IMPLEMENTATION COMPLETION REPORT

INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT
(LOAN 3249--IND)

DECEMBER 27, 1995
CURRENCY EQUIVALENTS

Currency Unit = Indonesian Rupiah (Rp)
US$1.00 = Rp 1,830 (appraisal)

1991: US$1.00 = Rp 1,950
1992: US$1.00 = Rp 2,030
1993: US$1.00 = Rp 2,079
1994: US$1.00 = Rp 2,160
1995: US$1.00 = Rp 2,250

FISCAL YEAR

Government of Indonesia = April 1 - March 31
Bank Rakyat Indonesia = January 1 - December 31

ABBREVIATIONS AND ACRONYMS

BI - Bank Indonesia
BIMAS - Bimbingan Massal (a crop intensification program)
BRI - Bank Rakyat Indonesia
GOI - Government of Indonesia
ICR - Implementation Completion Report
KUPEDES - Kredit Umum Pedesan (General Village Credit Program)
MOF - Ministry of Finance of the Government of Indonesia
PPAR - Project Performance Audit Report
PCR - Project Completion Report
PUD - Village Unit Development Division
SIMPEDES - Simpanan Pedesan (Village Saving Program)
SOE - Statement of Expenditures
TABANAS - Tabungan Nasional (Small Saving Program)
USAID - United States Agency for International Development
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This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.
This is the Implementation Completion Report (ICR) for the Second BRI/KUPEDES Small Credit Project in Indonesia, for which Loan 3249-IND in the amount of US$125 million was approved on July 31, 1990 and made effective on October 15, 1990. The Loan was closed on June 30, 1995. Final disbursement took place on December 6, 1995, at which time a balance of US$197.39 was canceled.

Preparation of this PCR was begun during the Bank’s final supervision and completion mission in June 1995, and is based on materials in the project file. The Performance Audit Report prepared by the Operations Evaluation Department for the BRI/KUPEDES Small Credit Project (Loan 2800-IND) provided very useful information. The borrower contributed to preparation of the ICR by providing the relevant project- and sector-specific data. However, its own final evaluation report on the project has not been received.
IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT
(LOAN 3249-IND)

EVALUATION SUMMARY

Introduction

1. The Second BRI/KUPEDES Small Credit Project (the Project, or KUPEDES II), for which this Implementation Completion Report (ICR) is prepared, was a follow-up to the first BRI/KUPEDES Small Credit Project (KUPEDES I) for which a Bank loan (Loan No. 2800-IND) was approved in April 1987. KUPEDES I was implemented successfully with all its objectives fully achieved. Both the Project Completion Report (Report No. 12973, dated April 14, 1994) and the Performance Audit Report (Report No. 14511, dated May 19, 1995) rated the project outcome as highly satisfactory, institutional development impact as substantial and sustainability as likely.

Project Objectives

2. The Project’s objectives were: (a) to promote BRI’s ongoing efforts to strengthen and expand its Unit Desa system as a financially viable subbranch network that mobilizes resources and provides nonsubsidized credit nationwide to creditworthy small borrowers; and (b) to continue support to develop BRI’s institutional capability as related to its Unit Desa system. To achieve the above objectives, three components were included under the Project: (a) a general credit component for financing of cottage and small-scale enterprises in all sectors; (b) a capital expenditure component for the expansion of BRI’s five Unit Desa training centers; and (c) a technical assistance component aimed at supporting ongoing efforts to strengthen BRI’s institutional capability for improving its Unit Desa and rural banking activities.

3. The Project objectives were clearly stated and were realistic. They coincided with plans and goals that were already accepted and being implemented by BRI, and were supported by the Government. The Project design enhanced that of the first project through an improved Bank loan disbursement formula to encourage the Unit Desas’ resource mobilization efforts and at the same time, not to penalize them if they are successful; and a broader range of technical assistance for further strengthening of institutional development (e.g. computerization of the Unit Desas and expansion of the training centers).

Implementation Experience and Results

4. The Project has successfully achieved all the objectives and generated sustainable outcomes. The Unit Desa system has developed its full intermediation functions, and has
become self-reliant. The KUPEDES loans have expanded to a broad-based clientele, improved credit supply to a wide network of people in rural areas across Indonesia, and made it easier for small borrowers to obtain credit at lower costs than was available from informal credit channels. It has also created a viable banking system for channeling savings and has therefore contributed to the important intermediation role of the financial system. The cadre of banking staff at the Unit Desa (branch) level, now totaling over 16,500 trained personnel, have become proficient in making loans to small borrowers and mobilizing savings.

5. Savings mobilization has been the most successful element of the Project and has supplied the Unit Desas with a stable source of fund. Deposits from rural savers have grown many-fold and have reached twice the level of outstanding loans. Profits of the KUPEDES program have consistently risen to very satisfactory level.

6. Project implementation has been smooth and satisfactory, though the Bank loan disbursement was completed one year later than the original schedule mainly due to slowdown of KUPEDES lending during the period of 1992-93 as a result of a long drought, rural recessions and Government’s tight money policy. Actual project cost almost doubled the appraisal estimate because of the successful KUPEDES lending expansion. The five training centers have been largely expanded and effectively utilized to train Unit Desa staff. The computerization program, implemented satisfactorily with each Unit Desa now equipped with at least one workstation, is expected to facilitate increase of productivity and improvement of banking services.

7. Many factors have contributed to the successful achievement of project objectives. The major ones include: (a) economic growth: the Indonesian economy was growing rapidly at the time when the KUPEDES program was expanding. The high growth facilitated the rapid growth of incomes which resulted in increasing both demand for credit and domestic savings; (b) borrower commitment: the KUPEDES program was launched at the borrower’s own initiative and designed closely in line with the local environment and conditions; (c) simple design: basic to the design are the principles of not-targeted credit except for the provision of a maximum loan size; non-subsidized lending; and self-sustainability through deposits mobilization and profitable operations. This design has allowed KUPEDES lending much flexibility, permitted pricing of loans to fully recover costs and risks, and focused on long-term institutional sustainability. Under this design, drawdown of the Bank loan was based on the growth in the Unit Desa loan portfolio and deposits mobilization, rather than just to support KUPEDES disbursement; (d) incentive system: institutional incentives aiming at positively affecting individual bank staff behavior and cooperation including: performance bonus for Unit Desa staff based on transparent criteria; interest rebate and access to bigger loans for borrowers based on timely repayment; and local level incentives (e.g., lottery) for savers; and (e) technical assistance: well-targeted and continued technical assistance has complemented the implementation of the program. The consulting services supported by the Project have been utilized effectively and played a crucial role at various stages of program development.
8. Overall, through the Project, the Bank has made a very positive contribution to the successful development and strengthening of the BRI Unit Desa system. Bank performance in the various stages of the Project cycle was satisfactory. Borrower performance was also satisfactory. The program enjoyed high support from the borrower. BRI’s performance during the Project cycle was generally of high quality. The loan covenants were complied with. Both the Bank and the Government worked closely throughout the project cycle, building up a relationship based on mutual trust and confidence. In summary, the Project was very successful and is rated highly satisfactory.

Summary of Findings, Future Operation, and Key Lessons Learned

9. Sound macroeconomic performance, overall good record of growth, and high borrower commitment are necessary conditions for the success of credit programs.

10. Project design should be simple and directly linked to objectives. In particular, credit programs should be designed on market principles so as to encourage and support institution’s resource mobilization efforts, rather than to compensate for a lack of it.

11. The experience of Indonesia shows that rural small and micro enterprises are willing and able to pay an interest rate that fully covers lending costs. Assured access to lending, convenience of location, and prompt credit decisions are more important to small borrowers than getting a lower interest rate.

12. Rural depositors can be a very important source of savings for financial institutions, provided that their needs (such as safety, accessibility - immediate and unlimited withdrawal, convenience of location, and acceptable interest rate) are satisfied. The KUPEDES experience underlines the strength of rural savings if properly mobilized.

13. The Unit Desa system has proven itself to be sustainable as a profit center within BRI. A threat for its continued role is that the system could be put in the position of subsidizing the less profitable operations of BRI, and thereby cause its resources to be dissipated.

