



Indonesia: Financial Market Development and Inclusion Program Subprogram 1

Project Name	Financial Market Development and Inclusion Program Subprogram 1				
Project Number	48207-001				
Country	Indonesia				
Project Status	Closed				
Project Type / Modality of Assistance	Loan				
Source of Funding / Amount	<table border="1"> <tr> <td colspan="2">Loan 3274-INO: Financial Market Development and Inclusion Program Subprogram 1</td> </tr> <tr> <td>Ordinary capital resources</td> <td>US\$ 400.00 million</td> </tr> </table>	Loan 3274-INO: Financial Market Development and Inclusion Program Subprogram 1		Ordinary capital resources	US\$ 400.00 million
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Ordinary capital resources	US\$ 400.00 million				
Strategic Agendas	Inclusive economic growth Regional integration				
Drivers of Change	Governance and capacity development Knowledge solutions				
Sector / Subsector	Finance - Finance sector development				
Gender Equity and Mainstreaming	No gender elements				
Description	FMDIP supports the government's key reform priorities in the financial sector and represents the start of a medium to long-term partnership between the Asian Development Bank (ADB), the government, and the country's newly formed independent unified financial sector regulator, the Financial Services Authority (OJK). The government's priority areas include the OJK implementing its supervisory mandate over the bank and nonbank sector and promoting financial system stability; deepening the capital market and the nonbank financial sector to provide efficient means for the private sector to raise capital, including infrastructure financing; and promoting access to financial services by poor households to address rising income inequality in Indonesia.				
Project Rationale and Linkage to Country/Regional Strategy	The program has three outputs critical to develop the financial sector and promote financial inclusion: (i) regulatory structure for financial stability strengthened, (ii) financial market deepened, and (iii) access to financial services enhanced. FMDIP consist of three subprograms which will see ADB partnering with the government and OJK up to 2019. The focus of each subprogram is based on the government's priorities_subprogram 1 focuses on OJK's supervisory mandate and increasing its capacities to function effectively as an integrated financial services regulator as a prerequisite for financial stability and financial market development, while subprograms 2 and 3 will increasingly focus on financial inclusion reforms. OJK has developed the National Strategy on Financial Literacy, which will be updated in 2016, and the government is finalizing the National Strategy on Financial Inclusion. ADB is also supporting OJK to complete a sector assessment on micro-finance. These strategies will be implemented during subprogram 2 (2015_2017). The program's three outputs are expected to have positive, economy-wide effects including by reducing cost of borrowed capital and generating wealth for those excluded from the financial sector (para 30). A capacity development national TA to support OJK and the government is being processed in parallel with the program. This support is supplemented by ADB's regional TA on ASEAN capital market integration, which integrates regional collaboration and considerations into national financial sector development.				
Impact	Increased annual growth rate of financial sector (National Medium-Term Development Plan, 2015_-2019)				

Project Outcome

Description of Outcome	Development and inclusiveness of the financial sector increased
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	<ol style="list-style-type: none"> 1. Regulatory structure for financial stability strengthened 2. Financial market deepened 3. Access to financial services enhanced

Status of Implementation Progress (Outputs, Activities, and Issues)

Geographical Location

Safeguard Categories

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design	The impact of FMDIP is aligned with the government's national medium-term development plan and will contribute to increased growth rate of the size of the financial sector. The outcome of FMDIP will be increased development and inclusiveness of the financial sector, measured by increase in the size of financial assets to GDP by 12 percentage points, increased access to financial services for the poorest 40% of the population from 21.9% to 25.0%, and a reduction in 5-year credit default swap spreads by 20 basis points.
During Project Implementation	Subprogram 1 covers January 2013_June 2015, subprogram 2 covers July 2015_June 2017, and subprogram 3 covers July 2017_June 2019. The Fiscal Policy Agency in the Ministry of Finance (MOF) is the executing agency while OJK is the implementing agency. The executing and implementing agencies are responsible for implementation of FMDIP. The Center for Financial Sector Policies, which has been set up within MOF will monitor the implementation of the policy actions under the Policy Matrix. It will coordinate with the International Department within OJK in undertaking this task.

Responsible Staff

Responsible ADB Officer	Mohd Ismail, Mohd Sani
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
Executing Agencies	<i>Ministry of Finance AYUSUKORINI@GMAIL.COM Frans Seda Building Jln. Dr. Wahidin Raya No. 1 Jakarta 10710, Indonesia</i>

Timetable

Concept Clearance	24 Jun 2014
Fact Finding	23 Mar 2015 to 02 Apr 2015
MRM	03 Jun 2015
Approval	01 Sep 2015
Last Review Mission	-
Last PDS Update	25 Sep 2015

Loan 3274-INO

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
01 Sep 2015	30 Sep 2015	27 Oct 2015	30 Jun 2016	-	03 Feb 2016
Financing Plan			Loan Utilization		

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	400.00	Cumulative Contract Awards			
ADB	400.00	01 Sep 2015	400.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	01 Sep 2015	400.00	0.00	100%

Project Page <https://www.adb.org/projects/48207-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=48207-001>

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