

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:50.66 US Dollar million <input type="checkbox"/> Guarantee	Co-financier(s):	World Bank
ES category:	FI	Borrowing Entity:	Ministry of Finance
Implementing Entity:	PT Sarana Multi Infrastruktur		
Project Team Leader:	Jana Halida Uno		
Responsible DG:	Rajat Misra		
Responsible Department:	INF1		
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 Aug, 2022 The mission took place from July 18 to August 19 and AIIB participated physically throughout the mission including attending workshop with 10 local governments in Bali province and field visit to Lampung province.		
Planned Site Visits by AIIB:	Nov, 2022 Physical site visit		
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	1		
Previous Red Flags Assigned Date:	2021/12		

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. Initially, 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 sub projects funded under the project. On June 20, the loan amount was cancelled for USD 49,337,419.94 based on the request from Ministry of Finance (MOF) of the Government of Indonesia (GOI) in its letter dated May 13, 2022.

3. Key Dates

Approval:	Mar. 22, 2017	Signing:	Jun. 07, 2017
Effective:	Sep. 28, 2017	Restructured (if any):	Jun. 20, 2022
Orig. Closing:	Dec. 31, 2020	Rev. Closing (if any):	Nov. 30, 2022; Nov. 30, 2022; Nov. 30, 2022;

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	49.34
Disbursed:	48.66	Most recent disbursement (amount/date):	0.66/Jun. 30, 2022
Undisbursed:	2.00	Disbursement Ratio (%): ¹ :	96.05

5. Project Implementation Update

Project Change. The Project was restructured in June 2022 to process a partial cancellation of the project loan and modify the results framework's end targets. The Government of Indonesia (GoI) requested the partial cancellation as loan funds would not be fully utilized by project closing due to challenges related to procurement and implementation, strong competition from alternatives sources of financing for sub-national governments (SNGs), and delays related to the COVID-19 pandemic. The results framework was modified to amend the end targets of some Project Objective Indicators and Intermediate Indicators.

Project Closing. The project will close on November 30, 2022. For six months after project closing, the Bank team will complete the Project Completion Report (PCR), which is the main instrument for self-evaluation prepared by the Bank at the end of every project. The mission requested assistance from PT. SMI and the participating SNGs to best reflect the results achieved under the project, lessons learned, and knowledge sharing for future operations. A PCR mission is planned for November 2022, and the final report will be completed by May 31, 2023.

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.

As of today, the project has made some 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.

Eight sub-national governments have received project loans to carry out the following eleven sub-projects:

1. Central Lombok district - construction of a public market completed and operated.
2. South Halmahera district - construction of roads and public market completed and operated.
3. North Sulawesi province - construction of a general hospital and an eye hospital completed and operated.
4. Banjarbaru city - construction of a public market completed and traders have been relocated to the new market.
5. Tapin district - construction of a general hospital underway. -construction and procurement medical equipment completed
6. Southeast Sulawesi province - construction of a cardiology hospital completed but procurement medical equipment underway.
7. South Lampung regency- construction of two road sections underway.
8. City of Solok -construction of general hospital underway.

Components	Physical Progress	Environmental & Social Compliance	Procurement Progress
Component 1: Capital Support for RIDF	As of August 2022, two sub-projects remain under implementation. Tapin Regency has completed construction of the general hospital, and procurement of necessary medical equipment is in progress. This will be completed before the closing date. In Southeast Sulawesi, construction is ongoing on the cardiac hospital. It is anticipated that construction will be completed by September 2022, and the SNG is preparing for the procurement of medical equipment. Funding for the equipment is likely to use co-financing between RIDF and PT. SMI's own equity.	The mission observed continued efforts in managing and monitoring the environmental and social risks and impacts of subprojects in accordance with the project ESMF. PT SMI is maintaining a core safeguards team of around ten experienced environmental and social safeguards specialists to apply safeguards management on RIDF and ERRC subprojects. Environmental and social due diligence reports (ESDDs) were prepared by PT SMI for the RIDF subprojects which included corrective action plans (CAPs).	Six out of 8 sub-projects have been completed. The two projects are under implementation and expected to be completed by September 2022. Major procurement issues highlighted are the lack of SNG's understanding of WB procurement guidelines, lack of project preparation by SNGs and limited competition for some of the procurement activities as a result of lack of preparation/market analysis to ensure sufficient competition.
Component 2: RIDF Project Development Facility (PDF)*	The RIDF PDF trust fund closed on May 31, 2022. Under the fund, thirty-two SNGs received assistance, exceeding	Preparation of the plans under the CAPs were supported by the trust fund (PDF) under Project Component 2. Updates to the CAPs are being recorded in the	All procurement and contract implementation under this component have been completed in June 2022.