14. BRI introduced in May 1995 a new interest rate structure for KUPEDES loans to meet growing competition for relatively larger customers. This move is the first step in the Unit Desas’ broader strategy to maintain and expand their market share among the small borrowers while preserving profitability. The next step would be for the Unit Desas to be given the status of a truly autonomous strategic business unit with power to hire and fire employees. Other parts of this strategy, including new product development and improvements in services and productivity are under discussion within the institution. This strategy will be released in the form of a new Policy and Strategy Statement for the Unit Desas after approval by the BRI Board of Directors.
IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT
(LOAN 3249-IND)

PART I. PROJECT IMPLEMENTATION ASSESSMENT

A. STATEMENT/EVALUATION OF OBJECTIVES

1. **Background**  KUPEDES (Kredit Umum Pedesaan, or general rural credit), launched in 1984, is a general rural credit program providing non-subsidized financial assistance to creditworthy small borrowers. It is implemented through the nationwide network of small unit banks (Unit Desas, or Units) at subdistrict level within the Bank Rakyat Indonesia (BRI), a state commercial bank. This network evolved from the highly loss-making village banking units system which was set up in 1970 to administer a government-directed and subsidized program (BIMAS\(^1\)) for rice farmers.

2. In April 1987, a Bank loan in the amount of US$ 101.5 million was approved for the first BRI/KUPEDES Small Credit Project (KUPEDES I), which allowed the Bank to support a long advocated approach that neither promoted nor extended subsidized funds. Major design flaws (such as poor borrower selection criteria, subsidized interest rates, insufficient spreads to intermediaries and overly generous credit insurance) that were identified as having contributed to the failure of the Bank’s previous Small Enterprises Development Projects were avoided, with much more focus on institutional building and long term sustainability. KUPEDES I was implemented successfully with all its objectives fully achieved. Both the Project Completion Report (Report No. 12973, dated April 14, 1994) and the Performance Audit Report (Report No. 14511, dated May 19, 1995) rated the project outcome as highly satisfactory, institutional development impact as substantial and sustainability as likely.

3. The Second BRI/KUPEDES Small Credit Project (the Project, or KUPEDES II), supported by a US$ 125 million Bank loan, the subject of this Implementation Completion Report (ICR), was approved in July 1990, shortly after the credit line under KUPEDES I had been fully disbursed. The design of KUPEDES II enhanced that of

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\(^1\) The BIMAS program was aimed at improving agricultural production and practices through the provision of physical inputs, technical assistance and short-term credit through BRI Unit Desas at an interest rate substantially below market rates. BI/GOI bore up to 75% of the credit risk and provided an administrative subsidy to BRI to cover the operating costs of the Unit Desas.
KUPEDES I through an improved Bank loan disbursement formula\(^2\) and a broader range of technical assistance (e.g. computerization of the Unit Desas and expansion of the training center). The continued Bank participation through KUPEDES II not only demonstrated the Bank’s commitment to the program but also helped ensure its long-term sustainability, particularly at a time when the program was still young and the scope of operations was expanding.

4. **Project Objectives** The objectives of KUPEDES II were: (a) to promote BRI’s ongoing efforts to strengthen and expand its Unit Desa system as a financially viable subbranch network that mobilizes resources and provides nonsubsidized credit nationwide to creditworthy small borrowers; and (b) to continue support to develop BRI’s institutional capability as related to its Unit Desa system.

To achieve the above objectives, the Project consisted of three components: (a) a credit component (US$120 million of the Bank loan) for general purpose financing of cottage and small-scale enterprises in all sectors, including manufacturing, agriculture, trade and services; (b) a capital expenditure component (US$2.7 million) for the expansion of BRI’s five Unit Desa training centers, including purchasing of computer equipment; and (c) a technical assistance component (US$2.3 million) aimed at supporting ongoing efforts to strengthen BRI’s institutional capability for improving its Unit Desa and rural banking activities.

6. The Project objectives were clearly stated and were realistic. They coincided with plans and goals that were already accepted and being implemented by BRI, and were supported by the Government.

**B. ACHIEVEMENT OF OBJECTIVES**

7. The Project’s objectives have been successfully achieved. The Unit Desa system has developed its capacity to undertake full intermediation functions, and has become self-reliant.

**Credit Generation**

8. **Scope and Terms of KUPEDES Loans** KUPEDES loans, with a size range of Rp. 25,000 to Rp. 25 million (US$12.5 - 12,500 equivalent), are for directly productive activities in all sectors. The main criterion for loan approval is the creditworthiness of the borrower. Basic to the design of terms and conditions of KUPEDES loans are the

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\(^{2}\) For the credit component, the Bank loan disbursements would be on the basis of 5% of new KUPEDES loan approvals (i.e., disbursements) during a quarter, provided that the Unit Desas/BRI finance with their own resources at least 70% of the incremental growth in the KUPEDES loan portfolio. This arrangement is designed not only to encourage the Unit Desas’ resources mobilization efforts, but also not to penalize them for successful performance in exceeding the 70% criterion.
principles of (a) not-targeted credit except for a maximum loan size; (b) non-subsidized lending; and (c) self-sustainability through deposits mobilization and profitable operations. The first principle has endowed KUPEDES with flexibility, allowing the Units to adjust lending portfolio to the economic situation in their respective service areas. This has also provided KUPEDES clients with similar flexibility in the choice of businesses for financing. Furthermore, the absence of targeting keeps the loan screening and approval process relatively free from distortions. The second principle, non-subsidized lending, has permitted the pricing of loans to fully recover the costs and risks. A funds transfer pricing scheme among the Units has also been put in place to discourage the Units from depending on “external” funding and to encourage them to mobilize savings and/or expand their credit activities as well. Self-sustainability, the third principle, has provided the impetus for the design of savings instruments, based on safety, accessibility, simplicity and positive return, that an expanding number of small savers are willing and able to use.

9. **KUPEDES Lending Growth** During the Project period (1990-1995), KUPEDES outstanding loans have doubled. Outstanding loans stood at Rp. 2,746 billion (about $1.25 billion) at the end of June 1995 (Table 1). The large growth in 1990 was due to an expansion in new loans and a rise in the maximum loan limit to Rp. 25 million. The slowdown in lending during 1991 and 1992, shortly after effectiveness of the Project, was caused by a long drought, rural recessions and the Government’s tight money policy, which also caused a deterioration of the portfolio. The credit growth then picked up steadily from 1993.

<table>
<thead>
<tr>
<th>Year</th>
<th>Outstanding Loans (Rp. billion)</th>
<th>Growth Rate (%)</th>
<th>Number of Borrowers</th>
<th>Average Loan Size (Rp. million)</th>
<th>US$ equiv.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>111</td>
<td></td>
<td>640,746</td>
<td>173,334</td>
<td>161</td>
</tr>
<tr>
<td>1985</td>
<td>229</td>
<td>106.31</td>
<td>1,034,532</td>
<td>221,317</td>
<td>197</td>
</tr>
<tr>
<td>1986</td>
<td>334</td>
<td>45.85</td>
<td>1,231,723</td>
<td>271,422</td>
<td>165</td>
</tr>
<tr>
<td>1987</td>
<td>430</td>
<td>28.74</td>
<td>1,314,780</td>
<td>326,779</td>
<td>198</td>
</tr>
<tr>
<td>1988</td>
<td>542</td>
<td>26.05</td>
<td>1,386,035</td>
<td>391,292</td>
<td>226</td>
</tr>
<tr>
<td>1989</td>
<td>847</td>
<td>56.27</td>
<td>1,643,980</td>
<td>514,911</td>
<td>287</td>
</tr>
<tr>
<td>1990</td>
<td>1,382</td>
<td>63.16</td>
<td>1,893,138</td>
<td>729,913</td>
<td>384</td>
</tr>
<tr>
<td>1991</td>
<td>1,456</td>
<td>5.35</td>
<td>1,837,549</td>
<td>792,204</td>
<td>398</td>
</tr>
<tr>
<td>1992</td>
<td>1,649</td>
<td>13.26</td>
<td>1,831,732</td>
<td>899,986</td>
<td>436</td>
</tr>
<tr>
<td>1993</td>
<td>1,957</td>
<td>18.68</td>
<td>1,897,265</td>
<td>1,031,688</td>
<td>489</td>
</tr>
<tr>
<td>1994 a/</td>
<td>2,458</td>
<td>25.60</td>
<td>2,054,000</td>
<td>1,196,690</td>
<td>556</td>
</tr>
<tr>
<td>1995 b/</td>
<td>2,746</td>
<td>11.72</td>
<td>2,151,000</td>
<td>1,276,620</td>
<td>580</td>
</tr>
</tbody>
</table>

a/ average account of the fourth quarter of 1994;  
b/ average account of the second quarter of 1995.

