

1. Project Profile and Japan's ODA Loan



Project site location map
Entire nation targeted for development



Some of the programs executed
Clockwise from top right:
rehabilitated shrimp breeding ponds
(Southern Sulawesi), a rehabilitated
road (Western Jawa), and a
rehabilitated primary school
(Yogyakarta)

1.1 Background

The Asian currency crisis that began in Thailand in July 1997 plunged the Indonesian economy into dire straits. In the run up to the crisis, the Rupiah was valued at 2,500 against the US dollar, but the rate tumbled to Rp. 16,000 in the immediate aftermath of the turmoil. The real GDP growth rate (annual) also contracted sharply from 8.5 % (in the first quarter of 1997) to 1.4 % (in the fourth quarter of the same year). These whirlwind changes in the economic environment dealt a major blow to Indonesia's economy, depleting its foreign exchange reserves by 10 billion dollars. Civilians were also hard hit as unemployment soared and incomes fell by a wide margin. In order to put the economy back on its feet as quickly as possible, the Government of Indonesia instituted a number of policies, amending the conditions governing the repayment of foreign debt and using subsidies to stabilize domestic prices, but found itself unable to enforce these measures without foreign aid (it lacked 30% of the US\$13.9 billion needed). Repeated talks were accordingly held with the International Monetary Fund (IMF) and in June 1998, an agreement was reached on financing to promote and strengthen its package of economic reforms.

1.2 Objectives

This project's objective was to stabilize the international balance of payments through

the provision of financial assistance in foreign currency to Indonesia, a country that was suffered social and political turmoil in the wake of the Asian currency crisis of 1997, and thereby contribute to the recovery of the national economy. Added to which, the counterpart fund generated in line with the provision of ODA was used 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.

1.3 Borrower/Executing Agency

Government of the Indonesian Republic/National Development Planning Agency (BAPPENAS)

1.4 Outline of Loan Agreement

Loan Amount/Disbursed Amount	100,000 million yen/98,525 million yen
Exchange of Notes/Loan Agreement	October 1998/December 1998
Terms and Conditions	
Interest Rate	1.0%
Repayment Date (Grace Period)	30 years (10 years)
Procurement	General untied
Final Disbursement Date	July 2003
Main Contractors	N.A.
Consulting Service (1): Overall project progress and financial supervision ¹	1999-2001: United Nations Office for Project Services (UNOPS) 2002-2003: Pacific Consultants International and other local companies
Consulting Service (2): Supervision and monitoring of projects in specific sectors ²	Pacific Consultants International (roads, residential environment, local government), Nippon Koei (agriculture, forestry and fisheries)
Feasibility Studies (F/S), etc.	June 1998: Fourth agreement on targets reached with International Monetary Fund (IMF) July 1998: Consultative Group on Indonesia (CGI) convened

2. Results and Evaluation

2.1 Relevance

2.1.1 Relevance of project plans at appraisal

Social and economic conditions in Indonesia were severely affected by the currency crisis that hit the Asian region at the end of 1997, and the restoration of macroeconomic stability was a matter of great urgency and import for the national government. This

¹ A contract spanning October 1999 through April 2001 was initially concluded with BAPPENAS and UNPOS the management and monitoring consultants contracted to supervise the execution of the project. Upon the expiration of this contract, BAPPENAS sealed contracts with Pacific Consultants International and other local consultant firms for the period through April 2002.

² Reflecting the urgency of the undertaking, the international consultants that had been employed for other separate Japanese ODA loan projects that were being implemented during the same period were recruited for each of the relevant sectors.

emergency also required that jobs be created to protect the livelihoods of socially vulnerable citizens. Further, with the government facing chronic budgetary shortfalls, maintaining the level of social and economic infrastructure was a priority issue.

2.1.2 Relevance of project plans at evaluation

Indonesia's economy has yet to fully recover from the impact of the currency crisis. PROPENAS, the current national development plan (2000-2004), sets forth a development policy for the economic sector that is targeting early recovery and the construction of a solid platform for development that will enable sustainable economic growth. In the short-term, the priority is on programs aimed at addressing poverty and unemployment, which deteriorated dramatically during the financial crisis and the period of economic restoration that followed it, while in the mid- to long-term the goal is to establish the foundations (systems and infrastructure) to support sustainable economic growth. This therefore confirms the ongoing need for this project, which was designed to stabilize Indonesia's international balance of payments and to support the execution of various development programs.

2.2 Efficiency

2.2.1 Outputs

The foreign exchange that was extended to Indonesia via Japan's ODA loan was assigned to the nation's foreign currency reserves (as a means of covering its import bill) and at the same time, a counterpart fund (a local currency account corresponding to the amount of the ODA loan) was accumulated to finance the implementation of various development projects such as development and enhancement of socioeconomic infrastructure. A comparison of planned and actual foreign exchange and counterpart fund reserves is given in the table hereunder. Although actual counterpart fund reserves were larger than planned due to differences in the exchange rate at the planning stage and during implementation, this output component was essentially executed in accordance with initial project plans³.

