

**Project Completion Note for co-financed Policy-Based Financings under the COVID-19 Crisis Recovery Facility (CRF)**  
Indonesia: COVID-19 Active Response and Expenditure Support Program

**1. Project Information**

Project ID:	P000391	Instrument ID:	L0391A
Member:	Indonesia	Region:	South-Eastern Asia
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	Loan	E&S category:	C
Co-financier(s):	Asian Development Bank		
Borrower:	Republic of Indonesia		
Guarantor:	N/A		
Implementing Agency:	Ministry of Finance Directorate General of Budget Financing and Risk Management Loan		
Other entities involved:	Asian Development Bank		
Project Team Leader(s):	Toshiaki Keicho, PTL		
Project Team Members:	Nicole Faith Blanco, Investment Analyst Jinghui Li, Project admin Yang Shuai, OSD - Environment & Social Development Specialist Kezia Paladina, Project Counsel Liu Yang, Alternate Counsel Yi Geng, OSD - Financial Management Specialist Rabindra Shah, OSD - Procurement Specialist		
Site Visits by AIIB:	-		

**2. Project Summary and Objectives**

On May 22, 2020, the AIIB Board of Directors approved a USD750 million sovereign-backed financing (the "Loan") to the Republic of Indonesia (the "Borrower") for the COVID-19 Active Response and Expenditure Support Program (CARES) (the "Program") under the COVID-19 Crisis Recovery Facility (CRF). This was one of the first CRF operations approved by AIIB, which was co-financed with the Asian Development Bank (ADB). The ADB loan amounting to USD1.5 billion was approved under ADB's Countercyclical Support Facility (CSF) COVID-19 Pandemic Response Option (CPRO).

The objective of the Program is to support the Borrower's countercyclical fiscal policy in response to the COVID-19 pandemic, including by mitigating the adverse impacts of COVID-19 on health, livelihoods and economy.

The scope of the Program includes the following measures: (i) additional allocation of social assistance programs for the poor and vulnerable implemented; (ii) dedicated fund for COVID-19 prevention and

control established; and (iii) productive sectors safeguarded and manufacturing workers supported from the economic downturn.

The Program was designed to complement the government's National Economic Recovery Program (PEN), particularly in reducing the adverse impacts of COVID-19 on health, livelihood, and economy through budgetary support to fill the gaps in the overall financing needs. The PEN program of the Government of Indonesia (GOI) was introduced on May 11, 2020, as the largest fiscal stimulus and social assistance program in response to the pandemic. The GOI's COVID-19 fiscal response plan in 2020 is comprised of three packages:

Package 1: Included increase in cash transfer for low-income families under Kartu Sembako Program, support the tourism industry (e.g., discount on airfares to 10 tourism destinations, tax compensation for hotels and restaurants, tourism grant);

Package 2: covered tax breaks, such as a 6-month tax holiday for manufacturing workers in 19 sectors, acceleration of value-added tax restitution, corporate income tax cut by 30 percent for 19 manufacturing subsectors for six months, suspension of import taxes for selected manufacturing sectors; and

Package 3: included public health (e.g., procurement of medical equipment, such as test kits, ventilators, and incentives for medical workers), social protection (e.g., Family Hope Program, Kartu Sembako Program, electricity, and housing subsidies), economic assistance (e.g., waiver of income, value-added and import tax for selected sectors impacted by COVID-19, reduction of corporate income tax to 22 percent, interest-free credit line for micro, small, and medium enterprises (MSMEs), and national recovery program targeting real and finance sectors), and the establishment of a reserve fund for COVID-19 mitigation and prevention.

Consequently, this assisted the government in effectively executing the countercyclical assistance for its PEN program with the following expected outcomes: (i) strengthened social assistance programs for low-income families and the vulnerable; (ii) established a specific fund for the pandemic prevention and control, and (iii) supported efforts to safeguard productive sectors and assist manufacturing workers during the economic hardship.

The Program supported different measures to curb the negative economic impact of the pandemic while promoting public health measures that minimized broader societal effects. It is a collaboration of different development partners. In addition to ADB and AIIB, the Program also involved partners such as Japan International Cooperation Agency, the Government of Germany through Kreditanstalt für Wiederaufbau, and the Government of Australia.