10. **Diversification** KUPEDES portfolio has become fairly diversified, with about half for small scale trading activities. In 1994, agriculture loans accounted for about
18%, while industry’s share was minor, only 1.8%. The demand for KUPEDES has been largely for working capital, accounting for over 80% of the loan portfolio. The proportion of investment loans, however, has increased gradually since the removal in 1989 of the interest differential in favor of investment credit (1.0% per month vs. 1.5% per month for working capital loan), showing that the availability of general credit was helpful to investment loan growth.

11. The main market niche of the KUPEDES program is in credit from Rp. 200,000 to Rp. 3.0 million (equivalent to about $100 to $1,500 currently). About 80% of total borrowings are concentrated on the lower end of this range (below Rp. 1.5 million). Thus, loans have been predominantly for very small business activities. The average loan size by sector varies little, with overall average in end 1994 at Rp. 1.2 million (about US$550 equivalent).

12. **Portfolio Quality and Arrears** The possibility of arrears was a concern at Project appraisal and has been addressed as follows: (a) if overdue installments to the total loans outstanding (Portfolio Status measure) exceeds an alarm level (8%) for 6 months consecutively, BRI should prepare and carry out, with the Bank’s approval, a plan of action to reduce the arrears; (b) arrears more than 90 days overdue, with the upper limit for satisfactory performance set at 6% of the total loan portfolio, would be monitored. The above standards of portfolio quality and monitoring of arrears helped define a basis on which performance of the Unit Desas could be held accountable. The monitoring system, controlled from BRI headquarters, has kept a tight watch on loan arrears.

13. Since its inception in 1984, KUPEDES portfolio has enjoyed good quality, except during 1988 and 1991/1992 when the Portfolio Status rose beyond the agreed alarm level (8%). The incidence of arrears in 1988 was brief and was caused by a mild and short drought. A more serious deterioration in portfolio occurred in 1991-1992 primarily due to external factors - the long drought during this period; recessions in the rural economy, and the Government’s tight money policy. BRI management responded to the problems in accordance with the Loan covenant with an action plan prepared in time to reduce delinquencies. The action plan included special collection efforts, increased conservatism in new lending, some relief on past due interest, and the payment of modest commissions on collections under certain circumstances. The results of these actions were reflected in the improvement of all the arrears indicators to satisfactory levels by 1993. This is in contrast to the deterioration in the overall portfolio of the Indonesian banking sector. The turnaround with rural economy helped in addressing the problem.

**Savings Generation**

14. Although Unit Desas offer a variety of savings instruments, Simpanan Pedesan (SIMPEDES, or Village Savings Program) is the major one. It was developed by BRI in 1985 as a convenient, safe and liquid savings instrument. Withdrawal is unlimited thus providing easy access to savers. It was developed also in part to meet the deposit needs of rural organizations and institutions. A lottery held at the local level makes SIMPEDES
and its urban counterpart, SIMASKOT, more attractive. Deposit instruments offered by Unit Desas carry market rates and have rewarded savers with positive interest rates. To mobilize deposits, Unit Desas have employed creative approaches, such as strategic mapping of potential savers, door to door and personal visits, outdoor advertising and slogans, and establishing good links and relationship with the chiefs of villages and subdistricts.

15. Savings mobilization has also been highly successful under the BRI Unit Desa system. It has raised more than sufficient resources for the Unit Desas to undertake KUPEDES lending, and is capturing an ever increasing share of depositors and Rupiah value in the country’s deposit market. At the end of May 1995, savings accounts of the Unit Desa system (excluding current accounts and time deposits) accounted for 30.1% in number of accounts, and 11.5% in Rupiah value, of those in the entire Indonesian banking system. Within BRI, Unit Desas savings accounted for 44.1% of the total deposits and 76.4% of the total number of accounts. As of June 1995, deposits had grown 31 times from the level in 1986 when SIMPEDES became a national saving program for the Unit Desas. Deposits are far in excess of outstanding loans, with average deposits to loan ratio being more than 2.0 since 1992 (Table 2). Over 13 million depositors are using the deposit facilities of the Unit Desas.

Table 2: Savings Indicators, 1986-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Savings (Rp. b)</th>
<th>Growth Rate (%)</th>
<th>Total Number of Depositors</th>
<th>Average Deposit (Rp.)</th>
<th>Average Deposit (US$)</th>
<th>Ratio of Deposits to Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>176</td>
<td>107.1</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>0.53</td>
</tr>
<tr>
<td>1987</td>
<td>288</td>
<td>63.6</td>
<td>4,183,983</td>
<td>68,714</td>
<td>42</td>
<td>0.67</td>
</tr>
<tr>
<td>1988</td>
<td>493</td>
<td>71.2</td>
<td>4,998,038</td>
<td>98,639</td>
<td>57</td>
<td>0.91</td>
</tr>
<tr>
<td>1989</td>
<td>959</td>
<td>94.5</td>
<td>6,261,988</td>
<td>153,162</td>
<td>85</td>
<td>1.13</td>
</tr>
<tr>
<td>1990</td>
<td>1,695</td>
<td>76.8</td>
<td>7,262,509</td>
<td>233,363</td>
<td>123</td>
<td>1.23</td>
</tr>
<tr>
<td>1991</td>
<td>2,541</td>
<td>49.9</td>
<td>8,587,872</td>
<td>295,824</td>
<td>149</td>
<td>1.75</td>
</tr>
<tr>
<td>1992</td>
<td>3,399</td>
<td>33.8</td>
<td>9,953,294</td>
<td>341,505</td>
<td>166</td>
<td>2.06</td>
</tr>
<tr>
<td>1993</td>
<td>4,325</td>
<td>27.2</td>
<td>11,431,078</td>
<td>378,372</td>
<td>179</td>
<td>2.21</td>
</tr>
<tr>
<td>1994</td>
<td>5,232</td>
<td>21.0</td>
<td>13,066,000</td>
<td>400,429</td>
<td>186</td>
<td>2.13</td>
</tr>
</tbody>
</table>

**Profitability**

16. Unit Desas have proven to be a very successful profit center within BRI and have become the largest source of BRI’s profits since effectiveness of the Project in 1990, contributing more than 100% of the total BRI profits in recently years as the rest of the BRI has not been performing well. During the Project, return to average assets and equity have been very satisfactory. Return to average equity reached close to 50% even during the period of 1991-1992 when the KUPEDES lending slowed down and experienced portfolio deterioration. A record percentage of the Unit Desa (93.7%) showed a profit in 1994, when overall profits reached Rp. 265 billion, an increase of 89%
over the 1993 level. The profitability in 1995 continues to be very high, with an estimated total profit of Rp. 168 billion for the first six months. The annualized return on earning assets for the first half of 1995 was 6.0%.

Institutional Development

17. The objective of institutional development has also been achieved. The spread of the Unit Desa network in the countryside give the system an edge against its competitors. With 3,388 sub-district Units and 622 village service posts as of 1994, the system is the largest single rural banking network in Indonesia. Every subdistrict town is serviced by at least one Unit. Service posts provide banking services in areas where business volume is not enough to warrant a full Unit. With a staff of 4 to 11, each Unit’s operational structure has been kept simple and easily manageable. The network holds more than 16,500 staff nationwide.

18. The outcomes of the Project’s technical assistance activities have been satisfactorily. Consulting services provided by expatriate advisors were considered a success. They have assisted BRI and Unit Desas management on (a) policy and strategic issues including general policy advisory, review of credit instrument, recommendations on pricing and interest structure for KUPEDES loans and deposits, design of new products, BRI reorganization and its implication on Unit Desas, and long-term development plan for the Unit Desas; and (b) operational matters such as profit analysis and income/expense forecasting, Unit Desa incentives, loan/deposit balance, arrears management, implementation of MIS and computerization of the Unit Desas, revising of training materials and curriculum, teacher selection and professional operations at the training centers. The advisors have worked very closely with senior BRI management and the Unit Desas Division. Their services have resulted in improved productivity, cost savings and an above average quality of information on the Unit Desas operations.