³ Originally, a period of 274 months was scheduled for the consulting services for monitoring overall project progress and financial execution and those for supervision and monitoring of development projects being undertaken in specific sectors (58 M/M for foreign consultants + 216 M/M for local consultants); however, a sizeable increase to 574 months was made in the number of man-months of services to be provided by local contractors (36 M/M for foreign contractors + 538 M/M for local consultants).

Table 1. Planned and Actual Foreign Exchange and Counterpart Fund Reserves

	Planned	Actual
ODA loan outlay (¥100M)	1,000.00	985.25
Indonesian accounts		
Foreign currency reserves (foreign currency) (¥100M)	970.00	969.03
Counterpart fund reserves (Rp. M) (local currency)	6,857,925 [1Rp.=0.0141 yen]	7,715,712 [1Rp.=0.0126 yen]

2.2.2 Project Period

This project was originally scheduled to be implemented within a 38-month period from December 1998 to January 2002; however, it actually required 56 months to complete (December 1998 to July 2003) and was subject to an overrun of 18 months. Japan's ODA loan was disbursed as soon as the Indonesian proponents had set aside the requisite counterpart fund reserves (first disbursement: 95,388 million on January 19, 1999; second disbursement: 1,515 million on March 30, 1999). However, because the projects financed by the counterpart fund, which should normally be executed in a concentrated manner within a short timeframe, took longer than anticipated to complete (January 1999 through July 2003), the entire implementation schedule was pushed back. According to the National Development Planning Agency (BAPPENAS), the project's executing agency, the delays were primarily due to (1) confusion over financial and administrative procedures, which were created by the decentralization reforms (changes in administrative regions and holdups in interagency adjustments), and (2) civil unrest (in the provinces of Nanggroe Aceh Darussalam, Maluku and Papua, etc.).

2.2.3 Project Cost

As already stated, the total cost of the project (Japan's ODA loan disbursement) amounted to 98.525 billion yen against a budget of 100 billion yen. A budget of 3 billion was originally allocated for consulting services, but in fact only 1.622 billion yen was disbursed from the loan for this component⁴.

2.3 Effectiveness

2.3.1 Domestic Economic Stability

1) Current Foreign Exchange Reserves and Trade Balance

It was anticipated that the ODA extended via this project would be used to accumulate hard currency for import settlement⁵ and that it would facilitate efforts to restore

⁴ Funds from other ODA loan funded projects that were being implemented separately but conjunctively (a number of projects including one in the agricultural sector and one in the road sector) were also used to pay for separate consultant costs (several projects were included and it is not possible to confirm the outlay for this component).

⁵ All merchandise, with the exclusion of alcohol, tobacco, radioactive materials, gems, atomic reactors,

exchange rate stability. To examine whether these goals have been achieved it is necessary to look at foreign exchange reserves and import trade in Indonesia during the period covered by this project (see Table 2).

Table 2. Foreign Exchange Reserves and International Trade (Unit: US\$ m)

Year	Foreign exchange reserves ^{*1}		Change over year	Exports ^{*2}		Imports
1995	14,787	(4.3)	---	47,454	(1.16)	-40,921
1996	19,281	(5.2)	4,494	50,188	(1.13)	-44,240
1997	17,396	(4.5)	-1,885	56,298	(1.22)	-46,223
1998	23,516	(8.8)	6,120	50,371	(1.58)	-31,942
1999	27,257	(10.7)	3,741	51,242	(1.67)	-30,598
2000	29,268	(8.7)	2,011	65,406	(1.62)	-40,366
2001	28,018	(9.7)	-1,250	57,364	(1.65)	-34,669
2002	32,046	(10.8)	4,028	59,165	(1.66)	-35,652
2003	34,962	(N.A)	2,916	N.A		N.A

Source: International Financial Statistics 2004 compiled and published by the International Monetary Fund (IMF)

*1: Figures in parenthesis equate to months of import coverage

*2: Figures in parenthesis indicate the balance of trade (exports ÷ imports)

Foreign exchange reserves, which dropped as a result of the currency crisis of 1997, recovered the following year and, broadly speaking, continued on a rising trajectory through 2003. In recent years, Indonesia has maintained foreign exchange reserves equivalent to eight to ten months of import cover. However, while exports were around 1.2 times higher than imports in the run up to the currency crisis, the massive contraction of import trade that resulted from the economic slowdown and the devaluation of the Rupiah has created an export surplus of around 1.6 to 1.7 times import trade.

