

DEVELOPMENT COORDINATION

A. Major Development Partners: Strategic Foci and Key Activities

1. The proposed Inclusive Growth through Improved Connectivity Program operation is built on earlier program-based loans of the Asian Development Bank (ADB), notably the Infrastructure Reform Support Development Program, which supported government reform to improve regulatory frameworks, open up key infrastructure sectors for private sector participation (including public–private partnerships), increase competition, and improve infrastructure.¹ The program will be cofinanced with the World Bank. In addition, ADB collaborates closely with the Australian Agency for International Development on infrastructure issues through its Infrastructure Development Initiative Project in Indonesia.

2. The program focuses on improving domestic and international connectivity anchored on stronger coordination and regulation, which will help generate more and better jobs and contribute to sustainable poverty reduction. Policy actions for the program are based on the government’s reform priorities as stated in the Master Plan for Acceleration and Expansion of Indonesia’s Economic Development, 2011–2025 (MP3EI), some of them completed and others under development with stakeholders and development partners. The program takes into account assistance provided by other multinational and bilateral aid agencies to develop aid synergies for the highest possible program effectiveness. The table below lists some key interventions of development partners in the core areas related to the program.

Major Development Partners

Development Partner	Project Name	Duration	Amount (million)
Transport			
ADB	Regional Roads Development Project II	2014	150
	Regional Roads Development Project I	2011	180
	Enhancing Inclusive Growth through Connectivity, Sub Program I	2012	300
	Enhancing Inclusive Growth through Connectivity, Sub Program II	2013	100
AusAID	Eastern Indonesia National Road Improvement Project (EINRIP)	2007–2014	312.5
	Indonesia Infrastructure Initiative (IndII) Facility: Transport sector activities Phase II	2011–2015	27.9
	Indonesia Infrastructure Support Trust Fund with World Bank (InIS) – includes transport sector activities	2008–2016	18.6
	Sustainable Infrastructure Assistance Program (SIAP) with ADB – includes transport sector activities	2013–2016	18.6
GIZ	Sustainable Urban Transportation Improvement Project (SUTIP)	2009–2014	6.3
JICA	Road Policy Advisor	2010 (ongoing)	N/A
	Jakarta MRT Project Advisor	2011 (ongoing)	N/A
	Port Development Policy Advisor	2012 (ongoing)	TBD
	Project for Improvement on Aviation Safety Policy	2010 (ongoing)	N/A

¹ ADB. 2008. *Report and Recommendation of the President to the Board of Director on a Proposed Loan to the Republic of Indonesia for the Infrastructure Reform Sector Development Program*. Manila (Loan 40250-INO).

	Technical Cooperation Project on Enhancing of Vessel Traffic Service System Management Capacity	2012	TBD
World Bank	Connectivity Development Policy Loan	2012	100

Development Partner	Project Name	Duration	Amount (\$million)
Industry and Trade			
AusAID	Australia–Indonesia Partnership for Economic Governance (AIPEG) Facility Phase I: Trade Subfacility	2009–2012	5.4
	Australia–Indonesia Partnership for Economic Governance (AIPEG) Facility Phase II: Trade Subfacility	2012–2015	4.4
CIDA	The International Finance Corporation’s Program for Eastern Indonesian Small and Medium Enterprise Assistance (IFC-PENSA) II	2008–2013	3
	Sulawesi Economic Development Strategy	2012–2017	4.6
	Skills for Employment – Polytechnic Education	2013–2018	5
	Extractive Industries Transparency Initiative (EITI)	2013–2015	1.2
GIZ/KfW	Sustainable Economic Development through Technical and Vocational Education Training (SED–TVET)	2010–2014	16.9
	Regional Economic Development (RED)	2004–2014	24
JICA	Regional Economic Development (RED)	2004–2014	20.9
	Project for Welding Technique Improvement	2010 (ongoing)	N/A
	Project on Service Improvement of NAFED	2010 (ongoing)	N/A
	The strengthening of the Utilization of Indonesia-Japan Economic Partnership Agreement (IJEPA)	2011 (ongoing)	N/A
	Project on Capacity Development for Trade-related Administration	2010 (ongoing)	N/A
	Project for Welding Technique Improvement	2010 (ongoing)	N/A

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CIDA = Canadian International Development Agency, GIZ = Gesellschaft für Internationale Zusammenarbeit (German Development Cooperation), JICA = Japan International Cooperation Agency, N/A = not applicable, TBD = to be discussed.
Sources: Asian Development Bank and development partners.

B. Institutional Arrangements and Processes for Development Coordination

3. A formal and regular development partners’ forum has not been reestablished since the dissolution of the Consultative Group for Indonesia process in 2007. However, Indonesia’s National Development Planning Agency (BAPPENAS) has maintained responsibility for overall coordination between development partners. Donor coordination meetings are regularly held for core areas of reform, such as fiscal decentralization, public financial management, poverty reduction, and macroeconomic reforms. For example, the series of program-based loans supported by ADB and the World Bank has contributed to effective institutional coordination in key reform areas between development partners and related government agencies.

4. For the implementation of the proposed program loan, donor coordination is formalized through regular joint meetings of development partners and government representatives. ADB and other development partners regularly discuss interim progress of the reform agenda, which is reflected in the policy triggers for the second subprogram of the proposed program. Continued productive dialogue would support efforts to develop and implement medium-term reforms to strengthen the country’s competitiveness.

C. Achievements and Issues

5. Technical assistance is often provided by different development partners in support of the policy actions identified by the Government of Indonesia. Harmonization of ADB's policy-based lending (PBL) and the World Bank's development policy loan (DPL) have allowed ADB and the World Bank, along with other development partners, to build on the natural synergies and complementarities that exist across their respective portfolios. The harmonized approach to policy-based lending through the PBL and DSP program have also provided a solid foundation to deepen the harmonization agenda in Indonesia with other development partners around this or other initiatives and programs. The proposed program further provides a unique platform for close coordination between development partners under a large support program, enabling a consistent approach to domestic and international connectivity, a critical economic challenge for the country.

D. Summary and Recommendations

6. The proposed program builds on the success of earlier program-based loans from ADB and development partners, and the synergies and complementarities created by their harmonized approach. The modality for the program is based on continued productive dialogue with the government and development partners to support efforts to develop and implement priority medium-term reforms that bolster the country's competitiveness and economic growth.