19. Construction of five training centers exclusively for Unit Desas was included under the Project. Of them, four were completed on schedule and within the original budgets, and one (at Ujung Pandang) ran into unexpected difficulties before its completion. The original plan for the training center at Ujung Pandang was to rehabilitate the BRI regional office building and convert it to a training center. When it became clear that it was not possible to purchase the adjoining land, it was decided to build a new one at a different location. Construction costs (US$ 6.5 million) for Ujung Pandang training center were substantially higher than the costs of the other training centers (averaged at US$2.2 million). The higher cost reflected four factors: (a) the Ujung Pandang training center had to include all utilities since it was built from scratch, while the other centers were expansions of existing structures with utilities already in place; (b) construction of Ujung Pandang center was started two years later than the others due to location change, and the costs reflected inflation during these two years; (c) at Ujung Pandang, the computer training room had to be built in addition to the three basic classrooms, while at the other centers, one of the three basic classrooms was converted to computer use; and (d) many furnishings, fixtures and other finishing
materials were not available locally in Ujung Pandang and had to be shipped from Java, thus incurring higher costs. Upon request by the Government, a loan reallocation was made in June 1994 in order to complete this training center, and at the same time, to enable the computerization of the Unit Desas network and the extension of the consulting services.

20. All the training centers have been fully utilized year round since their completion due to high training demand. In 1994, 8772 Unit staff received training at these training centers. Of them, 1061 were newly recruited, and 967 were recently promoted staff to receive training for their new positions, and the reminder attended short courses designed to both refresh routine skills and cover topics on current interest such as credit investigation, credit analysis and competition analysis.

21. Under the Unit Desa computerization program, the Bank loan financed procurement of 2379 computer workstations. The procurement was completed by June 1995, allowing BRI to computerize all the remaining manual Unit Desas and add additional workstations at the highly loaded Units. It is expected that the computerization program will facilitate to improve Unit Desas’ productivity considerably. Once the computers are installed, Unit Desas will focus on future system development including a major software upgrade.

C. MAJOR FACTORS AFFECTING THE PROJECT

22. Many factors have contributed to the success of the Unit Desa system as a viable and sustainable rural financial institution, and of the BRI/KUPEDES II project in particular. The major ones are discussed below.

23. **Economic Growth** The Indonesian economy was growing rapidly at the time when KUPEDES program was expanding. The real economic growth during 1986-1994 was in the range of 5% to 8% per year. Economic growth facilitated the rapid growth of incomes in the rural areas, resulting in increasing demand for credit as well as higher domestic savings by rural and small households.

24. **Government Commitment** The KUPEDES program was launched at the Government’s initiative. It arose out of a need to address the weakness of the failed BIMAS small credit program and of the institutions that had previously been developed to deliver credit. With the assistance of the long-term foreign consultants, the Program was designed within the country, and closely in line with the local environment and conditions.

25. **Rural Recession and Government Policy** As discussed earlier, a long drought during 1991-1992 and the resulting rural recessions slowed down the KUPEDES lending
and caused deterioration of the KUPEDES loan portfolio. The Government’s tight money policy to ease inflation during that period also contributed in this connection.

26. **Simple Project Design** An important ingredient for the success of the Project has been its simple design. The objective to turn loss making units into self-sustaining profit centers has provided the framework for designing the products and services, the financial policies and procedures, and the organizational structure of the KUPEDES program. The credit program was designed with emphasis on building an institution capable of providing banking services on a sustained basis. Under this design, drawdown of Bank loan was based on the growth in the Unit Desa loan portfolio and deposits mobilization, rather than just supporting KUPEDES disbursement.

27. **Incentive System** Institutional incentives aiming at positively affecting individual behavior as well as cooperation are integrated in operations: for Unit staff, performance bonus based on transparent criteria; for borrowers, interest rebate and access to bigger loans for timely repayment; and for savers, lottery determined at the local level. A major factor contributing to the success of the Unit Desa system has been the cultural change within the institution. Considering the fact that the program inherited a large number of staff long used to another system and standard of work and discipline, the achievement in changing the institution’s culture is a success story in itself. Many elements have attributed to the cultural change, including: pinpointing accountability to the Unit, simple cash basis accounting system, setting clear targets and standards of performance and closely monitoring them, close follow-up and supervision, performance incentives and punishment, and intensive training for upgrading competence and instilling pride in their work.

28. **Staffing and Training** Staffing at Unit Desas has been deliberately kept lean, with 4 to 11 people manning a Unit. Operations are made as simple as possible. Each staff member is required to attend at least one training course related to his/her assignment. Some have attended more than 3 or 4 training courses. Over the years, the BRI has built a pool of manpower in the rural areas which have become skillful in providing banking services there. Continuing training and retooling is a strong element of the Unit Desa system, and expenses for training come close to 6% of the total operating cost of the Unit Desa system. Five regional training centers, established and expanded with the Bank loan financing exclusively for the training of Unit Desa personnel, have been utilized intensively and effectively.

29. **Technical Assistance** As discussed above, well-targeted and continued technical assistance has complemented the implementation of the program. The consulting services have been utilized effectively and played a crucial role at various stages of development in the process of designing, planning and policy making, training, setting up systems, manualization of procedures, research, computerization, setting up and refining the management information system.
D. PROJECT SUSTAINABILITY

30. **Financial Viability** The financial viability of the Unit Desa system has been demonstrated by its high profitability over time. Long-term sustainability would be doubtful without healthy net earnings. As mentioned above, net profit, after full costing of direct Unit Desa expenses, supervision, training and conservative provision for bad debts, rose steadily each year. A profit of Rp. 265 billion was recorded for 1994, a 4.5% return on average assets. The Unit Desa operations continue to be highly profitable in 1995.

31. **Resource Mobilization** A sustainable credit system should be able to mobilize sufficient funds to finance its loan portfolio. The Unit Desas have certainly achieved this and the mobilization of deposits has supplied the Units with a stable source of funds. The Unit Desas has played an important role in mobilizing rural savings within the banking system. Having a stable and credible channel for keeping financial savings for rural households is important for continuing development in the countryside.

32. **Developmental Impact** KUPEDES has expanded credit availability to small borrowers, improved credit supply to a wide network of people in rural areas across Indonesia, and made it easier for small borrowers to avail of credit at relatively lower costs than was available from other credit channels. It has also created viable institutions for channeling savings within the same credit delivery mechanism and has therefore contributed to the important role of intermediation of the financial system.

33. The Unit Desa borrowing enterprises are growing rapidly and making substantial contributions to improved incomes and employment generation in the rural and small scale business sectors. A field survey done in 1990 gathered income and employment information from Unit Desa borrowers over a three-year period of borrowing. After three years of borrowing (typically three loans), Unit Desa customers experienced substantial increases in enterprise and total family income. Average enterprise income rose about 93% and average family income rose by 76%, both in real terms. Average number of workers of borrowing enterprise increased from 3.4 to 5.6.

34. The Unit Desa borrowers are truly small enterprises, with average capital investment of about US$650 equivalent and less than five workers including family members. Women make up at least 25% of the borrowers. The amount of funds going to enterprises headed by women is estimated to be higher however, since husbands often sign the note (they are predominantly the title holders to land) when the funds are actually used by their wives.
E. BANK PERFORMANCE

35. As a follow-up of BRI/KUPEDES I, the Project’s preparation and appraisal were straightforward. As mentioned above, enhancements were brought in: (a) the Bank loan disbursement formula was modified to further encourage the Unit Desas’ resources mobilization efforts while not to penalize them for good performance; and (b) the technical assistance activities were expanded to further strengthen institution building. Bank’s continued support not only demonstrated its commitment to the Unit Desa system, but also helped ensure the long term sustainability of the system, particularly at the time when the system was expanding rapidly.

36. The Project benefited from a high degree of supervision and monitoring and timely identification and resolution of implementation constraints by Bank staff. During Project implementation, the Bank went beyond focusing on investments and loan disbursements, and looked at all aspects of the Unit Desa system (including organization, policy and procedures). Conditionality (such as enforcement of the policy and strategy statements, and portfolio quality measures) was used to promote the strengthening of the institutional framework, with a clear emphasis on long-term sustainability and financial viability. This approach has proven successful, as demonstrated by the Unit Desa system's impressive growth and profitability on a continuing basis.

37. The Bank's reporting requirements for BRI were set up based on BRI's existing regular management reports. No extra surveys or reports were required solely for the Bank purposes. When administering a system with a very large branch network, preparation of one extra report can be very time consuming. This was avoided under the Project so that BRI staff and consultants could concentrate more on Project implementation.

38. Overall, the Bank has made a very positive contribution to the successful development and strengthening of the BRI Unit Desa system. Bank performance in the various stages of the Project cycle was satisfactory. The Bank relationship with the Government agencies concerned as well as with BRI on the Project has been satisfactory. Both parties worked closely throughout the project cycle, building up a relationship based on mutual trust and confidence.