Announced at the 1998 meeting of the Consultative Group on Indonesia (CGI)⁶, the aid pledged by various foreign nations (US\$7.89 billion) was disbursed between 1997 and 1999, accounting for 80% of the increase in Indonesia's foreign exchange reserves during the period, with the funds provided by Japan (US\$1.5 billion = approx. 187 billion yen) equating to 19% of the aggregate ODA extended by CGI member countries. A sum of 100 billion yen (US\$800 million), or a little over half this amount, was disbursed via this project, accounting for approximately 10% of the total amount announced at the CGI meeting. Between July 1998 and March 1999, neither the World Bank nor the Asian Development Bank made any actual disbursements, thus the funds extended through this project during this period represent the sole ODA contribution made to restoring Indonesia's foreign exchange reserves and to securing fiscal resources for the government.

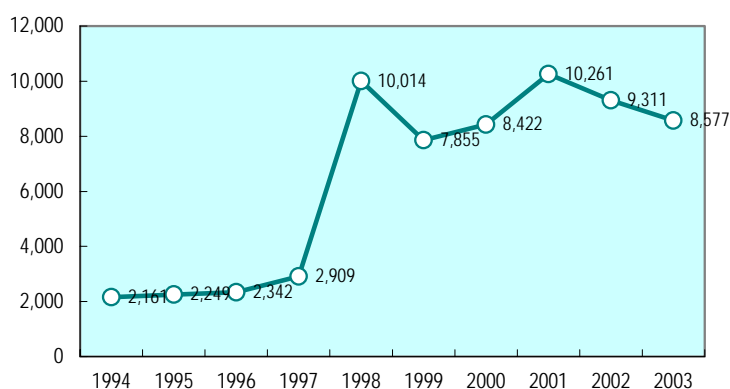
precious metals and weapons are covered.

⁶ The CGI is jointly chaired by the World Bank and the Government of Indonesia; meetings are attended by Indonesian government officials, donor governments and international financial institutions.

2) Current Exchange Rate

Between 1997 and 1998, social and political confusion in the form of major rioting in Jakarta and the resignation of President Suharto added to the economic crisis spurring a one-third drop in the market value of the Rupiah. There were transient signs of recovery in 1999, but in 2000 and 2001 the Rupiah again depreciated as the result of confrontations between Congress and President Wahid that led to a deterioration in internal security, and subsequent upheaval in national systems as the president was removed from office and the decentralization laws were enforced. The exchange rate has been showing steady signs of recovery since then, although it has yet to recover to the level seen prior to the financial crisis.

Figure 1. Rupiah-Dollar Exchange Rate



Source: International Financial Statistics 2004 compiled and published by the International Monetary Fund (IMF)

2.3.2 Execution of Various Development Projects

Under initial plans, funds were to be allocated to projects that the Government of Indonesia was intending to frontload, including the development of residential environments, the development of educational facilities, social welfare assistance and the rehabilitation and expansion of transport facilities. In fact, the SPL counterpart fund covered a little under 8% of cumulative spending from the national development budget between fiscal 1999 and 2002. Details of planned and actual programs financed from the counterpart fund are given (by sector) in Table 3 below.

Table 3. Planned and Actual Counterpart Fund-financed Development Projects (Monetary unit: Rp. m)

Sector	Planned		Actual	
	Program	Cost	Program	Cost
Agriculture, forestry and fisheries	- Rehabilitation of Brackish Water Shrimp Culture Infrastructure - Government's Shrimp and Fish Hatcheries Improvement - Infrastructure Development for Poultry Rural Rearing Multiplication Centre - Development for Slaughterhouse Project	597,520	Essentially as planned	664,287

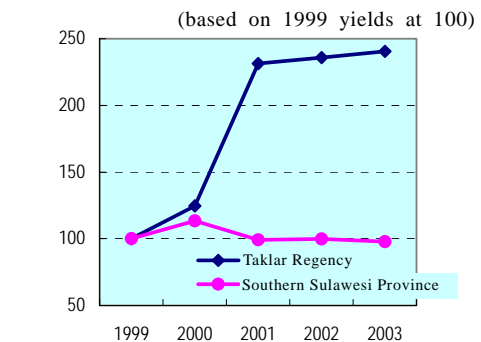
Transport	- Development of Railway System - Upgrading of the River, Lake and Ferry - Development of Seaport Facilities - Development of Airport Facilities	195,183	As above	215,085
Roads	- Rehabilitation and Maintenance of Road and Bridges	952,333	As above	1,058,337
Health	- Strengthening of Health Services - Communicable Diseases Control and Environment - Strengthening of Food and Drugs Control - Improvement of Referral Health Services	482,039	As above	537,007
Social welfare	- Improvement of Social Rehabilitation Facilities of the Disable - Improvement of Basic Infrastructure for Isolated Communities - Improvement of Basic Infrastructure for the Poor - Improvement of Social Rehabilitation Centres for Neglected Children and Elderly - Social Rehabilitation of Slum Areas - Rehabilitation of Basic Infrastructure for Prone Area	248,696	As above	278,697
Residential environment	- Water supplies - Drainage - Infrastructure Support Rural Growth and Housing Area Infrastructure Improvement	697,948	As above	783,670
Local govn.	(Provincial Level) Rehabilitation of terminal irrigation canals ---	3,684,206	(Provincial Level) Financed using other project funds Provincial roads (additional)	4,144,615
	(District Level) - Rehabilitation of primary schools - District Market Rehabilitation - Rehabilitation of healthcare facilities - Construction of living accommodation for doctors/nurses - Construction of rural access roads --- --- --- ---		(District Level) Essentially as planned As above Financed using other project funds As above As above District road development (additional) Water treatment facilities (additional) Residential infrastructure (additional) Environmental improvements (additional)	
Other				34,014
Total		6,857,925		7,715,712 ⁷

