



Project Summary Information

Date of Document Preparation/Updating: Mar 30, 2023	
Project Name	Competitiveness, Industrial Modernization, and Trade Acceleration Program (CITA) – Subprogram 2
Project Number	P000761
AIIB member	Indonesia
Sector/Subsector	Economic Resilience/PBF
Alignment with AIIB's thematic priorities	COVID-19 Crisis Recovery Facility (CRF)
Status of Financing	Under Preparation
Objective	The Program objective is to support the Government of Indonesia (GoI) to foster a more competitive and investment-friendly business environment in the country and to support an accelerated economic recovery from the coronavirus disease (COVID-19) pandemic.
Project Description	<p>This proposed Program will provide a policy-based loan under the COVID-19 Crisis Recovery Facility of the Bank and will be co-financed with the Asian Development Bank (ADB).</p> <p>The pandemic has driven up unemployment and poverty levels in Indonesia. The adverse impact of reduced working hours, lockouts and unemployment caused a reversal of the structural transformation of the economy. The risk of a prolonged recovery from the COVID-19 pandemic could further stall economic development. While domestic consumption has been the main driver of economic growth, it is likely to remain dampened due to the income loss experienced by households. In the post-pandemic context for Indonesia to meet its target of becoming a high-income country by 2045, critical reforms are needed to address productivity, creation of quality jobs, and income growth.</p> <p>The proposed Program is anchored on GoI's structural reforms, combining reforms in the investment, trade, and MSMEs (micro, small, and medium-sized enterprises) sectors. The proposed Program will support the following three reform areas:</p> <ul style="list-style-type: none"> (i) Reform 1 (creating an enabling environment for investments) - this reform area aims to improve the business climate; (ii) Reform 2 (easing barriers to trade) - this reform area will reduce impediments to trading, both domestic and cross-

	border; and (iii) Reform 3 (growing and upscaling enterprises) - this reform area will help firms increase their productivity and upscale operations.		
Expected Results	<ul style="list-style-type: none"> Indonesia's score in the Organization for Economic Co-operation and Development FDI Regulatory Restrictiveness Index improved to 0.10 in 2026 from 0.35 in 2019. Online single submission is operational in 34 provinces in 2023 from none in 2019. FDI increased by 88.9% in 2026 (from \$29.7 billion in 2019 to \$56.1 billion in 2026). Indonesia's score in the World Bank Logistics Performance Index improved to 3.5 in 2026 from 3.1 in 2019. Cost of logistics reduced to 20.0% of GDP in 2026 from 23.9% of GDP in 2019. Manufacturing exports increased by 58.5% in 2026 (from \$115.7 billion in 2019 to \$183.4 billion in 2026). Integrated multimodal goods transportation and border clearance established in 2025. MSMEs' output increased to 65% of GDP in 2026 from 57% of GDP in 2019. Share of value added by small and medium-sized enterprises to total value added by the processing industry (nonoil and gas) increased to 20.0% in 2026 from 18.5% in 2019. An integrated sex-disaggregated data system for MSMEs operationalized to improve policy coordination in 2023. 		
Environmental and Social Category	C		
Environmental and Social Information	<p>The Program will be co-financed with ADB as the lead cofinancier, and the Program's Environmental and Social (E&S) risks and impacts have been assessed in accordance with ADB's SPS applicable to PBL. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of the Board of Directors set forth in the Decisions to Support the Facility, AIIB will apply the provisions of ADB's SPS to this PBL in lieu of the ESP. This will provide for a harmonized approach to addressing the E&S risks and impacts of the Program.</p> <p>Based on the E&S assessments carried out according to the SPS requirements, no adverse impacts have been identified in respect of involuntary resettlement, Indigenous Peoples or the environment. Therefore, ADB has categorized the Program as Category C for involuntary resettlement, Indigenous Peoples, and environment. An E&S risk assessment on the policy matrix was also undertaken, along with E&S due diligence to confirm no outstanding E&S issues remain and to provide guidance on the E&S aspects for future reforms of state-owned enterprises.</p>		
Cost and Financing Plan	Source of Financing	Amount (USD million)	Percentage
	ADB	500.00	50.00%
	AIIB	500.00	50.00%

	Total Program Cost	1.000.00	100.00%
Borrower	Republic of Indonesia		
Implementing Entity	Coordinating Ministry for Economic Affairs		
Contact Points:	AIIB	ADB	Borrower
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Estimated Date of Concept Decision	2023 Q3		
Estimated Date of Appraisal Decision	2023 Q3		
Estimated Date of Financing Approval	2023 Q4		

Independent Accountability Mechanism	AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to policy-based operations such as this one. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. ADB's Independent Accountability Mechanism (IAM) addresses issues raised by persons adversely affected by an ADB assisted project and allows them to report alleged noncompliance with ADB's operational policies and procedures, including SPS. Information on ADB's IAM is available at: https://www.adb.org/site/accountability-mechanism/main .
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