F. BORROWER PERFORMANCE

39. At all levels of the Government, commitment to the Unit Desas program and the Project, and actions taken for its effective implementation have been impressive. BRI's performance during the Project cycle was generally of high quality. There was continuity at the top management level. Management of the Unit Desa Division changed periodically in accordance with BRI's management rotation policies, but there was
reasonable continuity at the section and branch head level. The expatriate consulting services were utilized effectively. The legal covenants were complied with. The quarterly progress reports prepared by BRI have been found especially useful.

40. An implementation problem has been BRI assuring adequate staffing at the Unit Desas to support their rapid growth. The tendency at BRI has been to solve staffing needs in a rather ad hoc manner, responding to actual vacancies rather than anticipating future needs and preparing to meet them smoothly. This was exacerbated by the lengthy training periods required, as well as the geographic dispersion of the Unit Desas. In 1994, the Bank reviewed this matter with BRI again. As a result, BRI has addressed the staffing shortage, and there was agreement on the resumption of orderly recruitment starting from 1994.

G. ASSESSMENT OF OUTCOME

41. The Project is assessed highly satisfactory since it has successfully achieved all the objectives and generated sustainable outcomes, without any major shortcomings. The Unit Desa system has developed its full intermediation functions, and has become self-reliant. The KUPEDES loans have expanded to a broad-based clientele. Deposits from small savers have grown many-fold, and profits have consistently risen at satisfactory levels. A cadre of unit banking staff, now totaling over 16,500 trained personnel, have become proficient in making loans to small borrowers and mobilizing savings. As of June 1995, the number of Unit Desas reached to 3,453 with 95% of them making satisfactory profits.

H. FUTURE OPERATION

42. The Unit Desa system has proven itself to be sustainable as a profit center within BRI. To allow the Unit Desas system to expand further, Bank Indonesia has permitted BRI to expand the Unit Desa system to 3,648 Units through 1997, which is considered appropriate. The next step is for the Unit Desas to be given the status of a truly autonomous strategic Business Unit in the BRI, with power to hire and fire employees. The threat from its present successful role is that the Unit Desas system could be put in the position of subsidizing BRI’s less profitable or loss making operations. BRI should improve profitability from its other business centers to reduce its profit dependence on the Unit Desas thus to ensure their continued growth.

43. On May 1, 1995, BRI introduced a new interest rate structure for KUPEDES loans. The new structure, designed to meet growing competition for larger KUPEDES customers, features a lower interest rates for larger KUPEDES loans. It is expected that the spread for such larger loans is still more than sufficient to cover all the costs and risks.
This move on lending interest rates is the first step in the Unit Desas’ broader strategy to maintain and expand their market share among the small borrowers while preserving profitability. Other parts of this strategy, including new product development and improvements in services and productivity are under discussion within BRI. A summary of this strategy will be released in the form of a new Policy and Strategy Statement for the Unit Desas, which is expected to be approved by the BRI Board of Directors by the end of 1995.

I. KEY LESSONS LEARNED

44. A necessary condition for the success of credit and savings programs is sound macroeconomic performance of the economy and an overall good record of growth. High economic growth likely generate high income growth, thus increasing credit demand and facilitating savings mobilization.

45. A project is more likely to be successful if it is clearly focused and has simple objectives. These objectives should be thoroughly discussed by the Bank with, and understood and agreed by the Borrower, to ensure high borrower commitment, which, as demonstrated under KUPEDES II, is an important factor of a project’s success.

46. The success of the Project owes much to its simple design, and the KUPEDES experience has many features (such as non-targeting, non-subsidizing, and incentive scheme) that can be adopted in small credit programs in other developing countries. In particular, the credit program should be designed on market principles and institutional building so as to encourage and support the institution's own resource mobilization efforts, rather than to compensate for a lack of it.

47. The experience of Indonesia confirms that rural small and micro enterprises are willing and able to pay an interest rate which fully covers lending costs. Assured access to lending, convenience of location and prompt credit decisions are more important to small borrowers than getting a lower interest rate.

48. On the deposit side, it has become evident that rural and small scale savers can be a very important source of savings mobilization and a stable supplier of funds for rural financial institutions, provided that the needs of the potential depositors are satisfied. These needs, in order of importance, are: safety, accessibility (immediate and unlimited withdrawal), convenience of service location, and acceptable interest rate. The KUPEDES experience underlines the strength of rural savings if properly mobilized.

49. The strengthening of the Unit Desa operations, at a time when the rest of BRI is not performing well, can be attributed in part to the effective utilization of consulting services. Several conclusions and lessons may be drawn in this connection: (a) clearly defined terms of reference are essential to the successful implementation of the assignment; and the consultant should be selected on the grounds of technical
qualifications; (b) the consultants should work very closely with their counterparts, and should be able to have direct access to senior management in order that their expertise can be fully utilized; (c) an action plan should be developed to ensure transfer of knowledge and continuity of activities after consultant assignment terminates.

50. A well designed and maintained information system/data base is very important to the successful implementation of the Project, to provide both early warning signals and the basis for timely corrective actions. The Bank's reporting requirements should be in line with the implementation agency's existing reporting system; any extra reporting requirement solely for Bank purposes should be minimized so that the implementation agency can focus more on project implementation.
Table 1: Summary of Assessment
Table 2: Related Bank Loans/Credits
Table 3: Project Timetable
Table 4: Loan/Credit Disbursements: Cumulative Estimated and Actual
Table 5: Key Indicators for Project Implementation
Table 6: Key Indicators for Project Operation
Table 7: Studies Included in Project
Table 8A: Project Costs
Table 8B: Project Financing
Table 9: Economic Costs and Benefits
Table 10: Status of Legal Covenants
Table 11: Compliance with Operational Manual Statements
Table 12: Bank Resources: Staff Inputs
Table 13: Bank Resources: Missions
Table 1: Summary of Assessments

<table>
<thead>
<tr>
<th>A. Achievement of Objectives</th>
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<td>Sector Policies</td>
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<td></td>
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<td>Financial Objectives</td>
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<td></td>
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<td>Institutional Development</td>
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<td></td>
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<td>Physical Objectives</td>
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<td></td>
<td></td>
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<tr>
<td>Poverty Reduction</td>
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<td>Gender Issues</td>
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<td>Other Social Objectives</td>
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<td></td>
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<td>✔</td>
</tr>
<tr>
<td>Environmental Objectives</td>
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<td>Public Sector Management</td>
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<td>Private Sector Development</td>
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<td>Other (specify)</td>
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<th>B. Project Sustainability</th>
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<th>Uncertain</th>
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<tr>
<th>C. Bank Performance</th>
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<th>Satisfactory</th>
<th>Deficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identification</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Preparation Assistance</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Appraisal</td>
<td></td>
<td>✔</td>
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<tr>
<td>Supervision</td>
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</table>

<table>
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<th>D. Borrower Performance</th>
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<th>Deficient</th>
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</thead>
<tbody>
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<td>Preparation</td>
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<tr>
<td>Implementation</td>
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<tr>
<td>Covenant Compliance</td>
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<td></td>
</tr>
<tr>
<td>Operation (if applicable)</td>
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<th>E. Assessment of Outcome</th>
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<th>Satisfactory</th>
<th>Unsatisfactory</th>
<th>Highly unsatisfactory</th>
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Table 2: Related Bank Loans/Credits

<table>
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<th>Loan/credit title</th>
<th>Purpose</th>
<th>Year of approval</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preceding operations</td>
<td>(a) to support BRI’s efforts to development the Unit Desas system; (b) to encourage BRI to improve its resources mobilization efforts; (c) to reduce BRI’s reliance on BI liquidity credits for the KUPEDES program; and (d) to improve the overall institutional capacities of BRI.</td>
<td>1987</td>
<td>Completed. Both the PCR and PAR rated the project as highly satisfactory.</td>
</tr>
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Table 3: Project Timetable

<table>
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<tr>
<th>Steps in Project Cycle</th>
<th>Date Planned</th>
<th>Date Actual/Latest Estimate</th>
</tr>
</thead>
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<tr>
<td>Identification (Executive Project Summary)</td>
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<td>11/14/89</td>
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<td>Preparation</td>
<td>12/03/89</td>
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<td>Appraisal</td>
<td>03/12/90</td>
<td>03/12/90</td>
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<tr>
<td>Negotiations</td>
<td>06/18/90</td>
<td>06/18/90</td>
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<td>Letter of Development Policy (if applicable)</td>
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<td>N.A.</td>
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<tr>
<td>Board Presentation</td>
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<td>Signing</td>
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<td>08/15/90</td>
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<td>Effectiveness</td>
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<td>10/15/90</td>
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<td>First Tranche Release (if applicable)</td>
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<tr>
<td>Midterm review (if applicable)</td>
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<tr>
<td>Second (and Third) Tranche Release (if applicable)</td>
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<td>Project Completion</td>
<td>12/31/93</td>
<td>06/30/95</td>
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<tr>
<td>Loan Closing</td>
<td>06/30/94</td>
<td>06/30/95</td>
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Table 4: Loan/Credit Disbursements: Cumulative Estimated and Actual
(US$ million)

