

Regional Infrastructure Development Fund Project

1. Project Information

Project Name:	Regional Infrastructure Development Fund Project	Project No:	000012
Region/Country:	Southeast Asia / Indonesia	Sector(s):	Urban
Year of Approval:	FY 2017	Financing Type:	SBF
Financing Instrument:	IPF	Co-financier(s):	World Bank
Project Team Leader:	Sangmoo Kim	Implementing Agency:	PT SMI
Field Visits	December 18-23, 2017 November 6-17, 2017 March 27 – April 13, 2018		

2. Project Objectives

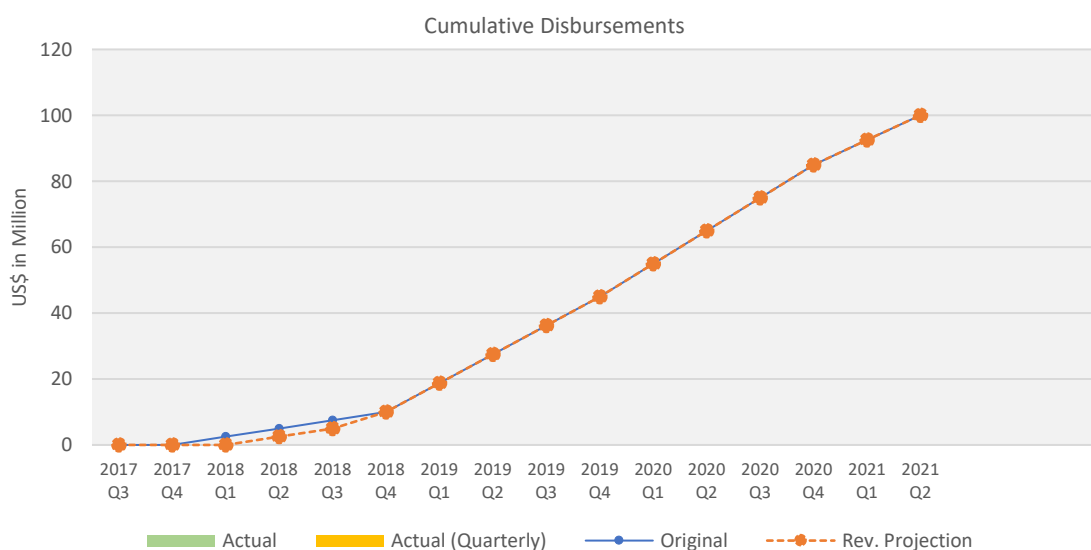
To increase access to infrastructure finance at the subnational level through a sustainable financial intermediary, which finances investment and technical assistance programs for: (i) urban transport systems; (ii) urban water supply and sanitation; (iii) drainage, flood and hazard risk; (iv) solid waste management systems; (v) slum upgrading and affordable housing; and (vi) primary healthcare and education facilities.

3. Key Dates

Loan Approval:	March 22, 2017	Loan Signing:	June 7, 2017
Effectiveness:	September 28, 2017	Restructuring (if any):	n/a
Orig. Closing:	December 31, 2020	Rev. Closing (if any):	n/a

4. Disbursement Summary

Net Commitment:	USD100 M	Rev. Amount (if any):	n/a
Disbursed Amount:	0	Disbursed (last quarter):	0 (USD8.4 M to be disbursed by June 2018)
Undisbursed Balance:	USD100 M	Disbursement Ratio:	0 %



5. Project Implementation Status

The project loan was effective on September 28, 2017, after some delays. Project implementation has been slow. Now it is behind schedule for about one quarter. The disbursement projection was revised accordingly. The disbursement is expected to accelerate when actual construction works start in late 2018. However, procurement of civil works for RIDF sub-projects has yet to be initiated by any of the responsible Local Governments (LGs). PT SMI will provide hands-on support to the LGs, including the preparation of bidding documents and also to review and issue no-objections for prior review packages.

Components	Physical/Financial Progress	Safeguards Compliance	Procurement	Financial Management
Component 1: Capital Support for RIDF (USD100 M)	Loan agreement signed for three sub-projects (Delayed)	Capacity-building needed at LG level	Not yet commenced	Internal and external audits underway
Component 2: RIDF Project Development Facility (PDF)*	PDF support for one LG, three requested	n/a	n/a	n/a

* USD6 million financed by the Swiss Secretariat for Economic Affairs (SECO) and World Bank.