⁷ As stated in “2.2 Efficiency”, under this project, a sum of 7,715,712 million Rupiah was set aside as the counterpart fund. Accordingly, there is a discrepancy between this sum and the amount of 7,681,698 million Rupiah, which amounts to approximately 34,000 million Rupiah. The outstanding amount was used to fund those of the projects that were already being executed and/or had been completed using funds from the Indonesian national budget (APBN) that met the following conditions: projects being financed exclusively by local currency funds; those in favorable condition since completion; and those offering favorable access

Source: National Development Planning Agency (BAPPENAS). Actual figures given are the cumulative amounts as of August 31, 2003.

Under the plans for allocation of the counterpart fund, twenty-nine projects in seven sectors were picked out from the sectors being targeted by the Government of Indonesia for priority development, these projects were all to be labor-intensive public works projects with short-term job creation effects; the number of projects was in fact increased to thirty eight. Three sub-projects⁸ in three sectors that were visited during the field survey are introduced hereunder for reference.

Fig. 2. Cultured shrimp harvests



Source: Southern Sulawesi Fishery & Marine Resources Bureau

[A] Development of shrimp culture infrastructure (agriculture, forestry and fisheries sector): Takalar Regency, Southern Sulawesi Province

The development of water channels that was financed under this project allowed water to be supplied to fields, increasing the number of harvests from one to two per year post completion. This is also evidenced by trends in the harvests of cultured shrimp. Taking 1999 yields as 100, Figure 2 illustrates the changes in shrimp harvests for both Southern Sulawesi Province and Takalar Regency⁹. It shows that while there has been no appreciable change in yield levels in the regency, Takalar Regency harvests have more than doubled. Further, the resultant increases in income have had a confirmed increasing effect on household finances, as demonstrated by the growth in purchases and/or ownership of televisions and motorbikes, etc.

Shrimp breeding ponds in Takalar (Banuanul village)



A local shrimp farmer



Shrimp breeding ponds: Roads and canals were rehabilitated

for monitoring, etc. These projects were transferred and the entire counterpart fund was utilized in their financing.

⁸ Sub-projects with widely differing fund dispersals were selected.

⁹ According to Sulawesi Selatan Fishery and Marine Resources Bureau statistics, harvests of cultured shrimp totaled 15,175 tons for the province in 1999, while in Taklar yields for the year amounted to 407 tons.

[B] Road maintenance program: road sections in West Java Province

Under this project, funds for routine maintenance and repair work were allocated to badly deteriorated sections of arterial national and provincial roads. Unlike with new road construction, since the funds were provided for maintenance of existing roads, it is difficult to verify the effectiveness of the allocation. However, heavily-trafficked arterial roads were targeted and although some sections have already sustained surface deterioration, it is believed that the condition of the pavement would have been even worse had support not been extended via this project.

Roads in Central Bandung and the Suburbs of Sumedang Regency



A section of road that was widened in central Bandung



A suburban road in Sumedang Regency (1)



A suburban road in Sumedang Regency (2)

[C] Rehabilitation of primary schools (local government sector): several regencies in Yogyakarta Special Region

The functional improvements to school facilities that were funded by this project have raised levels of academic performance. There has been an increase in the number of applications for places both from within the regency and from further field. The ratio of students entering national middle schools has trebled since 1999, and that truancy rates have fallen. These changes have helped increase the confidence of parties involved with the schools (teachers, the PTA) and have generated trust between schools and parents, the outcome of which is that cooperation between schools and the PTA has become more robust, with PTA meetings now being held more frequently for fund-raising. This has, in turn, created a positive cycle by linking into improvements at the school.

For example, three primary schools that were scattered in a 1-km radius of the Number 1 Primary School in the Tegalrejo district of Yogyakarta were merged under this project in a bid to create an efficient operating system by drawing on advantages of scale¹⁰. Favorable progress is also being made with the medium-term policy targeting greater efficiency in the operation of school facilities that has been set forth by the municipal government of the city¹¹.