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<tr>
<th></th>
<th>FY91</th>
<th>FY92</th>
<th>FY93</th>
<th>FY94</th>
<th>FY95</th>
<th>FY96</th>
<th>Total</th>
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<tr>
<td>Appraisal Estimate</td>
<td>32.3</td>
<td>61.1</td>
<td>30.8</td>
<td>0.8</td>
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<td>-</td>
<td>125.0</td>
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<tr>
<td>Actual</td>
<td>32.4</td>
<td>9.6</td>
<td>23.3</td>
<td>49.4</td>
<td>6.6</td>
<td>3.7</td>
<td>125.0</td>
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<tr>
<td>Actual as % of Estimate</td>
<td>100.3</td>
<td>15.7</td>
<td>75.7</td>
<td>6175</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
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<tr>
<td>Date of Final Disbursement</td>
<td>December 6, 1995</td>
<td>(An undisbursed balance of US$197.39 was canceled.)</td>
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Table 5: Key Indicators for Project Implementation

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<thead>
<tr>
<th>I. Key Implementation Indicators in SAR/President's Report</th>
<th>Estimated</th>
<th>Actual</th>
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<table>
<thead>
<tr>
<th>II. Modified Indicators (if applicable)</th>
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<th>Actual</th>
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<table>
<thead>
<tr>
<th>III. Other Indicators (if applicable)</th>
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Table 6: Key Indicators for Project Operation

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<thead>
<tr>
<th>I. Key Operating Indicators in SAR/President's Report</th>
<th>Estimated</th>
<th>Actual</th>
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<table>
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<th>II. Modified Indicators (if Applicable)</th>
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<table>
<thead>
<tr>
<th>III. Modified Indicators for Future Operation (if applicable)</th>
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Table 7: Studies Included in Project

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<tr>
<th>Study</th>
<th>Purpose as Defined at Appraisal/Redefined Status</th>
<th>Impact of Study</th>
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Table 8A: Project Costs

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<tr>
<th>Item</th>
<th>Local Costs</th>
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<th>Local Costs</th>
<th>Foreign Costs</th>
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<tr>
<td>Cumulative KUPEDES Credit Component</td>
<td>1,827.1</td>
<td>783.0</td>
<td>2,610.1</td>
<td>3,529.7</td>
<td>1,512.8</td>
<td>5,042.5</td>
</tr>
<tr>
<td>Capital Expenditure Component</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Desa training centers</td>
<td>1.9</td>
<td>2.0</td>
<td>3.0</td>
<td>3.6</td>
<td>3.3</td>
<td>6.9</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
<td>0.0</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Technical Assistance Component</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>1.9</td>
<td>1.9</td>
<td>0.3</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Total Base Cost</td>
<td>1,829.1</td>
<td>787.1</td>
<td>2,616.2</td>
<td>3,533.6</td>
<td>1,523.8</td>
<td>5,057.4</td>
</tr>
<tr>
<td>Physical Contingencies</td>
<td>0.4</td>
<td>0.4</td>
<td>0.8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Price Contingencies</td>
<td>0.1</td>
<td>0.5</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,829.6</td>
<td>788.0</td>
<td>2,616.2</td>
<td>3,533.6</td>
<td>1,523.8</td>
<td>5,057.4</td>
</tr>
</tbody>
</table>
Table 8B: Project Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>Appraisal Estimate (US$M)</th>
<th>Actual/Latest Estimate(US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local Costs</td>
<td>Foreign Costs</td>
</tr>
<tr>
<td>Commutative KUPEDES Credit Component</td>
<td>1,827.1</td>
<td>783.0</td>
</tr>
<tr>
<td>IBRD</td>
<td>-</td>
<td>120.0</td>
</tr>
<tr>
<td>Incremental Unit Desa savings mobilization</td>
<td>263.1</td>
<td>33.2</td>
</tr>
<tr>
<td>Other BRI/Unit Desa system resources</td>
<td>94.2</td>
<td>-</td>
</tr>
<tr>
<td>Repayments of previous KUPEDES loans</td>
<td>1,469.8</td>
<td>629.8</td>
</tr>
<tr>
<td>Capital Expenditure Component</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>IBRD</td>
<td>-</td>
<td>2.7</td>
</tr>
<tr>
<td>BRI</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Technical Assistance Component</td>
<td>-</td>
<td>2.3</td>
</tr>
<tr>
<td>IBRD</td>
<td>-</td>
<td>2.3</td>
</tr>
<tr>
<td>BRI</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,829.6</td>
<td>788.0</td>
</tr>
</tbody>
</table>

Table 9: Economic Costs and Benefits

For all projects, this table identifies the major costs and/or benefits that enter into the calculation of a re-estimated net present value (or economic rate of return) or, where the net present value (or economic rate of return) was not estimated, of cost-effectiveness in achieving project objectives.

Not applicable.
<table>
<thead>
<tr>
<th>Agreement</th>
<th>Section</th>
<th>Covenant type</th>
<th>Present status</th>
<th>Original fulfillment date</th>
<th>Revised fulfillment date</th>
<th>Description of covenant</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan</td>
<td>3.01(b)</td>
<td>3</td>
<td>C</td>
<td></td>
<td></td>
<td>Subsidiary loan agreement between GOI and BRI.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.01(e)</td>
<td>2</td>
<td>C</td>
<td></td>
<td></td>
<td>Letters between BRI and BI dated Feb. 7/19, 1987 and March 2, 1987, relating to repayment of BRI liquidity credits to BRI shall not be amended without the Bank’s consent.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.01</td>
<td>3</td>
<td>C</td>
<td></td>
<td></td>
<td>Subsidiary loan agreement executed.</td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td>2.02(a)</td>
<td>3</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI make available part of loan to Unit Desas for purposes of KUPEDES, ensuring onlending rate at least equal to interest rate payable by Unit Desas on 3-month time deposits.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.02(b)</td>
<td>2</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI to allocate, starting on 1/1/91 (and at least every 6 months thereafter), to Unit Desa Development Fund an amount equal to at least 50% of the amount of the margin between the interest payable by BRI on the Subsidiary Loan and BRI’s onlending rate to the Unit Desas.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.03(a)</td>
<td>12</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI shall not, without the Bank’s prior consent, make changes to its Unit Desa Policy Statement.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.03(b)</td>
<td>12</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI shall not, without the Bank’s prior consent, make material changes to its Unit Desa Strategy Statement.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.04(a)</td>
<td>5</td>
<td>C</td>
<td></td>
<td></td>
<td>Terms and conditions of KUPEDES loans are to be as per Schedule 1.</td>
<td>Revised up ward with Bank’s agreement since April 1991 – being revised every 6 months.</td>
</tr>
<tr>
<td></td>
<td>3.01</td>
<td>5</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI operations and staffing to be in accordance with the Unit Desa Policy and Strategy Statements.</td>
<td>BRI is implementing recruitment efforts to meet its standard staffing coefficients.</td>
</tr>
<tr>
<td></td>
<td>3.03</td>
<td>2</td>
<td>C</td>
<td></td>
<td></td>
<td>IF KUPEDES arrears to exceed 8% of portfolio over a 6-month period, BRI to implement appropriate action plan, satisfactory to the Bank.</td>
<td>Portfolio deteriorated in 1992. Action plan submitted in May 1992 was implemented with satisfactory results.</td>
</tr>
<tr>
<td></td>
<td>4.01</td>
<td>1</td>
<td>C</td>
<td></td>
<td></td>
<td>BRI to have its corporate and SOE accounts audited and submit audit reports to the Bank no later than 9 months after ending of each year.</td>
<td></td>
</tr>
</tbody>
</table>

Covenant types:
1. = Accounts/audits
2. = Financial performance/revenue generation from beneficiaries
3. = Flow and utilization of project funds
4. = Counterpart funding
5. = Management aspects of the project or executing agency
6. = Environmental covenants
7. = Involuntary resettlement
8. = Indigenous people
9. = Monitoring, review, and reporting
10. = Project implementation not covered by categories 1-9
11. = Sectoral or cross-sectoral budgetary or other resource allocation
12. = Sectoral or cross-sectoral policy/regulatory/institutional action
13. = Other