6. Key Issues and Complaints Received, and Actions

Key Issues:

Currently, the RIDF pipeline consists of ten sub-projects worth around USD112.07 million. North Sulawesi (general hospital and eye hospital), Central Lombok (public market), and South Halmahera (roads and public market) received offering letters for financing from PT SMI. Loan agreements for both Central Lombok and South Halmahera have now been signed. Banjarbaru (public market) is currently under detailed appraisal. Initial discussions are on-going with Mentawai and East Ogan Komering Ulu (roads). A loan proposal without feasibility study has been received from Tojo Una-Una (roads), while project and financial appraisal is on-going for Ogan Komering Ulu (hospital).

One LG is currently receiving PDF assistance: North Sulawesi (two proposed sub-projects). Three other LGs (Banjarbaru, Tojo Una Una and Prabumulih) have requested assistance from the PDF.

Continuing to build the pipeline of sub-projects is a high priority. PT.SMI is putting greater efforts to build this pipeline, including: (i) direct support to LGs in sub-project preparation under the PDF; and (iii) identification and detailed appraisal process of sub-projects; and (iv) ongoing coordination among the Ministry of Finance, the Ministry of Home Affairs, and PT. SMI to facilitate approvals for sub-project loans.

There are some challenges for PT.SMI to assist the LGs in identifying environmental and social issues, and their capacity to implement safeguards instruments. So far, PT.SMI has further strengthened its and the LGs' capacity by: finalizing its corporate-level ESMF; hiring additional safeguards specialists at PT.SMI; and developing sectoral guidance related to safeguards. The project continues to monitor and actively support PT.SMI and LGs in safeguards.

Complaints: Nil

Proposed Actions:

Actions	Responsible Party	Target Date	Status
Strengthen safeguards and fiduciary capacity for Papua and West Papua	PT.SMI	April 30, 2018	Delayed
Finalize RIDF Annual Work Plan	PT.SMI	May 30, 2018	On-track
Finalize Risk Management Protocol for inclusion in Gol agencies' SOPs in relation to LG borrowing	Gol agencies	May 30, 2018	On-track
Issue revision of MoF Regulation No. 121/2016 regarding loan withdrawals through on-lending mechanism, allowing for advances as a disbursement method	MoF	May 30, 2018	On-track

Implement measures to strengthen RIDF's procedures, risk management, due diligence, and awareness-raising on anti-corruption. ¹	PT.SMI	Continuous	On-track
Develop practical guidelines for subnational governments on E&S in the health sector and for public market development; Locally deploy E&S safeguards specialists for hands-on assistance to subnational governments	PT.SMI	Multiple	N/A

7. Results Monitoring

Project Objective Indicators	Baseline (2016)	2017		2018		2019		2020		Others, if any
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Indicator 1: Number of sub-national governments receiving RIDF loans	0	11	0	18	2	25				
Indicator 2: Average loan size approved by RIDF (IDR bn)	≥100	≥120	-	≥150	115	≥150				
Indicator 3: Average tenor of loans approved by RIDF (years)	5.0	6.5	-	8.0	5.0	8.0				
Indicator 4: Return on RIDF assets	≥1 %	≥1 %	-	≥1 %	0	≥1 %				
Indicator 5: Non-performing loans	<5 %	<5 %	-	<5 %	0	<5 %				
Indicator 6: Proportion of the total loan portfolio concentrated in a single sector	≤50 %	≤45 %	-	≤40 %	61%	≤40 %				
Result Indicators	Baseline (2016)	2017		2018		2019		2020		Others, if any
		Target	Actual	Target	Actual	Target	Actual	Target	Actual	
Indicator 1: Amount of capital raised (USD million)	100	200		300	16.8	400				
Indicator 2: Number of sub-project loans appraised	≥5	≥15		≥25	6	≥40				
Indicator 3: Percentage of sub-project specific complaints received that are addressed / followed-up by sub-national governments	80 %	90 %		100 %	0	100 %				

**pipeline under development, hence no actual monitoring data recorded for 2017.*

¹ Measures include: (i) Risk Adjusted Approach (including assessment and identification of LGs with high risk and working closely with those high-risk LGs through upstream workshops, raising awareness of anti-corruption guidelines, probity audits, etc.), (ii) Integrity Pact Approach (to ensure all parties involved commit to ethical behavior), (iii) raising awareness and outreach, and (iv) strengthening anti-corruption procedures.