### 3. Key Dates

Approval:	May 20, 2020	Signing:	July 3, 2020
Effective:	August 11, 2020	Restructured (if any):	-
Orig. Closing:	March 31, 2021	Rev. Closing (if any):	-

### 4. Disbursement Summary (US Dollar million)

a) Committed:	750.00	b) Cancelled (if any):	-
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c) Disbursed:	750.00	d) Last disbursement: (amount /date)	-
e) Undisbursed (if any):	0.00	f) Disbursement Ratio (percent) <sup>1</sup> :	100.00

## 5. Estimated and Actual Costs

The estimated Program costs fully matched the actual costs, as a fast disbursement on a single tranche was provided to the client. AIIB approved USD750 million under the CRF, which constituted about 1.61 percent of the government's total response package of USD46.6 billion budgeted for PEN for Fiscal Year 2020. The Loan was immediately disbursed on August 31, 2020, and utilized to support government emergency expenditures.

## 6. Project Implementation, including major changes to the original Objective, Project Design, and Indicators

The changes implemented in the Program include an extension of ADB's closing date from March 2021 to December 2021 to allow for continued monitoring and implementation of the government's COVID-19 response measures until the end of 2021. This extension was mutually agreed upon between ADB and GOI to ensure that the Program could effectively address the ongoing challenges and support the economic recovery efforts under the PEN Program.

While AIIB's closing date remained unchanged, the Project Team continued to support monitoring activities even after the Loan's closing date. Following ADB's loan extension, the Program utilized two Design and Monitoring Frameworks (DMFs) for 2020 and 2021, maintaining the three original outputs. Some targets were revised as they are only up to December 2020, while new measures were added as they became necessary.

The DMF 2020 covered the initiatives and targets for the Program from April 2020 to December 2020, targeting short-term completion, while DMF 2021 extended the monitoring period until December 2021. DMF 2021 was focused on the government's effort to effectively implement and monitor the PEN, intended for long-term economic recovery.

### Design Monitoring Framework:

Overall, the Program achieved substantial or complete achievement of outcome targets, such as reducing poverty and unemployment rates. The poverty rate fell back to pre-COVID-19 levels, and the unemployment rate decreased significantly compared to the projected baselines. Below are the three main outputs of the Program:

#### 1. Additional allocations of social assistance to households that are low-income families and vulnerable:

The government prioritized social assistance to low-income families and vulnerable groups during the pandemic, especially in 2020. The social protection cluster had the highest budget

<sup>1</sup> 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.,  $f = c / (a - b)$

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allocation and realization in 2020, with around IDR203.9 trillion and IDR195.2 trillion, respectively. This budget helped to protect them from being pushed further below the poverty threshold. The poverty incidence was expected to increase from 9.4 percent in March 2019 to 11.9 percent and 12.8 percent in 2020 and a drop in employment between one million and seven million. Nonetheless, the poverty incidence returned to pre-pandemic levels in 2022, and the unemployment rate decreased.

From 15.2 million households in 2020, the number of food assistance beneficiaries increased to 19.4 million, with more than 85 percent of beneficiary households headed by women. Furthermore, by December 2020, the Family Hope Program (PKH) covered 10.0 million households, 93 percent headed by women. The amount transferred to households with pregnant women increased by 25 percent from Rp200,000 to Rp250,000.

## **2. Dedicated fund established for COVID-19 prevention and control**

With the increase in expenditures for handling COVID-19 and the need to accelerate economic recovery, the GOI prioritized allocating a special fund to prevent and control the transmission of COVID-19. In particular, the government concerted its efforts to allocate funds for the operation and procurement of urgent medical supplies, vaccination, incentives for healthcare workers, and healthcare insurance for hospital expenses, among others.

- In 2020, the government established a total of USD6.675 billion funds. These covered expenditures related to medical expenses, incentives for medical workers, death compensation for medical workers, subsidies for national health insurance, funding of the COVID-19 Response Acceleration Task Force, tax incentives in the health sector, and a reserve for immunization and social protection.
- The Program also benefited 200,488 people with public health insurance for hospital visits, and more than 4.7 million people have been tested for COVID-19. The Program also achieved a 100 percent disbursement of incentives for medical workers. It included providing the following incentives: Rp15 million for specialist doctors, Rp12 million for resident doctors, Rp10 million for general practitioners, Rp7.5 million for midwives and nurses, and Rp5 million for other medical personnel.