¹⁰ Merging schools did not result in longer distance to school, and there were no reports on negative impacts. However, some children's parents take them to and from the school by bike. Other children share *becha* (a three-wheel rickshaw) to go to school.

¹¹ Recognizing that "accomplishing institutional reform as a means of effecting qualitative improvements in

Table 4. Pre- & Post-project Conditions at Tegalrejo No. 1 Primary School

	Pre-implementation			Post-completion
	Benel #3	Tegalrejo #1	Benel #1	Tegalrejo #1
No. of classrooms	7	7	7	14
No. of students	200			471
No. of teachers	10	10	10	19
No. of home rooms (HR)	---	---	---	14
No. of students per HR	---	---	---	34
No. of HR per class	---	---	---	1.0
No. of students per teacher	7			25

Source: Tegalrejo No. 1 Primary School

Tegalrejo No. 1 Primary School and a Classroom



Tegalrejo No. 1 Primary School: 3 schools were merged into one



The computer room¹²

2.4 Impact

2.4.1 Contribute to Social and Economic Stability

An outline of social and economic trends in Indonesia reveals that the period covering the late 1990s through the early years of the new millennium was one of extreme social and political confusion with the turmoil accompanying the currency crisis of 1997 being followed by the collapse of the long-running Suharto administration in 1998, a general election that resulted in the inauguration of the Wahid government in 1999, and the inauguration of the Megawati government in 2001. In spite of this, however, macroeconomic performance during this period has been comparatively stable since 1999.

education and learning is the responsibility of the municipal government”, the government has set forth a number of policies, namely “to make improvements in the operation, personnel and financing of public services”, “to carry out activities designed to improve the quality of education” and “to carry out activities that will improve educational services in the suburbs”, and is undertaking various programs.

¹² Under this project, the classroom was refurbished and desks and chairs were provided. The computers were donated by the PTA.

