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Special webinar

The developmental role of the World Bank and the Asian Development Bank: Indonesia – pre-pandemic and post

21 December 2022

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Introduction

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Professor Nanwani has more than 30 years' development work experience in international organizations including the World Bank and he was formerly Counsel at the European Bank for Reconstruction and Development and Advisor at the Asian Development Bank.

He has a PhD in Organization Development from SAIDI Graduate School of Organization Development, Philippines; LLM degree from University College London; and LLB degree from the National University of Singapore. He has lectured in various countries including Australia, China, India, Indonesia, Japan, Korea, Malaysia, Peru, Singapore, South Africa, Spain, and the United Kingdom.

He is

- Honorary Research Fellow at Birkbeck University of London
- Member of Practitioners' Board, Global Policy, a UK interdisciplinary peer-reviewed journal at <https://www.globalpolicyjournal.com/practitioners-advisory-board/suresh-nanwani#profile>
- Executive Council Member of: Society of International Economic Law, a global organization for academics, practitioners, government officials and students on IEL research, practice and development at <https://www.sielnet.org/about-us/office-bearers/>

Publications: He has published widely on international financial institutions, law and development, and governance and accountability. His latest publications are

- *Organization and Education Development: Reflecting and transforming in a self-discovery journey* by Suresh Nanwani (Routledge, UK, 2022) at <https://www.taylorfrancis.com/books/oa-mono/10.4324/9781003166986/organization-education-development-suresh-nanwani> **Open Access**
- *Covid-19 in the Philippines: Personal Stories* by Suresh Nanwani and William A. Loxley (eds) (Amazon Kindle, 2021) at <https://www.amazon.com/Covid-19-Philippines-Personal-Suresh-Nanwani-ebook/dp/B094SHQRWN>
- *The Practice of Independent Accountability Mechanisms (IAMS)* co-edited by O. McIntyre and S. Nanwani (Brill Nijhoff, Netherlands, 2019) at <https://doi.org/10.1163/9789004337787>
- New Development Bank and Civil Society Engagement (Dec 2022) Global Policy, Emerging Global Governance at <https://www.globalpolicyjournal.com/emerging-global-governance/egg-essays>
- "Belt and Road Initiative: Interface with Multilateral Development Banks on International Cooperation and Governance" in M. A. Carrai, J. DeFraigne & J. Wouters (ed.), *The Belt and Road Initiative and Global Governance*, (Edward Elgar, UK, 2020) at <https://www.e-elgar.com/shop/the-belt-and-road-initiative-and-global-governance>
- "SDGs and the Role of International Financial Institutions" in J. Walker, A. Pekmezovic and G. Walker (eds), *Sustainable Development Goals: Harnessing business to achieve the SDGs through finance, technology, and law reform* (John Wiley, UK, 2019) at <https://doi.org/10.1002/9781119541851>

Special webinar outline

- Background information on international financial institutions (IFIs) such as the World Bank and the Asian Development Bank
- Project cycle – country approach
- Indonesia
- WB Country Partnership Framework and ADB Country Partnership Approach
- ADB fact sheet for Indonesia (2011) and ADB fact sheet for Indonesia (2022)
- Question and answer session

A. Background information on IFIs

IFI websites listed below for easy reference.

Asian Development Bank at <http://www.adb.org/>

African Development Bank at <http://www.afdb.org/en/>

Inter-American Development Bank at <http://www.iadb.org/>

European Bank for Reconstruction and Development at <http://www.ebrd.com/home>

World Bank at <http://www.worldbank.org/>

International Finance Corporation at <http://www.ifc.org/>

Asian Infrastructure Investment Bank at <http://www.aiib.org/>

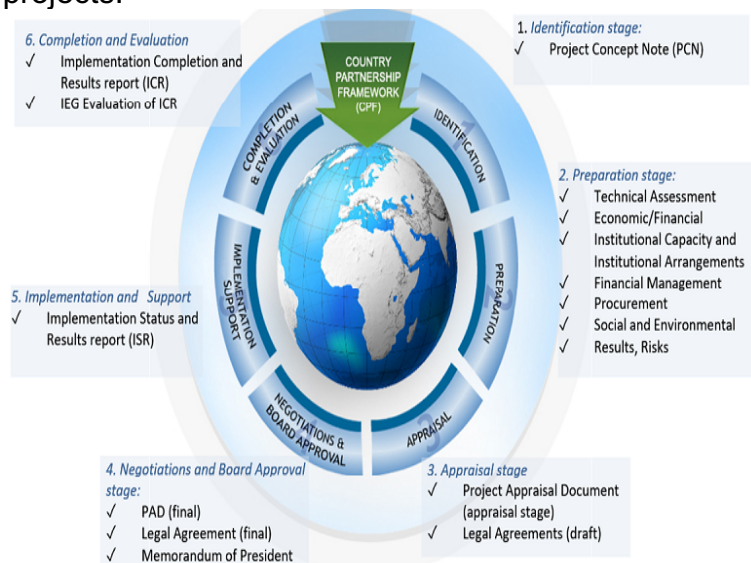
New Development Bank at <https://www.ndb.int/>

