Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 08-Apr-2020 | Report No: PIDC28096
BASIC INFORMATION

A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Project ID</th>
<th>Project Name</th>
<th>Parent Project ID (if any)</th>
</tr>
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<tbody>
<tr>
<td>Indonesia</td>
<td>P171353</td>
<td>Indonesia Infrastructure Finance Development Policy Loan (P171353)</td>
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<table>
<thead>
<tr>
<th>Region</th>
<th>Estimated Board Date</th>
<th>Practice Area (Lead)</th>
<th>Financing Instrument</th>
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</thead>
<tbody>
<tr>
<td>EAST ASIA AND PACIFIC</td>
<td>Dec 09, 2020</td>
<td>Infrastructure, PPP's &amp; Guarantees</td>
<td>Development Policy Financing</td>
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</tbody>
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<tr>
<th>Borrower(s)</th>
<th>Implementing Agency</th>
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<tbody>
<tr>
<td>Ministry of Finance</td>
<td>[Ministry of Finance] [TBC]</td>
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Proposed Development Objective(s)

Increase mobilization and sustainability of resources for infrastructure

Financing (in US$, Millions)

<table>
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<tr>
<th>SUMMARY</th>
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<tr>
<td>Total Financing</td>
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<tr>
<th>DETAILS</th>
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<tbody>
<tr>
<td>Total World Bank Group Financing</td>
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<td>World Bank Lending</td>
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Decision

The review did not authorize the preparation to continue

B. Introduction and Context

Country Context

1. Indonesia’s recent economic achievements set it on a path to upper-middle-income status, but it continues to face substantial challenges that limit human capital development and erode competitiveness. Indonesia’s solid macroeconomic fundamentals have allowed for robust economic growth, averaging 5.0 percent per year since 2015. More investment in infrastructure will be needed to maintain achievements, bridge inequalities, and continue Indonesia’s rapid growth. Infrastructure enables basic services delivery such as clean water, electricity, mobility, and logistics. In the face of the economic and social impact of the Covid-19 pandemic, the underlying issues regarding infrastructure development
are more important than ever. GoI authorities need capacity, better coordination, and standardized procedures and programs at the national and subnational levels to ensure the projects being developed create the most economic value and resources are deployed where most needed.

2. **President Jokowi made infrastructure a key strategy of his second term.** The RPJMN 2020–2024 foresees an investment of US$477.41 billion in infrastructure, with the Approved State Budget (*Anggaran Pendapatan dan Belanja Negara,* APBN) providing 37 percent of the total investment in infrastructure at the national and subnational levels, 21 percent to be raised by SOEs and 42 percent to come from private investment.

**Relationship to CPF**

3. **Infrastructure development and financing are featured prominently within the engagement areas of the Country Partnership Framework (CPF) 2016–2020.** The DPL contributes to achieve the objectives under three CPF engagement areas: Infrastructure Platforms at the National Level (supporting to reach scale and the private sector); Sustainable Energy and Universal Access (supporting operational efficiency and reliability of services and renewable energy and increasing access to modern energy services); and Delivery of Local Services and Infrastructure (supporting improvement in quality, access, and accountability for infrastructure provided through local governments), followed by the cross-cutting supporting beam: Leveraging the Private Sector (bring together private capital in support of public policy through investments, PPP, and other support for private sector investment in infrastructure, and technical assistance [TA] for regulatory reform). A new CPF is expected to be finalized before this DPL is approved by the board, and this section will be updated accordingly.

**C. Proposed Development Objective(s)**

Increase mobilization and sustainability of resources for infrastructure

**Key Results**

4. **This operation will result in increased private investment mobilized for PPP and LCS**, at the provincial and national level, increased allocation of government support to mobilize financing, increased efficiency in and sustainability of the SOEs in the water and energy sectors.

**D. Concept Description**

5. **The reforms to be supported by this proposed IFDPL focus on increasing mobilization and sustainability of resources for infrastructure.** In response to the challenges raised by the RPJMN 2020–2024 and the recent Covid-19 pandemic, this operation supports the Government’s efforts to mobilize more private capital for infrastructure development in a sustainable manner through the following:

   (a) **Pillar A: Improving the national legal and institutional framework to mobilize private capital investment in infrastructure.** Strengthening the legal, regulatory, and institutional framework to increase private sector participation for the development of privately financed infrastructure by

   (i) Improving government management of and support for private and PPP projects,

   (ii) Strengthening institutional capacity and coordination at the national level,
(iii) Strengthening institutional capacity and coordination at the subnational level,
(iv) Clarifying the legal framework for private participation in water, and
(v) Incentivizing private investments in renewable energy and energy efficiency.

(b) **Pillar B: Ensuring financial sustainability of infrastructure SOEs and utilities for effective service delivery.**
   Enabling utilities to be financially healthy and well-funded through
   (i) Improving revenue setting of key utilities
   (ii) Improving the operational efficiency and performance of SOEs, and
   (iii) Developing a legal framework for asset recycling of government or SOE assets.

### E. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

#### Poverty and Social Impacts

6. **It is expected that the policy actions in this DPL will have an overall net positive social and poverty impact.**
About 26 million Indonesians out of 264 million live below the poverty line. Another 20 percent remain vulnerable to falling into poverty, as their income is marginally above the national poverty line. The policy reform initiatives under this DPL are expected to facilitate faster and quality infrastructure development and fill in critical infrastructure gaps in sectors such as the energy and water sectors. Other policy initiatives to be supported under the project will improve the overall investment climate for sustainable infrastructure development. At the same time, indirectly there could some negative social impacts and risks associated with the DPL, largely because infrastructure requires footprint on the ground.

#### Environmental, Forests, and Other Natural Resource Aspects

7. **The reform actions under this DPL are expected to have overall positive impacts on environmental aspects.**
Although this DPL will not support specific projects, indirectly it may lead to increased infrastructure projects which could have potential adverse environmental impacts that would need to be managed. Indonesia has a well-established system for managing such impacts. Indonesia has a well-established system for managing such impacts, founded on the criminal offenses created under Law 32/2009 on Environmental Protection and Management.

### CONTACT POINT

**World Bank**

Jeffrey John Delmon, Alessandra Campanaro
Senior Infrastructure Finance Specialist

**Borrower/Client/Recipient**

Ministry of Finance
[TBC] [TBC]
[TBC]
TBC@TBC.com
Luky Alfirman
Director General Budget Financing and Risk Management
lafirman@mof.gov.id

Implementing Agencies

[Ministry of Finance] [TBC]
Luky Alfirman
Director General
lafirman@mof.gov.id

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

APPROVAL

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Jeffrey John Delmon, Alessandra Campanaro</th>
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Approved By

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<tr>
<th>Country Director:</th>
<th>Rolande Simone Pryce</th>
<th>29-May-2020</th>
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