Table 5. Changes in Major Economic Indicators

Economic Indicator & General Remarks	Year-on-year data ¹³																																																								
<p>Current Account Balance</p> <p>Indonesia had an import surplus until 1997 but this evolved into an export surplus with the currency crisis, and this trend has continued.</p>	<p>Monetary unit: US\$ million</p> <table border="1"> <caption>Current Account Balance (US\$ million)</caption> <thead> <tr><th>Year</th><th>Value</th></tr> </thead> <tbody> <tr><td>1994</td><td>-2,792</td></tr> <tr><td>1995</td><td>-6,431</td></tr> <tr><td>1996</td><td>-7,663</td></tr> <tr><td>1997</td><td>-4,889</td></tr> <tr><td>1998</td><td>4,096</td></tr> <tr><td>1999</td><td>5,783</td></tr> <tr><td>2000</td><td>7,992</td></tr> <tr><td>2001</td><td>6,900</td></tr> <tr><td>2002</td><td>7,237</td></tr> <tr><td>2003</td><td>7,430</td></tr> </tbody> </table>	Year	Value	1994	-2,792	1995	-6,431	1996	-7,663	1997	-4,889	1998	4,096	1999	5,783	2000	7,992	2001	6,900	2002	7,237	2003	7,430																																		
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<p>Fiscal Balance</p> <p>Indonesia fell heavily into debt during 1997-1998, but a significant recovery was observed between 2001-2002. The country is on course to restoring its fiscal balance.</p>	<p>Monetary unit: US\$ million</p> <table border="1"> <caption>Fiscal Balance (US\$ million)</caption> <thead> <tr><th>Year</th><th>Value</th></tr> </thead> <tbody> <tr><td>1993</td><td>5,632</td></tr> <tr><td>1994</td><td>3,839</td></tr> <tr><td>1995</td><td>10,259</td></tr> <tr><td>1996</td><td>10,847</td></tr> <tr><td>1997</td><td>-603</td></tr> <tr><td>1998</td><td>-9,638</td></tr> <tr><td>1999</td><td>-5,941</td></tr> <tr><td>2000</td><td>-7,896</td></tr> <tr><td>2001</td><td>-7,614</td></tr> <tr><td>2002</td><td>-1,811</td></tr> </tbody> </table>	Year	Value	1993	5,632	1994	3,839	1995	10,259	1996	10,847	1997	-603	1998	-9,638	1999	-5,941	2000	-7,896	2001	-7,614	2002	-1,811																																		
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<p>Recovery of Economic Growth (in GDP)</p> <p>GDP growth was negative between 1997-1998 but has subsequently recovered, and in 2000 had returned to 1995 levels.</p>	<p>Left axis: Rp. million (1993 base), Right axis: Real GDP growth rate</p> <table border="1"> <caption>Real GDP Growth Rate (%)</caption> <thead> <tr><th>Year</th><th>Growth Rate</th></tr> </thead> <tbody> <tr><td>1994</td><td>1.08</td></tr> <tr><td>1995</td><td>1.08</td></tr> <tr><td>1996</td><td>1.08</td></tr> <tr><td>1997</td><td>1.05</td></tr> <tr><td>1998</td><td>0.87</td></tr> <tr><td>1999</td><td>1.01</td></tr> <tr><td>2000</td><td>1.05</td></tr> <tr><td>2001</td><td>1.03</td></tr> <tr><td>2002</td><td>1.04</td></tr> <tr><td>2003</td><td>1.04</td></tr> </tbody> </table>	Year	Growth Rate	1994	1.08	1995	1.08	1996	1.08	1997	1.05	1998	0.87	1999	1.01	2000	1.05	2001	1.03	2002	1.04	2003	1.04																																		
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<p>Trends in Unemployment</p> <p>Unemployment is climbing by the year, but the changes have been slower paced than in Thailand and South Korea - other neighboring countries that were affected by the currency crisis¹⁴.</p>	<p>Bars: millions of people; Line: unemployment rate</p> <table border="1"> <caption>Unemployment (millions of people)</caption> <thead> <tr><th>Year</th><th>Value</th></tr> </thead> <tbody> <tr><td>1994</td><td>3.7</td></tr> <tr><td>1995</td><td>4.0</td></tr> <tr><td>1996</td><td>4.2</td></tr> <tr><td>1997</td><td>5.1</td></tr> <tr><td>1998</td><td>6.0</td></tr> <tr><td>1999</td><td>6.1</td></tr> <tr><td>2000</td><td>8.0</td></tr> <tr><td>2001</td><td>9.1</td></tr> <tr><td>2002</td><td>10.1</td></tr> <tr><td>2003</td><td>10.1</td></tr> </tbody> </table>	Year	Value	1994	3.7	1995	4.0	1996	4.2	1997	5.1	1998	6.0	1999	6.1	2000	8.0	2001	9.1	2002	10.1	2003	10.1																																		
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<p>Poverty (pop. living under \$1/day)</p> <p>Despite slight differences in the trends seen in urban and rural areas, the poverty situation, which deteriorated after the currency crisis, improved during 1999-2000 and has not changed appreciably since.</p>	<p>Left axis: millions of people; Right axis: %</p> <table border="1"> <caption>Poverty Data (1996-2003)</caption> <thead> <tr> <th>Year</th> <th>Urban Pop. (millions)</th> <th>Rural Pop. (millions)</th> <th>Total Pop. (millions)</th> <th>Urban Poverty Ratio (%)</th> <th>Rural Poverty Ratio (%)</th> <th>Total Poverty Ratio (%)</th> </tr> </thead> <tbody> <tr><td>1996</td><td>17.7</td><td>13.6</td><td>19.9</td><td>13.6</td><td>13.6</td><td>13.6</td></tr> <tr><td>1998</td><td>24.2</td><td>22.4</td><td>25.7</td><td>24.2</td><td>22.4</td><td>22.4</td></tr> <tr><td>1999</td><td>23.5</td><td>21.9</td><td>26.1</td><td>23.5</td><td>21.9</td><td>21.9</td></tr> <tr><td>2000</td><td>19.1</td><td>14.6</td><td>22.4</td><td>19.1</td><td>14.6</td><td>14.6</td></tr> <tr><td>2001</td><td>18.4</td><td>9.8</td><td>21.9</td><td>18.4</td><td>9.8</td><td>9.8</td></tr> <tr><td>2002</td><td>18.2</td><td>14.5</td><td>21.1</td><td>18.2</td><td>14.5</td><td>14.5</td></tr> <tr><td>2003</td><td>17.4</td><td>13.6</td><td>20.2</td><td>17.4</td><td>13.6</td><td>13.6</td></tr> </tbody> </table>	Year	Urban Pop. (millions)	Rural Pop. (millions)	Total Pop. (millions)	Urban Poverty Ratio (%)	Rural Poverty Ratio (%)	Total Poverty Ratio (%)	1996	17.7	13.6	19.9	13.6	13.6	13.6	1998	24.2	22.4	25.7	24.2	22.4	22.4	1999	23.5	21.9	26.1	23.5	21.9	21.9	2000	19.1	14.6	22.4	19.1	14.6	14.6	2001	18.4	9.8	21.9	18.4	9.8	9.8	2002	18.2	14.5	21.1	18.2	14.5	14.5	2003	17.4	13.6	20.2	17.4	13.6	13.6
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¹³ Compiled from International Financial Statistics Yearbook 2003 compiled and published by the International Monetary Fund (IMF).

2.4.2 Contribute to Job Creation

According to National Development Planning Agency (BAPPENAS) estimates, new jobs were to be created at a rate of 651,000 per day or an aggregate 390 million over the entire project period. Despite a lack of materials/data to verify exactly how many new jobs were created, given that disbursements from the counterpart fund were 12 % higher than planned, it is estimated that new jobs were generated at a rate of 700 to 750 thousand per day.