Introductory note

- The **World Bank** generally refers to the International Bank for Reconstruction and Development (IBRD) which focuses on middle income and creditworthy countries and the International Development Association (IDA) which aims at the world's poorest countries. Unlike IBRD (loans), IDA lends money (known as credits) on concessional terms which means that there is no interest charge and repayments are stretched over 35 to 40 years, including a 10-year grace period.
- **Regional development banks:** refer to the African Development Bank (AfDB), the Asian Development Bank (ADB), the Inter-American Development Bank (IADB), and the European Bank for Reconstruction and Development (EBRD)
- **World Bank Group:** refers to the following five closely associated institutions: IBRD, IDA, International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and the International Centre for the Settlement of Investment Disputes (ICSID).
- **Bretton Wood organizations:** refers to the International Monetary Fund (IMF) and the IBRD which were created in 1944 towards the end of the Second World War.
- **IMF:** The IMF employs three main functions – surveillance, financial assistance, and technical assistance – to promote the stability of the international monetary and financial system.
- **The dates of establishment** of IADB, AfDB, ADB and EBRD: 1959, 1964, 1966, and 1991.
- **New international financial architecture** AIIB and NDB

B. Project cycle – country approach

World Bank Project Cycle: framework used to design, prepare, implement, and supervise projects.



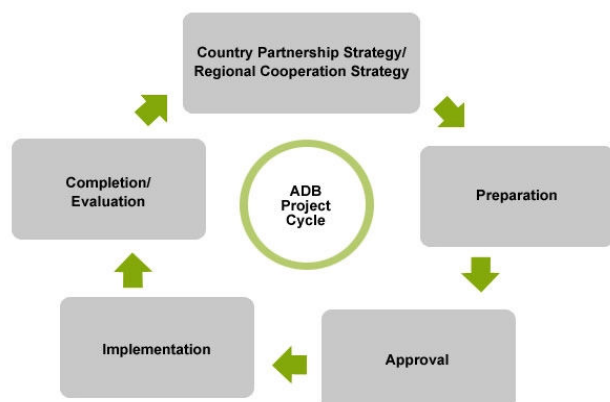
General The duration of the project cycle is long by commercial standards. It is not uncommon for a project to last more than 8-10 years; from the time it is identified until the time it is evaluated.

World Bank and ADB: 6 stages of project cycle

- Identification/country partnership framework/ strategy/country partnership strategy

- Preparation (ADB's preparation also covers appraisal)
- Appraisal
- Negotiation/Approval
- Implementation/Support
- Completion and Evaluation

ADB project cycle (sovereign operations)



C. Indonesia – National Medium-Term Development Plan (RPJMN), 2020-2024

Goal: achieving prosperous, fair, and sustainable development by 2024 (ADB CPS, para 21). With Covid-19, government has established a taskforce on Covid-19 response and economic recovery which prioritizes health care and social protection systems as well as economic support measures (ADB CPS, para. 21)

- IDA country graduated in FY 80, back to IDA in FY 99, and graduated in FY 2008
- Upper middle-income country in July 2020
- Before 2020, it was lower middle-income country
- Aspires to be high-income country by 2045 (ADB CPS, para. 1)
- Indonesia is the world's fourth most populous nation (268 million people), the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20.

D. WB Country Partnership Framework and ADB Country Partnership Approach

World Bank – country partnership framework (WBG)

ADB – country partnership strategy

Commonalities of CPF and CPS

1. They are aligned with country's national development plan, Sustainable Development Goals, etc.
2. Purpose
 - to identify the country's main priorities for ending extreme poverty and promoting shared prosperity (**WB goals**)
 - to define a medium-term development strategy and operational program. The CPS is aligned with the country's development plan and poverty reduction goals, and its preparation with the DMC's development planning cycle. (**ADB goals**)

Goals are similar – poverty reduction (see below, WB and ADB Strategies)

WBG Country Partnership Framework for Indonesia FY21-FY25 (2021) at

<https://openknowledge.worldbank.org/bitstream/handle/10986/35559/Indonesia-Country-Partnership-Framework-for-the-Period-FY21-FY25.pdf?sequence=1&isAllowed=y>

(accessed 18 December 2022)

ADB Country Partnership Strategy for Indonesia (2020-2024) Emerging Stronger (2020) at

<https://www.adb.org/documents/indonesia-country-partnership-strategy-2020-2024>

(accessed 18 December 2022)

A brief discussion of WB strategy and ADB strategy – as their country approaches are tied to their strategies.

