



Project Summary Information

Date of Document Preparation: May 20, 2020	
Project Name	COVID-19 Active Response and Expenditure Support Program
Document Code	PD000391-PSI-IDN
AIIB member	Republic of Indonesia
Sector/Subsector	Others / Exceptions
Status of Financing	Approved
Project Description	<p>This Program is proposed to be supported under the COVID-19 Crisis Recovery Facility (the Facility) of the Bank and co-financed with the Asian Development Bank (ADB) as a policy-based loan under ADB's Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO).</p> <p>The COVID-19 pandemic is expected to bring extensive adverse impacts to the Indonesian economy, health and social system, including steep decline in the projected economic growth (from 5.2 percent to 2.3 percent), doubling of unemployment rate (from 5.3 percent in 2019 to 10.5 percent in 2020), increase of the national poverty rate (from 9.4 percent in March 2019 up to 12.8 percent in 2020) and substantial widening of 2020 budget deficit (from the expected 1.8 percent to 5.1 percent of GDP). In response, the Government of Indonesia (GoI) has formulated a strong pro-poor countercyclical expenditure plans, with estimated total value of USD 32.4 billion, that will fund substantial increase in public health measures, social assistances to the poor and vulnerable, and supports to businesses especially micro, small and medium-sized enterprises (MSMEs). This includes the national recovery program, which will target real and finance sectors amounting to USD8.9 billion. A key component of the fiscal measures is to support enterprises especially affected micro, small and medium-sized enterprises (MSMEs). Further, the GoI has also expanded its support for poor and vulnerable households through its flagship social assistance and social protection programs, amounting to USD6.4 billion, including: (i) Family Hope Program (PKH), a conditional cash transfer program, to ensure access to maternal health care for women and school for children and (ii) <i>Kartu Sembako</i> program, a food assistance program that provides basic commodities to mothers.</p>

	<p>The Program will provide the critically needed support to this comprehensive response programs of Gol. Consistent with AIB's purpose, the Program would promote social protection and economic resilience to prevent long-term damage to the productive capacity, including human capital, of the Indonesian economy. Lastly, the Program is central in enabling Gol to pursue the path towards recovery of the Indonesian economy as forecasted by the international community including the IMF and ADB.</p>
Objective	<p>The Program's objective is to mitigate the adverse impacts of COVID-19 on the health of the Indonesian population as well as on the country's overall economy by providing budgetary support. The Program aims to enable the Gol to provide urgently needed social expenditures and expand its social assistance programs for the poor and vulnerable to reduce the adverse social and economic impacts of COVID-19.</p>
Expected Results	<p>Expected outputs include:</p> <ul style="list-style-type: none"> i. by December 2020, <i>Kartu Sembako</i> beneficiaries increased to 20 million households; ii. by December 2020, coverage of PKH increased to 10 million households; iii. by June 2020, dedicated fund set up and list of eligible expenditures including required medical equipment and infrastructure needs finalized; iv. by December 2020, full reimbursement of COVID-19 related hospital expenses under the public health insurance scheme for at least 10,000 visits; v. by December 2020, testing for COVID-19 increased to reach 800,000 people; vi. by December 2020, incentives for medical workers increased as Ministry of Health's (MOH) guideline; vii. by December 2020, interest rate for MSME credit program fully subsidized; viii. by December 2020, at least 50% of funds in the national recovery program is used to support at least 10,000 MSMEs; and ix. by December 2020, 6-months income tax relief implemented for manufacturing workers with annual incomes less than USD14,000. <p>Expected outcomes include:</p> <ul style="list-style-type: none"> i. By April 2022, poverty and unemployment indicators return to 2019 figures of 9.4% and 5.3% respectively; and ii. Doubling rate of cases slowed to 16 days by December 2020.
Environmental and Social Category	<p>ADB has categorized this program under its Safeguards Policy Statement (SPS) as Category C for environment, involuntary resettlement and Indigenous Peoples.</p>

Environmental and Social Information	<p>AIIB's ESP was designed to apply to investment projects and has no provisions for its application to policy-based lending operations. Accordingly, the proposed Program, which is co-financed with the ADB as lead cofinancier, has been prepared in accordance with the provisions of ADB's SPS applicable to policy-based lending¹ as permitted by AIIB's Board of Directors' Decisions to Support the AIIB COVID-19 Crisis Recovery Facility. This will ensure a harmonized approach to addressing the environmental and social (ES) risks and impacts of the program.</p> <p>Under its SPS, ADB has categorized the Program as Category C for environment, involuntary resettlement, and Indigenous Peoples on the basis of an assessment of the countercyclical expenditures to be supported by the Program. These focus on expanding and strengthening social safety nets for the most vulnerable groups and are not expected to have any adverse environmental or social impacts. The proposed Program has also been categorized by ADB as "effective gender mainstreaming at entry", as it strengthens the government's response to the COVID-19 outbreak by addressing gender and social inclusion needs. ES monitoring will be conducted based on guidelines and check lists determined by ADB.</p>										
Cost and Financing Plan	<p>The total cost is expected to be USD 2,521 million.</p> <table border="1" data-bbox="506 762 1563 967"> <thead> <tr> <th data-bbox="506 762 1032 802">Loans</th> <th data-bbox="1043 762 1563 802">Amount (USD million)</th> </tr> </thead> <tbody> <tr> <td data-bbox="506 807 1032 842">AIIB</td> <td data-bbox="1043 807 1563 842">750</td> </tr> <tr> <td data-bbox="506 847 1032 882">ADB</td> <td data-bbox="1043 847 1563 882">1,500</td> </tr> <tr> <td data-bbox="506 887 1032 922">KfW (under discussion)</td> <td data-bbox="1043 887 1563 922">271 (to be provided as Euro 250)</td> </tr> <tr> <td data-bbox="506 927 1032 962">Total</td> <td data-bbox="1043 927 1563 962">2,521</td> </tr> </tbody> </table>	Loans	Amount (USD million)	AIIB	750	ADB	1,500	KfW (under discussion)	271 (to be provided as Euro 250)	Total	2,521
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Total	2,521										
Borrower	Republic of Indonesia										
Implementing Entity	Ministry of Finance										
Implementation Period	Start Date: May 31, 2020 End Date: Mar 31, 2021										
Expected Loan Closing Date	September 30, 2021										

¹ See, <https://www.adb.org/documents/safeguard-policy-statement>

Contact Points:	AIIB	Asian Development Bank	Borrower
Name	Mr. Toshiaki Keicho	Mr. Mohd Sani Mohd Ismail	Mr. Scenaider C.H. Siahaan
Title	Sr. Investment Operations Specialist	Senior Financial Sector Specialist	Director of Loans and Grants, Ministry of Finance
Email Address	toshiaki.keicho@aib.org	msismail@adb.org	direktoratph@kemenkeu.go.id
Date of Concept Decision	April 2020		
Date of Appraisal Decision	April 2020		
Date of Financing Approval	May 2020		

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 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.
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