

SBF Project Implementation Monitoring Report

Indonesia: Regional Infrastructure Development Fund (RIDF) Project

1. Project Information

Project ID:	000012	Investment Number:	L0012A
Member:	Indonesia	Region:	South-Eastern asia
Sector:	Finance	Sub-sector:	Intermediary financing
AIB Financing Type:	Loan: 100 USD million	Co-financier(s):	World Bank
E&S category:	FI	Borrower:	Republic of Indonesia
Red Flags Assigned:	1	Monitoring Regime:	Regular Monitoring
Implementing Agency:	PT Sarana Multi Infrastruktur (PT. SMI)		
Project Team Leader:	Sangmoo Kim		
Project Team Members:	Susrutha Goonasekera, Sr. Social Development Specialist; Henri Boullier de Branche, Sr. Environmental Specialist; Yangzom Yangzom, Procurement Specialist; Yi Geng, Sr. Financial Management Specialist; Liu Yang, Legal Counsel; Haiyan Wang, Sr. Finance Officer; Gregor Herda, Investment Operations Specialist; Antong Hu, Project Assistant;		
Completed Site Visits by AIB:	Dec, 2017 Dec 18-23, 2017		
	Nov, 2017 Nov 6-17, 2017		
	Mar, 2018 Mar 27-Apr 13, 2018		
	Oct, 2018 Oct 15 – Nov 2, 2018		
	Apr, 2019 Apr 22 - May 6, 2019		
Planned Site Visits by AIB:	Nov, 2019 Nov 4-29, 2019		
	Nov, 2020		

2. Project Summary and Objectives

The Project aims to increase access to infrastructure finance at the subnational level through a sustainable financial intermediary. The project objective will be achieved through two components: (i) capital support for RIDF, which provides loans to participating subnational governments (SNGs) in Indonesia for selected infrastructure projects; and (ii) Project Development Facility (PDF), which provides support for SNGs carrying out sub-project identification and preparation. Capital support for the Project is provided by a USD100 million AIB Loan, co-financed by a USD100 million loan from the World Bank, both financing Component 1 activities. The Project is implemented by PT.SMI, which was established in 2009 as a state-owned enterprise owned by Indonesia's MoF, with a mandate to be a catalyst for the acceleration of infrastructure development in the country, through various financing modalities and technical support.

3. Key Dates

Approval:	Mar. 22, 2017	Signing:	Jun. 7, 2017
Effective:	Sep. 28, 2017	Restructured (if any):	
Orig. Closing:	Dec. 31, 2020	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

a) Committed:	100	b) Cancellation (if any):	
c) Disbursed:	33.01	d) Most recent disbursement: (amount / date)	21.41, Dec. 26, 2019
e) Undisbursed:	66.99	f) Disbursement Ratio(%) ¹ :	33.01

¹ Disbursement Ratio is defined as the volume (i.e. the dollar amount) of total disbursed amount as a percentage of the net committed volume, i.e., $f = c / (a - b)$

5. Project Implementation Update

The project has made steady but slower than expected progress towards achieving its project objective. As of Jul.3, 2020, USD33.01 million (33.01%) has been disbursed. While project implementation, due mainly to sub-project readiness at the local level, lags behind the originally envisioned schedule, disbursement will catch up with its original projection from late 2020 depending on the COVID-19 situation. The COVID-19 Pandemic has had an impact on both fiscal and physical capacities of the SNGs, including for project implementation. The current RIDF portfolio includes seven sub-projects in five-national governments worth IDR883.62 billion (USD63.11 million) including: North Sulawesi (general hospital and eye hospital), Central Lombok (public market), South Halmahera (roads and public market), Banjarbaru (public market), and Tapin (hospital). Construction has been completed for the public market in Central Lombok and roads in South Halmahera; near completion for the public market in South Halmahera; underway for both hospital projects in North Sulawesi and the public market in Banjarbaru; and under procurement preparation for Tapin. In addition, there are currently eleven sub-projects worth around IDR2,693.1 billion (USD178.3 million) in the RIDF pipeline.

Components	Physical Progress	Environmental & Social Compliance	Procurement
Component 1: Capital Support for RIDF (USD100 M)	2 sub-project(completed) and 5 sub-projects (under construction)	Extensive capacity-building provided at SNG level	Procurement process of 7 civil work packages completed.
Component 2: RIDF Project Development Facility (PDF)* (USD3 million financed by the Swiss State Secretariat for Economic Affairs (SECO) through the World Bank.	28 sub-projects prepared with PDF support	n/a	7 consulting services and individual consultants for FS, DEDs and ESAs awarded to support SNGs.

Financial Management:

Overall FM performance rating is assessed as Satisfactory and the FM risk is Moderate. The loan has been used to finance 6 packages sub-projects in 4 SNGs. Also, sufficient budget has been allocated by counterpart for year 2020 project implementation. Required IFR is submitted slight delay but with good quality.

6. Status of the Grievance Redress Mechanism (GRM)

PT SMI has established a GRM accessible from RIDF's webpage (<https://www.ptsmi.co.id/contact-us/>), with the corresponding standard operating procedure and resources allocation. No complaint has reportedly been received by PT. SMI until end-2019. The GRM observed at the sub-project visited by AIIB during the supervision mission in Q2 2019 in Central Lombok (Market) had established a GRM and engaged with Project-Affected People on its use. In general, GRMs are established at the sub-projects level.