## **3. Productive sectors safeguarded, and manufacturing workers supported during the economic downturn**

MSMEs were one of the most vulnerable sectors in Indonesia during the pandemic. With its critical role in economic development (e.g., employment generation, increasing domestic investment, establishing international markets), the government prioritized enhancing the resilience of MSMEs by protecting them against the economic downturn.

- Overall, subsidies worth more than USD861 million for loan interest under the MSMEs incentive program were disbursed (99.32 percent), benefitting 25.4 million MSMEs;
  - The national recovery program fund for MSMEs was 97.1 percent disbursed, benefiting more than 12 million MSMEs, and an income tax relief program benefited manufacturing workers earning less than USD14,000 annually.
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### GOI's National Economic Recovery Program Clusters

The GOI responded to the COVID-19 pandemic's impacts as fast, inclusive, and effective as it could over this two-year unprecedented period. In 2020, the government allocated a total budget of USD46.7 billion; in the first quarter of 2021, this amount was increased by 2.7 percent, totaling USD47.9 billion. Then, in the second half of 2021, it was increased by 6.5 percent to reach USD51.01 billion. Of this total budget allocation, the social protection scheme received the highest fiscal support in 2020, which included electricity subsidies to low-income families followed by MSMEs and corporate finance that covered Indonesia's state-owned enterprises (SOEs). In 2021, the public health had the highest share of budget allocation, followed by MSMEs.

The PEN had six clusters<sup>2</sup> initially. However, some adjustments were made in the 2021 budget, such as (a) the discontinuation of the two clusters, the sectoral and regional cluster and corporate financing cluster, and (b) the inclusion of the priority programs cluster. Nonetheless, some of the activities of the discontinued clusters were absorbed into the new Program. For instance, activities under the regional and sectoral cluster, such as job creation, tourism, food estate, and regional financing facility, were absorbed into the newly added priority program, while some of the activities under the 2020 corporate financing cluster were absorbed into 2021 MSMEs and corporation cluster.

**Public Health Cluster:** In 2021, the focus of this cluster was mainly on mass vaccination through the National COVID-19 Vaccination Program as the vaccine supplies became available. It covered procurement of vaccine supplies, purchase of medical equipment such as test kits and ventilators, provision of incentives for healthcare workers, and subsidies for the Social Security Agency premiums, among others.

Other budget item activities include the expanded therapeutic costs (i.e., hospital claims, COVID-19 medicine, incentives for medical workers, personal protective equipment, oxygen, and volunteer, emergency hospitals), research, National Disaster Management Board, and subsidy for national health insurance of non-wage earners. New budget items were added for the second half of 2021, such as COVID-19 lab facilitation, public activity restrictions enforcement, tax incentives for the health sector, earmarks for general allocation funds/profit sharing funds, regional incentive funds, and village funds. However, the regional healthcare support was no longer included in the budget allocation in the second half of 2021.

**Social Assistance:** The government continued implementing the social assistance cluster in 2021 and 2022. In 2020, the social protection cluster received the highest budget allocation and utilization, amounting to around USD12.9 million and USD12.3 million, respectively. In 2021, the budget for social assistance was reduced to USD9.6 million, while a large portion of the budget was given to public health and MSMEs and corporate finance clusters.

This cluster covered the budget for the Family Hope Program, staple food program, pre-employment card for laid-off workers, informal workers, cash assistance, and micro and small business owners, free electricity for customers using 250 KVa and 900 KVa, and support for low-cost housing, as well as basic logistical support and basic needs. In the second half of 2021, new budget items were introduced, such as rice assistance, food assistance, a wage subsidy, a tuition fee subsidy, and a reserve fund (for education

<sup>2</sup> In 2020, the PEN Program was broadly grouped into six categories with specific budget allocation: public health, social assistance, sectoral and regional, MSME, enterprise incentive, and corporate financing programs.

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and other areas) designated for extreme poverty relief. Food assistance, unconditional cash transfers for village funds, and the Family Hope Program received the highest budget allocation among all the activities. However, the budget for rice assistance was not utilized.

**Priority Programs:** This cluster was newly added in 2021. It absorbed some budget items from the discontinued cluster and implemented other government priority programs supporting the economy and social welfare. This cluster covered job creation programs, tourism,<sup>3</sup> food security (food estate and irrigation), information and communication technology,<sup>4</sup> strategic industrial estate development, creative economy support, regional financing facilities, and other priority programs. However, programs such as *Bangga Buatan Indonesia* (BBI) and *Bangga Wisata Indonesia* (BWI) that aimed to advance the creative economy and tourism in MSMEs and cooperatives were not implemented due to no disbursement and some government planning concerns.