	<p>the target of thirty (107 percent of target). Thirty subprojects have been prepared with assistance from the PDF, achieving the target of 30 (100 percent of target) and 97 percent of funds have been disbursed. All sub-projects were planned with adequate citizen engagement, fully achieving the project’s target. The PDF has already contributed substantially to improving project preparation, including Feasibility Studies (FS), Detailed Engineering Designs (DED), and Environmental and Social Impact Assessments (ESIA). There are some remaining funds under the PDF, and these will be refunded to process a Bank-Executed Trust Fund for the financing of three additional activities: (i) interoperability of REFINA and SIMANDA; (ii) PT. SMI’s institutional capacity strengthening; and (iii) an impact evaluation analysis for road and hospital sub-projects. Activities under component 2 is financed by Indonesia Sustainable Urbanization Multi Donor Trust Fund (IDSUN MDTF)’s grant.</p>	<p>Environmental and Social Monitoring Reports (ESMRs).</p>	
<p>Component 3: Early Response and Recovery Component</p>	<p>Sixteen SNGs originally expressed their intention to access the ERRC line of credit, however, only four were</p>	<p>E&S screening checklists, including CAPs, for the two subprojects financed under the ERRC were prepared by PT SMI with inputs from the Bank. A site visit report,</p>	<p>The two Lampung province road sub-loans are under implementation and expected to complete before project closing.</p>

	<p>proposed formally and two signed sub-loan agreements, following the Ministry of Home Affairs (MoHA) concurrence. These are a hospital in Solok (US\$ 7 million) and a roads project in Lampung Selatan (US\$ 6.4 million). The Solok hospital is currently under procurement and will be co-financed by PT SMI after project closing.</p>	<p>including status of the CAPs, on the ERRC road rehabilitation subproject in Lampung will be shared with the Bank. The ERRC road rehabilitation works in Lampung had only started (around 1.5% progress) and the local contractors informed that safety officers are hired to conduct toolbox meetings to mitigate safety risks.</p>	<p>Meanwhile, the Solok hospital will not be completed by project closing and will be continued with PT SMI's own fund.</p>
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Financial Management:

The Financial Management (FM) performance for the project is generally Satisfactory. The project allocated sufficient budget in FY 2022 DIPA (State Budget Implementation List) in PT SMI (implementing agency)'s directory, Directorate General Treasury, Ministry of Finance (MoF). As at August 25, 2022, the loan has disbursed USD48,661,114, accounted 96% of the total revised loan size (net of cancelation of USD 49,337,419). So far, the loan has been used to finance 11(eleven) packages sub-projects in 8 province/districts/city. Currently the project is processing the final payment and disbursement before loan closing date of November 30, 2022. The project submitted its Interim Financial Reports timely and in good shape. PT SMI FY 2021 audit report was received ahead of time.

6. Status of the Grievance Redress Mechanism (GRM)

PT SMI is operating a grievance redress mechanism through its website and is also in the process of working with the SNGs to also record and register grievances received at the SNG and subprojects level.

7. Results Monitoring

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

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	
Aug. 19, 2022	14	11	Indicator's end target was revised during project change. Several sub-projects from Kapuas have been dropped as the SNG has cancelled its intention to borrow.

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	
Aug. 19, 2022	>=150	182.8	Target has been exceeded

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	
Aug. 18, 2022	5	4.73	Indicator's end target was revised during project change. Solok sub-project to be co-financed with PT SMI's own equity.

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	
Aug. 19, 2022	2	2	Indicator's end target was revised during project change.

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	
Aug. 19, 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	
Aug. 19, 2022	<5%	0	To date, there is no delay in repayments

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	
Aug. 19, 2022	<=40%	40	the largest concentration is in the health sector (i.e. development of hospitals)

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	

Aug. 19, 2022	75	85	Target has been exceeded. The indicator will be updated based on the borrowing socialization participants.
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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	
Aug. 19, 2022	260	246.655	Indicator's end target was revised during project change. Total amount likely will revise sine Kapuas cancel the loan.

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	
Aug. 19, 2022	30	33	Target has been exceeded

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%	

Aug. 19, 2022	100	100	Target achieved. GRM for RIDF is in place at both PT.SMI and SNG levels and are being utilized.
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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	
Aug. 19, 2022	16	16	Indicator's end target was revised during project change.

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	Indicator's end target was revised during project change.
Aug. 19, 2022	15	16	Target has been exceeded.

Remarks: