

Indonesia : Regional Infrastructure Development Fund

1. Project Information

Project ID:	P000012	Instrument ID:	L0012A
Member:	Indonesia	Region:	South-Eastern Asia
Sector:	Urban	Sub-sector:	
Instrument type:	<input checked="" type="checkbox"/> Loan:100.00 USD million <input type="checkbox"/> Guarantee	Co-financier(s):	International Development Association, World Bank Group
ES category:	FI	Borrower:	Republic of Indonesia
Implementing Entity:	PT Sarana Multi Infrastruktur		
Project Team Leader:	Jana Halida Uno		
Project Team Members:	Liu Yang, Project Counsel; Yi Geng, OSD - Financial Management Specialist; Susrutha Goonasekera, OSD - Social Development Specialist; Susrutha Goonasekera, OSD - Environment Specialist; Yangzom Yangzom, OSD - Procurement Specialist;		
Completed Site Visits by AIIB:	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 Nov, 2019 Nov 4-29, 2019 Feb, 2021 Feb 2021 Nov, 2021 Virtual site visit		
Planned Site Visits by AIIB:	Apr, 2022 virtual site visit		
Current Red Flags Assigned:	1		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2021 Q2		

2. Project Summary and Objectives

The Project aims to increase access to infrastructure finance at the subnational level through a sustainable financial intermediary. Initially, 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 AIIB Loan, co-financed by a USD100 million loan from the World Bank, both financing Component 1 activities. Component 2 is supported by grant from multi donor trust fund (MDTF). On October 7th, 2020 the new component ('Early Response and Recovery') is added to the project to support local governments that economically affected by COVID19. 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. The main project beneficiaries are residents in urban areas that will be served by the infrastructure subprojects funded under the project.

3. Key Dates

Approval:	Mar. 22, 2017	Signing:	Jun. 07, 2017
Effective:	Sep. 28, 2017	Restructured (if any):	Jul. 10, 2020
Orig. Closing:	Dec. 31, 2020	Rev. Closing (if any):	Nov. 30, 2022; Nov. 30, 2022;

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	48.00	Most recent disbursement (amount/date):	9.65/Jan. 04, 2022
Undisbursed:	52.00	Disbursement Ratio (%) ¹ :	48.00

5. Project Implementation Update

The project has made steady but slow progress towards achievement of its project objectives, including: (i) improving the policy and regulatory agenda; (ii) building capacity and systems through the delivery of trainings and guidance notes; and (iii) service delivery through the RIDF portfolio and pipeline. The COVID-19 Pandemic has had an impact on both fiscal and physical capacities of the sub-national governments (SNGs), including for project implementation.

Seven sub-national governments have received project loans to carry out the following nine sub-projects:

1. Central Lombok district - construction of a public market completed.
2. South Halmahera district - construction of roads and public market completed.
3. North Sulawesi province - construction of a general hospital and an eye hospital completed.
4. Banjarbaru city - construction of a public market completed.
5. Tapin district - construction of a general hospital underway.
6. Southeast Sulawesi province - construction of a cardiology hospital underway.
7. Kapuas district – procurement underway for the construction of roads.

Components	Physical Progress	Environmental & Social Compliance	Procurement	Financial Management
Component 1: Capital Support for RIDF (USD100 M)	US\$249 million has been mobilized, which is 62 percent of the end target of US\$400 million. Thirty-three sub-	PT. SMI has prepared eight Guidance Notes (GNs) for various sectors which included E&S aspects to guide	Procurement process of 8 civil work packages completed. While good progress has been made, SNGs are still not	Overall FM performance rating is assessed as Satisfactory and the FM risk is Moderate. The project has been allocated sufficient

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

	<p>project loans have been appraised, exceeding the end target of 30. There are two portfolios underway: (i) construction for the hospital in Tapin with the estimated completion date of March 2022, and (ii) construction of the cardiac hospital in Southeast Sulawesi that is estimated to be completed in September 2022. There is one underway pipeline: rehabilitation of Kapuas roads that are being procured. The progress report has been submitted timely by PT. SMI.</p>	<p>the SNGs in preparing projects. Other GNs will be prepared in accordance with the pipeline and portfolio of PT SMI. Social and Environmental Due Diligence (SEDD) reports have been finalized.</p>	<p>familiar with the World Bank's Procurement guidelines and documents and procurement is rated as moderately satisfactory. However, in addition to World Bank support, individual procurement consultants and consulting firms have been hired to provide necessary support.</p>	<p>budget in FY 2021 DIPA in Dir SMI, DG Treasury, Ministry of Finance. The loan has disbursed US\$76,592,309.88 or 38.29 percent from its total allocation. So far, the loan has been used to finance nine packages sub-projects in seven province/districts/city amounted to IDR 1,472,017,140,780 (US\$102.6 million). Currently the project is processing an additional amount of IDR 280,341,000,000 or about US\$19.6 million which will bring the disbursement of the loan into US\$96,196,575.61 or about 48 percent of the total loan. The project submitted its IFRs timely and in good shape. The PT SMI FY 2021 audit report will be due for submission to the Bank on June 30, 2022</p>
Component 2: RIDF Project Development Facility (PDF)*	<p>Thirty-two SNGs have applied for RIDF PDF support, exceeding the target of thirty (107 percent of target). Twenty-nine subprojects have been prepared with assistance from the PDF, exceeding the target of 30 (103 percent of target)</p>	n/a	<p>19 consulting services and individual consultants for FS, DEDs and ESIA's awarded to support SNGs</p>	
Component 3: Early Response and Recovery Component	<p>16 SNGs had expressed their intention to access the ERRC line of credit,</p>	<p>To further support the SNGs, PT SMI has deployed a team comprising of well-</p>	n/a	