**Micro, small, and medium-sized enterprises (MSMEs) and Corporations:** This cluster received one of the highest budget allocations for two years, providing interest subsidies for microcredit (KUR), MSME financing, guarantees, and placement of funds. This cluster also introduced new items, including the sovereign wealth fund, street vendor assistance, Land Bank, and Government investment on National Economic Recovery (PEN) costs and margin.

**Enterprise Incentives:** This cluster focused on tax incentives and credits for businesses. It covered income tax relief, final income tax break facility, value-added tax (luxury goods and category) for cars, import duties, import tax exemption under Article 22 of the Income Tax Law (*PPh 22*), reduction on income tax installments under Article 25 of the Income Tax Law, value-added tax refund, reduction in corporate income tax, VAT for housing, carry over tax year 2020. Some additional items under this cluster include a final income tax break facility for the Program for the Acceleration of Improved Irrigation Water Use, and VAT free of charge for outlet rent.

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## 7. Results Achieved (Against the original indicators and/or revised indicators. RMF table will be exported on the last page of this PCN.)

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As shown in Tables 1 and 2 below, the Program had been implemented with 78 percent (seven out of nine) of the performance indicators of the DMF 2020 and 80 percent (four of five) of the performance indicators of the DMF 2021 being fully realized or met. Nonetheless, the remaining two indicators from DMF 2020 and 2021 were substantially achieved.

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<sup>3</sup> Tourism covered the national strategic tourism areas, ecotourism, human resources, and relevant tourism training

<sup>4</sup> Information and communication technology include infrastructure, data center, renting network for updating integrated social welfare data.

**Table 1. Design and Monitoring Framework (2020)**

Results Chain	Performance Indicators	Program Achievements
<b>Outcome</b> COVID-19 has been more effectively managed, and its social and economic damage mitigated	a. By April 2022, restored 2019 rates for poverty at 9.4 percent and unemployment at 5.3 percent (Baseline: poverty at 12.8 percent and unemployment at 10.5 percent, as projected for 2020)	<b>Substantially Achieved.</b> In the first quarter of 2022, the poverty rate fell to 9.54 percent and the unemployment rate was 5.83 percent. Both rates are considerably lower than the projected baseline for December 2020).
	The doubling of cases slowed to 16 days by December 2020 (Baseline: doubling of cases every eight days)	<b>Achieved.</b> The doubling rate of confirmed cases in a 7-day rolling period was 45 days as of December 31 2020.
<b>Outputs</b> 1. Additional allocations of social assistance to households that are low-income families and vulnerable	1.1 By December 2020, Kartu Sembako (food assistance) beneficiaries increased to 20 million households (with at least 75 percent women). (Baseline 15.2 million households as of January 2020.)	<b>Achieved</b> Basic necessities were supplied to 19.4 million households. The Ministry of Social Affairs reported that at least 85 percent of beneficiary households were headed by women.
	1.2 By December 2020, coverage of PKH increased to 10 million households, and the amount transferred to households with pregnant women increased by approximately 25 percent (Baseline 9.2 million households, as of January 2020.)	<b>Achieved</b> The Family Hope Program (PKH) covered 10.0 million households, 93 percent headed by women. About Rp250,000 was disbursed to each pregnant woman every month, which increased by 25 percent from the initial amount of Rp200,000 per month in 2019.
2. Dedicated fund established for COVID-19 prevention and control	2.1 By June 2020, a dedicated fund will be set up and a list of eligible expenditures finalized, including required medical equipment and infrastructure needs (Baseline: dedicated fund not set up and list of eligible expenditures as of January 2020)	<b>Achieved</b> 2.1 A dedicated fund for COVID-19 prevention and control amounting to USD6.675 billion was set up. The fund covered medical expenses, incentives for medical workers, death compensation for medical workers, subsidies for national health insurance, funding of the COVID-19 Response Acceleration Task Force, tax incentives in the health sector, and a reserve for immunization and social protection.
	2.2 By December 2020, full reimbursement of COVID-19 hospital expenses covered by the public health insurance scheme for at least 10,000 visits, with data disaggregated by sex (Baseline: health insurance not covering hospitalization for COVID-19 as of January 2020)	<b>Substantially achieved</b> 2.2 By December 2020, the Ministry of Health reports the disbursed public health insurance budget for hospital visits with 200,488 beneficiaries. Sex-disaggregated data of the beneficiaries was not available.
	2.3 By December 2020, testing for COVID-19 increased to test 800,000 people (Baseline: 20,000 in April 2020)	<b>Achieved</b> By December 27, 2020, more than 4.7 million people had been tested for COVID-19.