Background of World Bank strategy and ADB strategy

World Bank strategy 2014

The WBG (IBRD, IDA, IFC and MIGA) developed a new strategy focusing on the ambitious goals of **ending extreme poverty and promoting shared prosperity**.

It is committed to helping countries reach these goals in a **sustainable manner**. This strategy lays out how the WBG will reposition itself to best serve the development community in pursuit of the **two goals**. The WBG will focus on customized development solutions and align all its activities with the two goals; work more in **partnership** with others, including the private sector; and significantly increase collaboration across its agencies.

World Bank strategy: An Overview of the World Bank Group Strategy (2014) accessed 18 December 2022 at https://openknowledge.worldbank.org/bitstream/handle/10986/16093/32813_ebook.pdf;jsessionid=E1143FC8E22CE481D929BE89CC14FAA4?sequence=5

ADB 2030 Strategy (2018)

Under this strategy ADB will focus on 7 priority areas: (1) Addressing remaining poverty and **reducing inequalities**; (2) accelerating progress in gender equality; (3) **tackling climate change, building climate and disaster resilience**, and enhancing environmental sustainability; (4) making cities more livable; (5) promoting rural development and **food security**; (6) strengthening governance and institutional capacity; and (7) fostering regional cooperation and integration. Also, ADB will expand its private sector operations, to reach one-third of its total operations in number by 2024.

ADB 2030 Strategy (2018) accessed 18 December 2022 at <https://www.adb.org/sites/default/files/institutional-document/435391/strategy-2030-main-document.pdf> – Executive Summary (3 pages)

World Bank CPF for Indonesia

- The immediate focus of the Framework is centered on helping Indonesia recover from the pandemic.
- CPF will also support the country's efforts to moving closer to its goals of sustained inclusive growth, building a solid middle class, and eventually joining the ranks of high-income countries. (2045)
- The Framework is aligned with the Government's Medium-Term National Development Plan 2020-2024, and responds to economic policies made to the emergency and economic recovery response to the COVID-19 pandemic.
- In addition, it takes into account the WBG's priorities.

- The CPF caters to a **possibly higher degree of ambition** in certain areas such as state owned enterprise (SOE) reform, revenue expansion, decarbonization of energy sources, and climate change policies.
- **Drafting and preparation process:** The CPF has been developed through a series of virtual consultations during September-January 2021 and March 2021 with various stakeholders including the Government, civil society organizations, development partners, and the private sector ensuring that the process was extensive and inclusive.
- The **overall objective of the Framework** is to operationalize WBG support to the Government of Indonesia with a shared mission to promote inclusive and sustainable economic recovery from the COVID-19 pandemic and achieve long-term economic growth.
- The new CPF is built around **4 engagement areas**:
 - **Strengthening economic competitiveness and resilience** e.g. improved public spending; and increased depth, efficiency, and resilience of the financial sector.
 - **Improving infrastructure** e.g. transition to low-carbon energy while attaining universal access to reliable and sustainable energy
 - **Nurturing human capital** e.g. improving quality and equity of education and skills, as well as in nutrition and health
 - **Sustained management of natural assets, natural resources-based livelihoods, and disaster resilience** through strengthened management of natural assets and environment
- **3 cross-cutting themes – digitalization, gender, and climate change** – runs across the four engagement areas.
- These themes represent **new strategic shifts** as they are critical to supporting the sustainability of growth.
- The Framework is built on a partnership that has lasted for **more than six decades** and represents one of the largest country programs across the World Bank Group.
- **WB CPF** (para. 130)

WBG will continue to play role of **convener for development partners**

Cofinancing of investment lending operations will be substantial with principal partners being **AIIB** in infrastructure development, and **ADB** in economic resilience and infrastructure.

Note that AIIB does not have country strategies for its members. AIIB will review any project that is aligned with the Bank's thematic priorities – green infrastructure, connectivity and regional cooperation, technology-enabled infrastructure, and private capital mobilization – and will bring clear benefits to Asia.

Principle of cooperation and coordination is important to maximize development effectiveness and avoid duplication of resources to enhance development effectiveness agreed in Paris (2005) and Accra (2008) – Paris Declaration on Aid Effectiveness and Accra Agenda for Action.

ADB CPS for Indonesia

- It aims to support inclusive, competitive, and **sustainable development**.
- It is geared toward helping Indonesia **emerge stronger** from the COVID-19 pandemic by focusing on 3 strategic pathways:

- (i) **improving well-being**—by strengthening the health care system, expanding social protection, advancing educational quality in an equitable manner, and developing workforce skills
- (ii) **accelerating economic recovery**—by supporting economic policy and structural reforms, domestic resource mobilization, financial market deepening and inclusion, and the development of high-quality **infrastructure**
- (iii) **strengthening resilience**—by supporting **climate change** mitigation and adaptation measures, **environmental sustainability** and green recovery, disaster risk management and finance, and water and **food security**.

Support to the COVID-19 recovery is an overarching theme, under which ADB will incorporate the following cross-cutting priorities in its operations:

- (i) private investment and innovative financing;
- (ii) **gender equality** and socially inclusive approaches;
- (iii) enhanced governance and institutional capacity;
- (iv) **digitalization** and **technological transformation**;
- (v) local and regional economic development;
- (vi) regional cooperation and integration; and
- (vii) achievement of the SDGs.

Salient matters

1. **Civil society organizations** reconfirmed their wish for a stonger involvement of civil society in implementing and monitoring the CPF – CSO engagement survey is prepared and will be implemented during the CPF period. (para. 39 WB CPF)
2. **Female headed households** remain particularly vulnerable experiencing widening poverty gap with male headed households (para. 15 WB CPF)
3. **Underlying governance root causes** such as pervasive clientism through protectionist measures that undermine competition at the expense of wider public good (para 20 WB CPF)
4. **Government has identified weak governance and institutional capacity, issues of corruption, and bureaucratic inefficiencies as constraints to inclusive growth** (para. 15 ADB CPS)
5. **Digital divide** hinders improvements to public service delivery and financial inclusion (para. 27 WB CPF)
6. **Gender equality** – female participation rate in labor force (52 percent vs 80 percent for men) (para. 27 WB CPF)
7. **Climate change** - Indonesia has a high responsibility in mitigating climate change through **management of forest, peatland, mangroves, and marine assets** and by living up to its Paris climate commitments (nationally determined contributions). This requires reforms in governance, including correcting distortions in agriculture policies such as subsidies and developing strategies on sustainable use of natural resources to the benefit of local communities and future generations. Also **energy policies and regulations** are critical in promoting decarbonization as coal plays a strong role in power generation. **Regulatory reform and pricing in urban mass transit and in maritime transport** are needed to fight climate change. (para. 27 WB CPF)
8. Autonomy of the well-respected Anti-Corruption Commission has been weakened (para. 21 WB CPF)
9. **ADB's CPS for Indonesia 2016-2019** focused on infrastructure services, economic governance, and enhanced HR development (para. 19 ADB CPS)
10. **ADB's CPS for Indonesia 2020-24** focused on improving well-being e.g. health care; accelerating economic recovery; and strengthening economic resilience. (para. 24 ADB CPS)

11. ADB is a member of the steering board of Indonesia's **National Plastic Action Partnership** (para. 37 ADB CPS); country is second biggest contributor of marine plastic debris in the world, page 35 in WB CPF
12. **Community-driven development projects** which strengthen the role and responsibilities of local government can be effective and Indonesia has considerable experience in community-driven development programs for local infrastructure in urban and rural areas (e.g. Community Empowerment for Rural Development Project in Indonesia (Kalimantan) funded by ADB, 2000s). (para. 64 WB CPF)

E. ADB fact sheet for Indonesia (2011) and ADB fact sheet for Indonesia (2022)

ADB fact sheet 2011 at <https://www.adb.org/sites/default/files/publication/27769/ino-2021.pdf> (accessed 18 December 2022)

ADB fact sheet 2022 at <https://www.adb.org/publications/indonesia-fact-sheet> (accessed 18 December 2022)

1. ADB fact sheet 2022 – ADB has committed 820 public sector loans, grants, and technical assistance to Indonesia totalling \$42 billion.
2. In 2011, ADB approved \$580 million in loans for Indonesia and \$9.56 million in technical assistance (ADB fact sheet 2011)
3. In 2021, ADB approved \$2.12 billion in sovereign loans and grants to Indonesia. (ADB fact sheet 2022)
4. **Operational challenges** identified in ADB fact sheet 2022
 - (1) Prolonged movement restrictions and economic slowdown from the pandemic continue to affect ADB project processing and implementation. To address the challenges, ADB is making greater use of technology, such as remote sensing and satellite imagery, and deploying more local consultants in the field.
 - (2) Project implementation also faces systemic challenges, such as delayed work planning and budgeting, prolonged detailed engineering design and procurement processes, and delayed approval for resettlement plans and environmental permits.
 - (3) ADB and the government are discussing project readiness criteria for the ADB pipelines so that technical, procurement, and safeguards requirements prepared in advance.

F. Questions and Answers

Thank you.

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