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Republic of Indonesia: Tax Administration, Social and Investment Development Policy Loan

SUMMARY OF DISCUSSION*

Meeting of the Executive Directors

November 20, 2012

Executive Directors approved an Institutional, Tax Administration, Social and Investment (INSTANSI) Development Policy Loan (DPL) to the Republic of Indonesia in the amount of US$300 million on the payment terms and conditions set out in the President's Memorandum (R2012-0219).

Executive Directors expressed their support for the objectives of the loan, which aims to assist the Government of Indonesia to strengthen public finance management, poverty reduction, and service delivery efforts. Directors applauded Indonesia's prudent fiscal policies that have resulted in a fiscal buffer and a decline in public debt. They noted Indonesia's improved Public Expenditure and Financial Accountability scores over recent years, and welcomed targets for further improvement.

Executive Directors stressed the importance of enhanced mechanisms to strengthen policy coordination among government agencies and the capacity of central and local government institutions for broad based growth. Directors welcomed progress in past reforms of the country's public finances, and urged further progress in budget execution to redirect spending towards the social sectors and infrastructure, particularly to address basic needs. In this regard, Directors called for greater attention to the costs of energy subsidies and noted the target to increase the number of female-headed households and stressed attention to rising inequalities. Finally, Directors commended the Bank for its wide consultation with its development partners during the preparation of the project.

*This summary is not an approved record.