	2.4 By December 2020, incentives increased by Rp15 million for specialist doctors, Rp10 million for general practitioners, Rp7.5 million for midwives and nurses, and Rp5 million for other medical personnel (Baseline: no incentives as of January 2020)	<b>Achieved</b> 2.4 The incentives for medical workers are 100 percent disbursed. Specialist doctors received incentives worth Rp15 million, resident doctors Rp12 million, general practitioners Rp10 million, midwives and nurses Rp7.5 million, and other medical personnel Rp5 million.
3. Productive sectors safeguarded, and manufacturing workers supported during the economic downturn	3.1 By December 2020, loan interest under the MSME incentive program fully subsidized (Baseline: interest on loans for MSMEs partly subsidized as of January 2020)	<b>Achieved</b> 3.1 By January 4, 2021, subsidies worth more than USD861 million for loan interest under the MSME incentive program were disbursed (99.32 percent). The Ministry of Cooperatives and SMEs reported that the Program benefited 25.4 million MSMEs.
	3.2 By December 2020, at least 50 percent of funds in the national recovery program will be used to support at least 10,000 MSMEs (Baseline: no national recovery program for MSMEs as of January 2020)	<b>Achieved</b> 3.2 The national recovery program fund for MSMEs is 97.1 percent disbursed, benefiting more than 12 million MSMEs.
	3.3 By December 2020, 6 months of income tax relief will be implemented for manufacturing workers annually earning less than USD14,000, with at least 75 percent of women formally employed as manufacturing workers eligible for the relief (Baseline: no income tax relief program as of January 2020)	<b>Substantially achieved</b> 3.3 An income tax relief program for manufacturing workers making less than USD14,000 annually was implemented and benefited women, who made up majority of the workers in this category. However, sex-disaggregated data of the beneficiaries of the Program was not available.

Source: ADB Completion Report

**Table 2. Design and Monitoring Framework (2021)**

Results Chain	Performance Indicators	Program Achievements
COVID-19 more effectively managed, and its social and economic damage mitigated	By April 2022, restored 2019 rates for poverty at 9.4 percent and unemployment at 5.3 percent (Baseline: poverty at 12.8 percent and unemployment at 10.5 percent, as projected for 2020)	<b>Substantially Achieved.</b> In the first quarter of 2022, the poverty rate fell to 9.54 percent and the unemployment rate was 5.83 percent. Both rates are considerably lower than the projected baseline for December.
1. Additional allocations of social assistance to households that are low-income families and vulnerable	1. By December 2021, 18.8 million households receiving basic necessities including food, with at least 85 percent of them acknowledged, endorsed, and received by women in the households.	<b>Achieved.</b> By January 3 2022, 18.6 million households received necessities through the Kartu Sembako program. Aid for food and basic necessities was also distributed through the rice assistance program (with 28.8 million beneficiaries) and Sembako PPKM (with 5.8 million beneficiaries). Default recipients are women, unless there is no woman in the household.

2. Dedicated fund established for COVID-19 prevention and control	2.1 By December 2021, 100 percent of verified COVID-19 hospital expense claims are fully identified by the healthcare and social security agency (BPJS Kesehatan).	<b>Achieved</b> By December 24, 2021, 100 percent of hospital claims have been fully identified with a total of 1,616,300 claims, of which 71.01 percent (or 1,147,689 claims) have been paid.
	2.2. By December 2021, testing for COVID-19 increased to test 40,000 people/day.	<b>Achieved</b> As of end-March 2022, the seven-day rolling average indicated that approximately 113,000 people are being tested each day. Source: Government of Indonesia/Our World in data
3. Productive sectors safeguarded, and manufacturing workers supported during the economic downturn	3.1 By December 2021, at least 12.8 million MSMEs received support from the national recovery program through productive support for micro businesses (BPUM).	<b>Achieved</b> By January 3, 2022, about 12.8 million MSMEs received support from the national recovery program (100 percent of target).
	3.2. By December 2021, financing for MSMEs increased to Rp253 trillion.	<b>Substantially achieved.</b> By November 11, 2021, around Rp244.87 trillion financed to MSMEs (96.78 percent of the 2021 target of Rp253 trillion).

