strengthening the social safety net programs.

Priority-wise, the project addressed top development needs and national priorities during the financial crisis. Among others are currency and price stabilization, job provisioning, reliable supply of goods through sufficient access roads, infrastructure for promoting export activities, as well as sufficient fund for education. The wide coverage of the project, both in sector and geographical terms, guaranteed that the project delivered benefit to broader recipients and promoted a higher degree of fair-and-just principle than other development program might have.

Impact

The first and foremost impact of the project was on the contribution to strengthening Indonesia's foreign exchange reserves, to restore the currency stability, and creating a comfortable export surplus. The former, although was seemingly over simplified, is considered effective to restore market confidence and bring the currency stability in the midst of political instability, financial institution collapse, and social unrest during that time. While the latter result was more apparent as report proved a consistent export-surplus increasing ever since.

The second part of the project, execution of various development projects, was logically convincing to bring positive impacts to its intended beneficiary(s). As the project covered almost 8% of cumulative national development spending between fiscal 1998 and 2002, contributed to up to 750 thousand job creations per day or equivalent to an aggregate of almost 449 million over the entire project period, and was well-executed, the positive impact of the project was considered enormous. The sustainability of the project benefit(s) seemed secured for short period, but is challenging for future time. Significant changes in government policy and shift in authority locus due to the enactment of the decentralization law since 2001 seemed unimaginable to be anticipated by the time of appraisal and way beyond the project's control.

Overall, Evaluator agrees that the project has been designed accordingly to meet government's relevance and priority, has been implemented efficiently, and has brought benefit to people all over the country.