2.5 Sustainability

2.5.1 Operation and Maintenance System

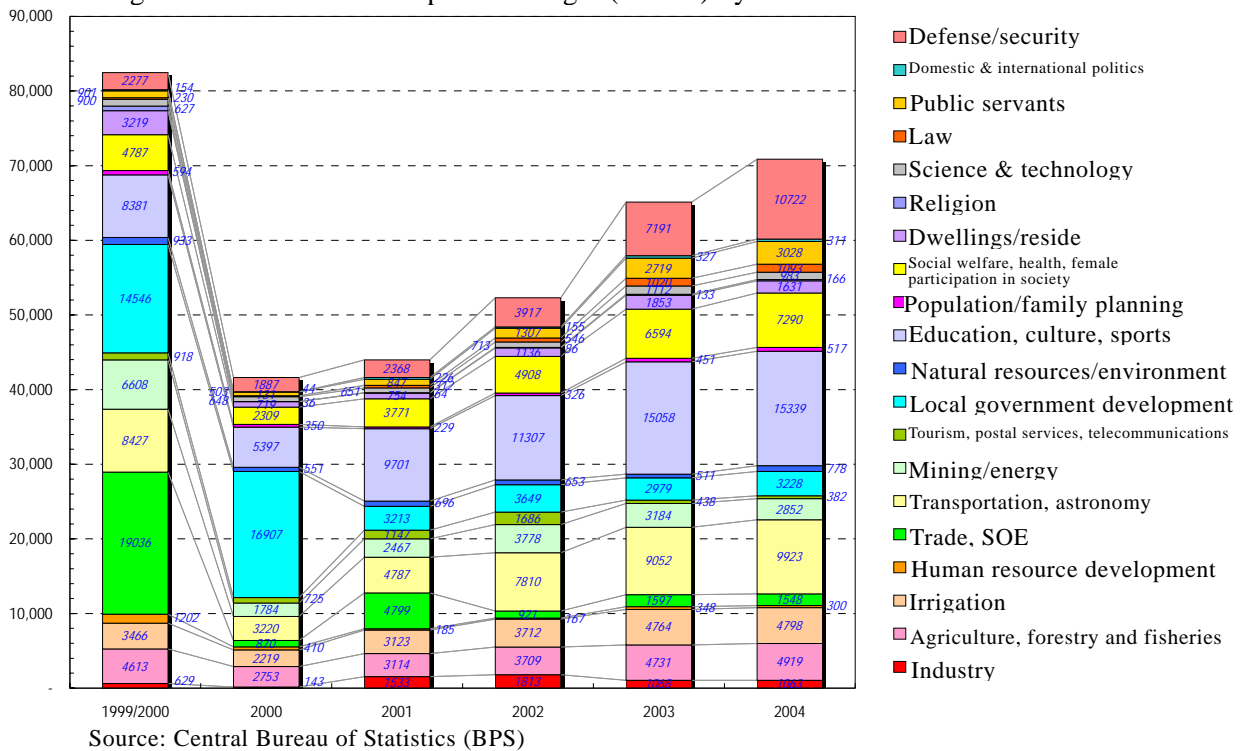
All development projects that were financed by the counterpart fund were to be managed by central government outpost agencies (provincial/regency branch offices, etc.) after completion. However, with the enactment of the decentralization laws in 2001 and the systemic changes that resulted, many of the projects have been transferred either to local governments or to the direct beneficiaries.

2.5.2 Financial Status

Looking at national development budget (APBN) allocations to individual sectors (see Figure 3), although those to local government-related programs that were originally under central government supervision and those to state-run companies have decreased (due to their being transferred to the local government or privatization), budgetary allocations to the education and culture, social welfare, law, and transportation sectors have all increased. The transition to a decentralized system is still incomplete, but there are signs that the central government is focusing on human capital, i.e. human resource development and training, and protection and assistance for socially vulnerable citizens. It is simultaneously concentrating on developing both a legal system and a trans-regional transport system to support national development under a decentralized system.

¹⁴ Prior to the currency crisis, Thailand's unemployment rate was 0.4% to 0.7%, but it surged to 5.3% in 1998. In Korea, unemployment reached 8.3% in 1997, or treble the rate prior to the financial crisis (based on ILO statistics).

Figure 3. National Development Budget (APBN) by Sector



2.5.3 Maintenance Management of Individual Projects since Completion

Details of the maintenance management of the three sub-projects outlined in section 2.3.2 are given below.