Source: ADB Completion Report

## 8. Alignment to the objectives and the principles of the COVID-19 Crisis Recovery Facility

The Program is consistent with the AIIB COVID-19 Crisis Recovery Facility's principles, particularly financing immediate health sector needs. This emergency operation helped mitigate the adverse socio-economic impact of the pandemic in Indonesia, providing financing to support the government's social and economic response and recovery.

Similar to other CRFs in other countries, this financing is part of AIIB's response to the call for a coordinated international response to counter the COVID-19 crisis. It is consistent with the purposes of AIIB, particularly in (i) fostering sustainable economic development and (ii) promoting regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.

## 9. Implementation of project-specific Environmental and Social instruments

AIIB agreed to apply and assess the Program's Environmental and Social (E&S) risks and impacts following ADB's Safeguards Policy Statement (SPS) provisions applicable to policy-based lending. Under the SPS, the Program was classified as a Category C for the environment, involuntary resettlement, and indigenous peoples.

Overall, the Program had no adverse environmental and social impact, which confirmed Category C for environment, involuntary resettlement, and indigenous people.

## 10. Lessons Learned

The Program has achieved its main objective to mitigate the adverse economic and social impact of the COVID-19 pandemic, with the government's urgent response to curb the negative impact on livelihood, economy, and social aspects. During the two-year implementation of this Program, the GOI implemented a flexible fiscal policy that allowed them to reallocate the budget depending on the urgent needs of the country at a given time, which immensely helped the government to be quick and responsive in scaling up initiatives and recover from the pandemic-induced recession. Among all other lessons learned and recommendations adopted during the Program, below are some of the key lessons both for AIIB internal processes and the Program:

### AIIB Internal:

**Prompt and coordinated crisis response.** With the CRF approved on April 16, 2020, just about five weeks after the announcement of the COVID-19 outbreak as a pandemic, the AIIB joined other multilateral development banks (MDBs) in coordinated pandemic responses. It has a financing envelope of USD5-10 billion over 18 months to help its sovereign and non-sovereign borrowers. The Bank responded rapidly and substantially to address the member countries' urgent needs and swiftly processed the CRF applications. This Program was approved at the same time as the Bangladesh COVID-19 Active Response and Expenditure Support (CARES) Program on May 19, 2020. As one of the initial operations approved under the CRF, the entire process, from screening committee approval on April 19, 2020, to Board approval, was completed within a month. Also, the fund was immediately disbursed on August 31, 2020, to support the government's economic response and stimulus packages to address the adverse impacts of the COVID-19 pandemic.

**Internal documentation and processes.** Within a short time and in response to the pressing need for financial assistance, the AIIB team efficiently engaged in extensive consultation and policy dialogues with other MDBs, comprehending Indonesia's macroeconomic landscape and institutional frameworks. The AIIB team streamlined the approach (e.g., no separate project document was created) ensuring identical policy actions and facilitating a faster processing timeline. While this experience was unique for the CRF, it provided valuable lessons for the AIIB team to enhance their contribution and deliver meaningful outcomes beyond financial support. The AIIB can further articulate the value it will generate for member countries in future investments.

**Strong coordination with the lead financier.** Coordination and interactions with ADB, especially during policy dialogues and decisions, provide immense lessons for AIIB to apply in future investments. Also, coordination and consultation with the International Monetary Fund (IMF) was done to obtain the necessary assessment letter timely, which was crucial for processing the Program.

### Program:

**Effective Program design.** One of the main contributors to the Program's success was the flexible program design to adjust to the evolving context of the COVID-19 pandemic, and its focus was well-identified and understood during the preparation of the program. The type of fiscal policy correctly identified and prioritized the most stricken sectors, including health, social assistance, MSME, and private enterprises. Moreover, the Program's main outputs were also properly identified and remained unchanged until 2021, despite adjustments made with other targets. The progression from the Program's outputs to its desired outcomes was well-planned, and the achievement of indicators in the three outputs mitigated the impact of economic downturns. The AIIB team learned a lot from this operation, especially designing operations during an emergency.