7. Results Monitoring

n/a

Baseline Year: Jan. 1, 2016 End Target Year: Jan. 1, 2021

Project Objective Indicators	Year	Target	Actual	Others, if any
Indicator 1: Number of sub-national governments receiving RIDF loans.	Jan. 1, 2016	0	0	
Indicator 1: Number of sub-national governments receiving RIDF loans.	Jan. 1, 2017	5	0	
Indicator 1: Number of sub-national governments receiving RIDF loans.	Jan. 1, 2018	11	4	
Indicator 1: Number of sub-national governments receiving RIDF loans.	Jan. 1, 2019	25	5	
Indicator 1: Number of sub-national governments receiving RIDF loans.	Jan. 1, 2020	25	5	
Indicator 2: Average loan size approved by RIDF (IDR bn)	Jan. 1, 2016	0	0	
Indicator 2: Average loan size approved by RIDF (IDR bn)	Jan. 1, 2017	equal to or larger than 100	-	
Indicator 2: Average loan size approved by RIDF (IDR bn)	Jan. 1, 2018	equal to or larger than 120	118	
Indicator 2: Average loan size approved by RIDF (IDR bn)	Jan. 1, 2019	equal to or larger than	126	

		150		
Indicator 2: Average loan size approved by RIDF (IDR bn)	Jan. 1, 2020	equal to or larger than 150	126	
Indicator 3: Average tenor of loans approved by RIDF (years)	Jan. 1, 2016	0	0	
Indicator 3: Average tenor of loans approved by RIDF (years)	Jan. 1, 2017	5	-	
Indicator 3: Average tenor of loans approved by RIDF (years)	Jan. 1, 2018	6.5	5.0	
Indicator 3: Average tenor of loans approved by RIDF (years)	Jan. 1, 2019	8.0	4.9	
Indicator 3: Average tenor of loans approved by RIDF (years)	Jan. 1, 2020	8.0	4.9	
Indicator 4: Return on RIDF assets	Jan. 1, 2016	0	0	
Indicator 4: Return on RIDF assets	Jan. 1, 2017	equal to or larger than 1%	-	
Indicator 4: Return on RIDF assets	Jan. 1, 2018	equal to or larger than 1%	0	
Indicator 4: Return on RIDF assets	Jan. 1, 2019	equal to or larger than 1%	0	
Indicator 4: Return on RIDF assets	Jan. 1, 2020	equal to or larger than 1%	0	
Indicator 5: Non-performing loans	Jan. 1, 2016	0	0	
Indicator 5: Non-performing loans	Jan. 1, 2017	less than 5%	-	
Indicator 5: Non-performing loans	Jan. 1, 2018	less than 5%	0	
Indicator 5: Non-performing loans	Jan. 1, 2019	less than 5%	0	
Indicator 5: Non-performing loans	Jan. 1, 2020	less than 5%	0	
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	Jan. 1, 2016	0	0	
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	Jan. 1, 2017	equal to or less than 50%	-	
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	Jan. 1, 2018	equal to or less than 45%	61	
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	Jan. 1, 2019	equal to or less than 40%	43	
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	Jan. 1, 2020	equal to or less than 40%	43	

Intermediate Result Indicators	Year	Target	Actual	Others, if any
Indicator 1: Amount of capital raised (USD million)	Jan. 1, 2016	0	0	
Indicator 1: Amount of capital raised (USD million)	Jan. 1, 2017	100	0	
Indicator 1: Amount of capital raised (USD million)	Jan. 1, 2018	200	39.2	
Indicator 1: Amount of capital raised (USD million)	Jan. 1, 2019	400	52.5	
Indicator 1: Amount of capital raised (USD million)	Jan. 1, 2020	400	52.5	
Indicator 2: Number of sub-project loans appraised	Jan. 1, 2016	0	0	
Indicator 2: Number of sub-project loans appraised	Jan. 1, 2017	equal to or larger than 5	0	
Indicator 2: Number of sub-project loans	Jan. 1, 2018	equal to or	8	

appraised		larger than 15		
Indicator 2: Number of sub-project loans appraised	Jan. 1, 2019	equal to or larger than 40	17	
Indicator 2: Number of sub-project loans appraised	Jan. 1, 2020	equal to or larger than 40	17	
Indicator 3: Percentage of sub-project specific complaints received that are addressed/ followed-up by sub-national governments	Jan. 1, 2016	0	0	
Indicator 3: Percentage of sub-project specific complaints received that are addressed/ followed-up by sub-national governments	Jan. 1, 2017	80%	100%	
Indicator 3: Percentage of sub-project specific complaints received that are addressed/ followed-up by sub-national governments	Jan. 1, 2018	90%	100%	
Indicator 3: Percentage of sub-project specific complaints received that are addressed/ followed-up by sub-national governments	Jan. 1, 2019	100%	100%	
Indicator 3: Percentage of sub-project specific complaints received that are addressed/ followed-up by sub-national governments	Jan. 1, 2020	100%	100%	

Remarks:

RIDF has made steady progress towards achievement of the project objective, including: (i) improving the policy and regulatory agenda; (ii) building capacity and systems through the delivery of training and guidance notes; and (iii) service delivery through the RIDF portfolio and pipeline. Despite these achievements, progress towards achievement of the project objective, as measured by project objective (PO) indicators, has been slower than expected. The outcome of increased access to infrastructure finance at the sub-national level is presently underachieved when measured by the PO Indicators: as of May 2020, five SNGs, with seven sub-projects, have received RIDF loans compared to the mid-2020 target of 21.8 SNGs. The RIDF portfolio of seven sub-projects has an average loan size of IDR 126 billion compared to the mid-2020 target of IDR 150 billion, and an average loan tenor of 4.9 years compared to the mid-2020 target of 8 years. Under the second outcome of financial performance and sustainability of RIDF, 43% of the total loan portfolio is currently concentrated in one sector (development of hospitals), compared to the mid-2020 target at or below 40%. Return on RIDF assets and non-performing loans (NPLs) indicators stand at zero compared to the mid-2020 target of equal to or larger than 1% and less than 5%, respectively.