	<p>however, only four have been proposed formally. The four proposals total US\$25.7 million: Solok hospital (US\$7 million), Lampung Selatan roads (US\$6.4 million), Batu Bara roads and drainage (US\$7 million), and Bulukumba markets (US\$5.3 million). As of December 31, 2021, two SNGs have signed the sub-loan agreement: Solok and Lampung Selatan, following the concurrence by Ministry of Home Affairs (MoHA).</p>	<p>experienced environmental and social safeguard specialists to carry out, among others, (i) support project preparation, including the upcoming ERRC pipelines, (ii) monitor the implementation of the Corrective Action Plans (CAPs) as specified in the Financing Agreements for sub-projects during construction.</p>		
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6. Status of the Grievance Redress Mechanism (GRM)

GRMs have been set up at both PT.SMI and SNG levels. At the PT.SMI level, public can currently submit complaints through an email address, phone and/or fax number published on its website. The website functionality itself is also being expanded to receive and respond to complaints. Nevertheless, the Bank noted that most complaints were channeled and received through SNGs; which has been continuously followed-up, closely monitored, and the records are available offline, both at respective SNGs and PT. SMI. The Bank acknowledged that PT. SMI has agreed to disclose the information of the submitted complaints and its follow up actions through their website by adjusting the current GRM features by early February 2022.

7. Results Monitoring

The achievement of result indicators are varied. Some are exceeding their targets, some are on track to achieve their targets, while some are estimated to be underachieved.

Project Objective Indicators #1

Indicator 1: Number of subprojects receiving RIDF loans.

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	5	0	
Jan. 02, 2018	5	4	
Jan. 02, 2019	10	5	

Jan. 02, 2020	15	8	
Jan. 02, 2021	18	8	
Jan. 02, 2022	20	9	

Project Objective Indicators #2

Indicator 2: Average loan size approved by RIDF (IDR bn)

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	>=100	0	
Jan. 02, 2018	>=100	118	
Jan. 02, 2019	>=120	126	
Jan. 02, 2020	>=150	159.1	
Jan. 02, 2021	>=150	159.2	
Jan. 02, 2022	>=150	159.2	

Project Objective Indicators #3

Indicator 3: Average tenor of loans approved by RIDF (years)

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	5.0	-	
Jan. 02, 2018	5.0	5.0	
Jan. 02, 2019	5.0	4.9	
Jan. 02, 2020	5.5	4.5	
Jan. 02, 2021	6.0	4.75	
Jan. 02, 2022	6.0	4.75	

Project Objective Indicators #4

Indicator 4: Number of SNGs receiving assistance through ERRC

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2022	10	2	

Project Objective Indicators #5

Indicator 5: Return on RIDF assets

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	>=1%	0	

Jan. 02, 2018	>=1%	0	
Jan. 02, 2019	>=1%	0	
Jan. 02, 2020	>=1%	0	
Jan. 02, 2021	>=1%	0	
Jan. 02, 2022	>=1%	1	

Project Objective Indicators #6

Indicator 6: Non-performing loans

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	<5%	0	
Jan. 02, 2018	<5%	0	
Jan. 02, 2019	<5%	0	
Jan. 02, 2020	<5%	0	
Jan. 02, 2021	<5%	0	
Jan. 02, 2022	<5%	0	

Project Objective Indicators #7

Indicator 7: Proportion of the total loan portfolio concentrated in a single sector

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	<=50%	0	
Jan. 02, 2018	<=45%	61	
Jan. 02, 2019	<=45%	43	
Jan. 02, 2020	<=40%	67	
Jan. 02, 2021	<=40%	50	
Jan. 02, 2022	<=40%	44.4	

Project Objective Indicators #8

Indicator 8: Number of SNGs receiving capacity building training

Year	Target	Actual	Comments, if any
Jan. 02, 2016	50	0	
Jan. 02, 2020	50	50	
Jan. 02, 2021	50	85	
Jan. 02, 2022	75	85	

Intermediate Result Indicators #1

Indicator 1: Amount of capital raised (USD million)

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	50	0	
Jan. 02, 2018	50	39.2	
Jan. 02, 2019	100	52.5	
Jan. 02, 2020	150	128.8	
Jan. 02, 2021	200	234.6	
Jan. 02, 2022	200	249.1	

Intermediate Result Indicators #2

Indicator 2: Number of sub-project loans appraised

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	>=5	0	
Jan. 02, 2018	>=5	8	
Jan. 02, 2019	>=15	17	
Jan. 02, 2020	>=25	28	
Jan. 02, 2021	>=30	28	
Jan. 02, 2022	>=30	33	

Intermediate Result Indicators #3

Indicator 3: Percentage of sub-project specific complaints received that are addressed / followed-up by sub-national governments

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2017	80%	-	
Jan. 02, 2018	90%	-	
Jan. 02, 2019	90%	100%	
Jan. 02, 2020	100%	100%	
Jan. 02, 2021	100%	100%	
Jan. 02, 2022	100%	100%	

Intermediate Result Indicators #4

Indicator 4: Number of SNGs applying to ERRC (Number)

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2020	0	0	
Jan. 02, 2022	20	16	

Intermediate Result Indicators #5

Indicator 5: Number of ERRC applications appraised (Number)

Year	Target	Actual	Comments, if any
Jan. 02, 2016	0	0	
Jan. 02, 2020	0	0	
Jan. 02, 2022	15	16	

Remarks:

Indicators and end targets have been revised under the project change (non-material).