**Strengthened institutional capacity for e-governance.** Some of the issues the Program experienced stemmed from the GOI's weak capacity for efficient e-governance. This covered the ability of the government to streamline the reimbursement process, most especially in processing the incentives and compensation for health workers during emergency response, and to manage a strong data governance framework that will inform the decision-making procedures:

- Streamlined reimbursement process. The GOI's disbursement was not as smooth as expected. It faced issues including a slow disbursement process and low disbursement initially in 2020 on other clusters, leading to further delays in obtaining the funds (e.g., complex approval procedures and inadequate capacity within implementing agencies). Hence, the government needed to simplify the procedures for reimbursement, especially the claim verification and other processes for the different clusters (e.g., social assistance, MSMEs).
- Robust data governance: Like other Southeast Asian countries, a strong data governance framework is crucial for effective public service delivery, especially during a pandemic. Reliable data is essential for successfully implementing and monitoring vaccination campaigns, contact tracing, vaccine rollout, testing rates, and other health and social assistance programs. The policy decisions should be made correctly and accurately based on valid and real-time data. The e-governance needed to be enhanced quickly to deliver the services and processes recognizing the transmission of COVID-19 in Indonesia. Furthermore, prioritizing integrated data governance among different government institutions is necessary to manage an integrated database with interoperability, standard platforms, shared databases, and sustainability supported by big data and other alternative data sources.

#### 11. Borrower's Feedback

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The Borrower's feedback is attached as Annex.

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#### 12. Any Pending issues and Follow-up actions, if applicable

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The Program has no pending or outstanding issues.

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#### 13. Achievement of Project Result

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The GOI had implemented an effective countercyclical response to the pandemic as the country grappled with it. The Program achieved its objective of helping stabilize Indonesia's economy during and after the pandemic, mitigating the adverse impacts of economic cycles or downturns on livelihood, health, and economy from the pandemic. The unemployment rate declined to 5.8 percent in March 2022 from 7.1 percent in December 2020, while the poverty rate decreased to a pre-pandemic level of 9.5 percent from 10.2 percent in 2020.

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**Annex: Feedback Questionnaire**

**1. Are the services and support provided by the Project Team professional, sufficient, and in time during project preparation and project implementation? Please provide some specifics or examples as an illustration.**

The CARES program is a Policy-based Loan, and the Government of Indonesia highly appreciates AIIB for supporting the financing of the COVID 19 pandemic response program along with other Multilateral Development Banks. The AIIB Project Team provides adequate and responsive support at the preparation, signing, effectiveness, and loan disbursement stages.

**2. Is it convenient to access the Project Team's services and support? Please provide some specifics or examples as an illustration.**

I found it quite easy to access services and support from the project team especially as demonstrated in the loan preparation, negotiation and effectiveness stages. Communication through emails with the Project Team Leader was smooth and responsive.

**3. Does the Project Team demonstrate flexibility and efficiency during project preparation and project implementation? Please provide some specifics or examples as an illustration.**

It would be great if the flexibility and efficiency of AIIB project teams could be strengthened to support member countries. There were obstacles during the CARES program loan disbursement stage, where the Government proposed the disbursement of loan funds along with the Chinese New Year holiday, so the disbursement was delayed for several days because the AIIB office did not operate during the holiday. The Government of Indonesia submitted a Withdrawal Application with the intention that the loan funds could be disbursed before the deadline of commitment fee (60 days after signing). In my opinion, the AIIB project team must communicate and remind the Government of Indonesia, if the withdrawal plan will be passing the public holiday in China.

**4. What is the value addition of AIIB's financing in the Project?**

Given that the CARES Program is a Policy Based Loan, the value addition obtained by the Government of Indonesia is getting funding support for the financing needs of the COVID 19 pandemic response.

**5. Will you consider working with the AIIB again in infrastructure development? Please provide a few specific reasons.**

Not related with CARES Program as a Policy Based Loan.

**6. Do you have any suggestions to the Project Team and/or the AIIB for them to improve their operations in the future?**

Given the growing size of AIIB's portfolio in Indonesia, AIIB should consider opening a branch office in Indonesia to facilitate support, faster coordination and enhance cooperation with the Government of Indonesia.

**7. Other comments, such as comments on the reporting requirements, approval of project changes, etc.**

Not related with CARES Program as a Policy Based Loan.