[A] Development of shrimp culture infrastructure (agriculture, forestry and fisheries sector): Takalar Regency, Southern Sulawesi Province

Since completion, the primary and secondary water channels have been operated and maintained by the provincial governments and are generally in favorable condition. The maintenance of the tertiary channels is carried out by farmers' groups. The cleaning of these channels is performed on necessity as a part of existing reciprocal help activities (*gotong-royong* in Indonesian). On the other hand, the provincial governments which are responsible for the primary and secondary channels have not taken appropriate measures to allocate budget. The district governments have indicated that they wish to develop a system that would include the formal registration of farmers' groups as water use associations and the collection of water use charges, but with a few exceptions, little concrete progress has been made. There is a need to strengthen the structure and establish a collection scheme in early stage.

[B] Road maintenance program: road sections in West Java Province

Appropriate maintenance work on road sections targeted for improvement under this

project and on linking sections has continued to be executed since project completion. The maintenance budget for national roads comes from the central government, while that for provincial and other arterial roads comes from the coffers of the provincial governments.

[C] Rehabilitation of primary schools (local government sector): several regencies in Yogyakarta Special Region

With the three schools in the three districts that were visited during the field survey, the PTA are making a major contribution (funds included) to the maintenance of school facilities, all of which are being kept in exceptionally good condition. Adequate monitoring of the physical condition of school facilities is being carried out by the local governments (municipal and regency).

3. Feedback

3.1 Lessons learned: none

3.2 Recommendations: none

Comparison of Original and Actual Scope

Item	Planned	Actual																																								
(1) Outputs																																										
-Accumulated foreign exchange reserves	97 billion yen	96.903 billion yen																																								
-Accumulated counterpart funds	6,857,925 Rupiah	7,715,712 Rupiah																																								
-Breakdown of sectoral allocations from the counterpart fund	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ffff00;">Sector</th> <th style="background-color: #ffff00;">Project cost (Rp. m)</th> </tr> </thead> <tbody> <tr><td>AFF</td><td style="text-align: right;">597,520</td></tr> <tr><td>Transport</td><td style="text-align: right;">195,183</td></tr> <tr><td>Roads</td><td style="text-align: right;">952,333</td></tr> <tr><td>Healthcare</td><td style="text-align: right;">482,039</td></tr> <tr><td>Social welfare</td><td style="text-align: right;">248,696</td></tr> <tr><td>Residential environment</td><td style="text-align: right;">697,948</td></tr> <tr><td>Local govtn.</td><td style="text-align: right;">3,684,206</td></tr> <tr><td style="text-align: center;">Total</td><td style="text-align: right;">6,857,925</td></tr> </tbody> </table>	Sector	Project cost (Rp. m)	AFF	597,520	Transport	195,183	Roads	952,333	Healthcare	482,039	Social welfare	248,696	Residential environment	697,948	Local govtn.	3,684,206	Total	6,857,925	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #ffff00;">Sector</th> <th style="background-color: #ffff00;">Project cost (Rp. m)</th> </tr> </thead> <tbody> <tr><td>AFF</td><td style="text-align: right;">664,287</td></tr> <tr><td>Transport</td><td style="text-align: right;">215,085</td></tr> <tr><td>Roads</td><td style="text-align: right;">1,058,337</td></tr> <tr><td>Healthcare</td><td style="text-align: right;">537,007</td></tr> <tr><td>Social welfare</td><td style="text-align: right;">278,697</td></tr> <tr><td>Residential environment</td><td style="text-align: right;">783,670</td></tr> <tr><td>Local govtn.</td><td style="text-align: right;">4,144,615</td></tr> <tr><td style="text-align: center;">Total</td><td style="text-align: right;">7,681,698</td></tr> <tr><td style="text-align: center;">Amount transferred to APBN-funded projects</td><td style="text-align: right;">34,014</td></tr> <tr><td style="text-align: center;">Total</td><td style="text-align: right;">7,715,712</td></tr> </tbody> </table>	Sector	Project cost (Rp. m)	AFF	664,287	Transport	215,085	Roads	1,058,337	Healthcare	537,007	Social welfare	278,697	Residential environment	783,670	Local govtn.	4,144,615	Total	7,681,698	Amount transferred to APBN-funded projects	34,014	Total	7,715,712
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-L/A	December 1998	Same as left																																								
-Consulting services	Oct. 1999 – Apr. 2001	1) Oct. 1999 – Apr. 2001 2) Apr. 2002 – Jul. 2003																																								
-ODA loan disbursal & counterpart fund accumulation	---	1) January 1999 2) March 1999																																								
-Execution of counterpart fund-financed projects	Jan. 1999 – Jan. 2002	Jan. 1999 – Jul. 2003																																								
-Final disbursement date	January 2002	July 2003																																								
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Foreign currency	100 billion yen	98.525 billion yen																																								
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Exchange rate	Rp. 1 = 0.0141 yen (monthly average: Oct. 1998)	Rp. 1 = 0.0126 yen (Average during loan disbursal period)																																								