Present Status:
C = covenant complied with
CD = complied with after delay
CP = complied with partially
NC = not complied with
Table 11: Compliance with Operational Manual Statements

<table>
<thead>
<tr>
<th>Statement Number and Title</th>
<th>Describe and comment on lack of compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no OMS relevant to the Project that have not been complied with and/or been acted against.</td>
<td></td>
</tr>
</tbody>
</table>

Table 12: Bank Resources: Staff Inputs

<table>
<thead>
<tr>
<th>Stage of Project Cycle</th>
<th>Planned Weeks</th>
<th>Planned US$</th>
<th>Revised Weeks</th>
<th>Revised US$</th>
<th>Actual Weeks</th>
<th>Actual US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation to appraisal</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>29.85</td>
<td>n.a.</td>
</tr>
<tr>
<td>Appraisal</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>5.75</td>
<td>n.a.</td>
</tr>
<tr>
<td>Negotiation through Board approval</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>Supervision</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>26.68</td>
<td>n.a.</td>
</tr>
<tr>
<td>Completion</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>2.75</td>
<td>n.a.</td>
</tr>
<tr>
<td>TOTAL</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>n.a.</td>
<td>65.03</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
Table 13: Bank Resources: Missions

<table>
<thead>
<tr>
<th>Stage of Project Cycle</th>
<th>Month/Year</th>
<th>Number of Persons</th>
<th>Days in Field</th>
<th>Specialized Staff Skills Represented</th>
<th>Performance Rating</th>
<th>Development Objectives</th>
<th>Types of Problems</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through Appraisal</td>
<td>12/89</td>
<td>2</td>
<td>14</td>
<td>Fin. Analyst, Operations Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>03/90</td>
<td>3</td>
<td>19</td>
<td>Fin. Analyst, Operations Officer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appraisal through Board Approval</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Approval through Effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supervision a/</td>
<td>11/90</td>
<td>1</td>
<td>2</td>
<td>Fin. Analyst</td>
<td>1</td>
<td>1</td>
<td>Staffing shortage</td>
</tr>
<tr>
<td></td>
<td>11/92</td>
<td>1</td>
<td>2</td>
<td>Fin. Analyst</td>
<td>2</td>
<td>1</td>
<td>Slowdown of loan expansion, staffing shortage</td>
</tr>
<tr>
<td></td>
<td>07/93</td>
<td>1</td>
<td>3</td>
<td>Fin. Sector Specialist</td>
<td>2</td>
<td>1</td>
<td>Staffing shortage</td>
</tr>
<tr>
<td></td>
<td>02/94</td>
<td>1</td>
<td>4</td>
<td>Fin. Sector Specialist</td>
<td>1</td>
<td>1</td>
<td>Increasing of arrears</td>
</tr>
<tr>
<td>Completion</td>
<td>06/95</td>
<td>1</td>
<td>2</td>
<td>Operations Officer</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: a/ no formal supervision mission was conducted in 1991 because the Task Manager was assigned to work in the Resident Mission at that time, who provided day-to-day supervision of the Project in the field.
IMPLEMENTATION COMPLETION REPORT

INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT

(LOAN 3249-IND)

APPENDIX A: MISSION’S AIDE MEMOIRE
June 12, 1995

Mr. Jannes Hutagalung  
Director of External Funds  
Ministry of Finance  
Jalan Lapangan Banteng Timur No. 2-4  
Jakarta 10710, Indonesia

Dear Mr. Hutagalung:

Subject: Second BRI/KUPEDES Small Credit Project (Loan 3249-IND)

I refer to the Bank’s recent supervision of the above Project and also the mission’s meeting with you regarding preparation of the Implementation Completion Report (ICR) for the Project.

At the supervision, we were pleased to note that the Unit Desa system continues to be financially viable with a strong resource mobilization and lending portfolio growth. We were also pleased to learn that the Unit Desa regional offices have now received sufficient staff recruitment authority, and we trust the BRI Unit Desa management will continue its efforts to eliminate the existing staff shortage.

As of end May 1995, $116.9 million (or 93.5%) of the $125 million total Bank loan amount was disbursed. It is expected that the remaining undisbursed balance will be fully utilized by October 31, 1995, the deadline for receipt of withdrawal applications.

Regarding preparation of the ICR, attached please find the Borrower’s role and a suggested outline for the Borrower’s own evaluation report (Attachment 1) and a set of tables (Attachment 2) that need to be completed by BRI and will be attached to the final ICR. We will very much appreciate your help in (i) ensuring cooperation of the counterpart agency in providing necessary information for preparation of the ICR; and (ii) coordinating preparation of the Borrower’s evaluation report.

In preparation of the Borrower’s evaluation report, we would suggest that you pay particular attention to: (i) development of a plan for future operation of Unit Desa program. Such plan should include appropriate technical, financial and institutional arrangements to ensure effective and sustainable operation of Unit Desa program and
should also include appropriate performance indicators by which the Unit Desa program can be monitored and evaluated in the future; (ii) the rationale for continued Bank support for the BRI Unit Desa program following successful completion of the first Bank supported project, including additionality (financial and institutional) provided by the second project.

As agreed with BRI by the mission, we expect to receive the complete data by July 31, 1995 and the Borrower’s evaluation report by September 15, 1995.

Please feel free to contact us should you have any questions or comments.

With kind regards,

Sincerely yours,

[Signature]

Peter R. Scherer
Chief
Industry and Energy Operations Division
Country Department III
East Asia and Pacific Region

cc: Mr. Sugianto
Managing Director
Bank Rakyat Indonesia
Jl. Jenderal Sudirman No. 44-46
P.O. Box 94, Jakarta 10210
Indonesia

Mr. Satriyo Purnomo
General Manager
Unit Desa Business Division
Bank Rakyat Indonesia
Jl. Jenderal Sudirman No. 44-46
P.O. Box 94, Jakarta 10210
Indonesia
IMPLEMENTATION COMPLETION REPORT

INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT

(LOAN 3249-IND)

APPENDIX B: SECTOR SPECIFIC DATA

Annex 1: BRI Audited Income Statements, 1987-93
Annex 3: Indicators of BRI’s Financial Performance, 1987-92
Annex 4: Summary of BRI’s Lending and Borrowing Operations, 1987-93
Annex 7: BRI Unit Desa System - Indicators of Financial Performance, 1989-94
Annex 8: BRI Unit Desa System - Actual KUPEDES Lending Operations, 1987-95
Annex 9: BRI Unit Desa System - Arrears Information of KUPEDES Portfolio
Annex 10: BRI Unit Desa System - Arrears and Aging analysis of KUPEDES Portfolio
Annex 11: Sectoral Distribution of KUPEDES Loans, 1993-95
Annex 12: Comparison of the Unit Desas with Total BRI, 1990-94
Annex 13: Number of Unit Desas and Staff by Region, 1990-95
Annex 14: Implementation of Training Centers
Annex 15: Organization Charts
   BRI Head Office Structure
   BRI Regional Office Organization
   BRI Branch Office Organization
   BRI Village Unit Organization
## Annex 1

IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

BRI AUDITED INCOME STATEMENTS, 1987-93
(Rp. billion)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>On loans</td>
<td>706.7</td>
<td>1,002.3</td>
<td>1,403.2</td>
<td>2,144.8</td>
<td>3,079.7</td>
<td>3,065.0</td>
<td></td>
</tr>
<tr>
<td>On notes/securities/placements</td>
<td>52.8</td>
<td>106.9</td>
<td>157.3</td>
<td>128.0</td>
<td>211.6</td>
<td>87.7</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Subtotal Interest</td>
<td>759.5</td>
<td>1,109.2</td>
<td>1,560.5</td>
<td>2,272.8</td>
<td>3,291.3</td>
<td>3,361.7</td>
<td>3,152.7</td>
</tr>
<tr>
<td>Commissions and fees</td>
<td>41.1</td>
<td>54.2</td>
<td>77.7</td>
<td>104.9</td>
<td>110.2</td>
<td>113.6</td>
<td>77.1</td>
</tr>
<tr>
<td>Net Foreign exchange transactions</td>
<td>47.0</td>
<td>21.5</td>
<td>23.3</td>
<td>22.5</td>
<td>19.2</td>
<td>68.5</td>
<td>11.2</td>
</tr>
<tr>
<td>Other operating income</td>
<td>59.4</td>
<td>57.4</td>
<td>36.8</td>
<td>226.0</td>
<td>132.7</td>
<td>127.0</td>
<td>148.0</td>
</tr>
<tr>
<td>Subtotal operating income</td>
<td>907.0</td>
<td>1,242.3</td>
<td>1,698.3</td>
<td>2,626.2</td>
<td>3,545.9</td>
<td>3,670.8</td>
<td>3,239.0</td>
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<tr>
<td>Nonoperating income</td>
<td>5.6</td>
<td>16.8</td>
<td>23.8</td>
<td>2.4</td>
<td>6.3</td>
<td>12.6</td>
<td>54.4</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>912.6</td>
<td>1,259.1</td>
<td>1,722.1</td>
<td>2,628.6</td>
<td>3,552.2</td>
<td>3,683.4</td>
<td>3,443.4</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest charges on borrowings</td>
<td>509.5</td>
<td>730.6</td>
<td>972.7</td>
<td>1,407.7</td>
<td>2,621.5</td>
<td>2,562.6</td>
<td>2,098.6</td>
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<tr>
<td>Salaries and other personnel expense</td>
<td>161.1</td>
<td>189.6</td>
<td>235.8</td>
<td>287.9</td>
<td>344.3</td>
<td>322.2</td>
<td>365.4</td>
</tr>
<tr>
<td>Other operating and miscellaneous ex</td>
<td>71.0</td>
<td>101.2</td>
<td>160.5</td>
<td>378.2</td>
<td>262.8</td>
<td>250.0</td>
<td>323.5</td>
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<tr>
<td>Depreciation</td>
<td>12.9</td>
<td>17.6</td>
<td>23.7</td>
<td>49.1</td>
<td>61.8</td>
<td>70.0</td>
<td>84.4</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>87.4</td>
<td>119.1</td>
<td>204.9</td>
<td>324.9</td>
<td>158.2</td>
<td>397.9</td>
<td>458.4</td>
</tr>
<tr>
<td>Nonoperating expenses</td>
<td>0.5</td>
<td>0.9</td>
<td>1.5</td>
<td>2.2</td>
<td>1.4</td>
<td>5.6</td>
<td>47.2</td>
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<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>842.4</td>
<td>1,159.0</td>
<td>1,599.1</td>
<td>2,450.0</td>
<td>3,450.0</td>
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<td><strong>NET INCOME</strong></td>
<td><strong>43.6</strong></td>
<td><strong>61.3</strong></td>
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<td><strong>66.4</strong></td>
<td><strong>39.8</strong></td>
<td><strong>72.8</strong></td>
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</tbody>
</table>
### ANNEX 2

**IMPLEMENTATION COMPLETION REPORT**  
**INDONESIA**  
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

**BRI AUDITED BALANCE SHEETS, 1987-93**  
(Rp. billion)

#### CURRENT ASSETS

<table>
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<tr>
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<tbody>
<tr>
<td>Cash on hand</td>
<td>217.7</td>
<td>213.9</td>
<td>251.6</td>
<td>318.8</td>
<td>367.0</td>
<td>386.5</td>
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<tr>
<td>Due from Bank Indonesia</td>
<td>455.4</td>
<td>186.3</td>
<td>502.0</td>
<td>204.5</td>
<td>207.5</td>
<td>288.3</td>
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<td>Due from other banks</td>
<td>152.6</td>
<td>179.7</td>
<td>299.1</td>
<td>352.1</td>
<td>505.3</td>
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<td>Notes/Securities/Short-term placements</td>
<td>640.6</td>
<td>1,756.5</td>
<td>2,090.1</td>
<td>3,835.4</td>
<td>2,596.2</td>
<td>3,710.3</td>
<td>4,085.7</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>4,569.1</td>
<td>5,207.7</td>
<td>10,351.7</td>
<td>9,984.0</td>
<td>15,648.1</td>
<td>17,810.6</td>
<td>19,138.9</td>
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<tr>
<td>Less: Allowance for Doubtful Debts</td>
<td>141.4</td>
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<td>Net Short-Term Loans</td>
<td>4,427.7</td>
<td>5,207.7</td>
<td>10,351.7</td>
<td>9,984.0</td>
<td>15,648.1</td>
<td>17,810.6</td>
<td>19,138.9</td>
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<td>Other current assets</td>
<td>180.8</td>
<td>471.6</td>
<td>661.7</td>
<td>1,033.9</td>
<td>2,297.9</td>
<td>1,603.9</td>
<td>787.7</td>
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<td>6,074.8</td>
<td>8,015.7</td>
<td>14,156.2</td>
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#### LONG-TERM ASSETS

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<tr>
<td>Long-term loans</td>
<td>1,464.7</td>
<td>2,560.3</td>
<td>N/A</td>
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<td>Less: Allowance for Doubtful Debts</td>
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<td>Net Long-Term Loans</td>
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<td>4.0</td>
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<td>Other investments</td>
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<td>0.0</td>
<td>0.0</td>
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<td><strong>Total Long-Term Portfolio</strong></td>
<td>1,419.9</td>
<td>2,564.3</td>
<td>4.0</td>
<td>4,592.1</td>
<td>43.3</td>
<td>73.8</td>
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<td>Net fixed assets</td>
<td>85.8</td>
<td>108.0</td>
<td>147.0</td>
<td>241.5</td>
<td>324.0</td>
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<td>Other</td>
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<td>1,033.9</td>
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<td><strong>Total Long-Term Assets</strong></td>
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<td>2,672.3</td>
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<td>4,833.6</td>
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#### TOTAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>7,580.5</th>
<th>10,688.0</th>
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<th>20,562.3</th>
<th>21,989.3</th>
<th>25,453.1</th>
<th>25,994.6</th>
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#### CURRENT LIABILITIES

<table>
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<tr>
<th></th>
<th>1,241.7</th>
<th>1,630.9</th>
<th>2,261.6</th>
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<th>2,996.0</th>
<th>2,591.2</th>
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<tbody>
<tr>
<td>Demand deposits</td>
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<td>Time deposits</td>
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<td>200.0</td>
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<td>4,027.0</td>
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<td>Due to other banks</td>
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<td>182.2</td>
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<td>Other current liabilities</td>
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#### LONG-TERM LIABILITIES

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<tr>
<td>Loans from BI</td>
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<td>Government loans</td>
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<td>544.6</td>
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<td>812.0</td>
<td>915.5</td>
<td>745.5</td>
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<tr>
<td>Time deposits</td>
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<td>384.0</td>
<td>331.4</td>
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<td>Other</td>
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<td><strong>Total Long-Term Liabilities</strong></td>
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#### EQUITY

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<td>Reserves &amp; Government Participation</td>
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<td>133.6</td>
<td>167.7</td>
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<td>322.4</td>
<td>289.7</td>
<td>56.8</td>
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<tr>
<td>Allowance for Doubtful Debts</td>
<td>268.5</td>
<td>396.2</td>
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<td>Retained earnings</td>
<td>43.6</td>
<td>62.5</td>
<td>76.5</td>
<td>107.9</td>
<td>66.4</td>
<td>28.3</td>
<td>72.8</td>
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<td><strong>Total Equity</strong></td>
<td>149.1</td>
<td>464.9</td>
<td>640.7</td>
<td>971.8</td>
<td>841.6</td>
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#### TOTAL LIABILITIES AND EQUITY

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<th>21,989.3</th>
<th>25,453.1</th>
<th>25,994.6</th>
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<tr>
<td>Contingent Liabilities</td>
<td>1,081.6</td>
<td>1,837.4</td>
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<td>7,620.5</td>
<td>10,990.6</td>
<td>13,214.8</td>
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</table>
**ANNEX 3**

**IMPLEMENTATION COMPLETION REPORT**

**INDONESIA**

**SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)**

**INDICATORS OF BRI’S FINANCIAL PERFORMANCE, 1987-93**

(Rp. billion)

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<tr>
<td>Average Total Assets</td>
<td>7,161.6</td>
<td>9,134.3</td>
<td>12,497.6</td>
<td>17,434.8</td>
<td>21,275.8</td>
<td>23,721.2</td>
<td>25,723.9</td>
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<tr>
<td>(Rp billion)</td>
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<tr>
<td>Average Loan Portfolio</td>
<td>5,405.3</td>
<td>6,900.9</td>
<td>9,059.9</td>
<td>12,457.3</td>
<td>15,105.5</td>
<td>16,729.4</td>
<td>18,474.8</td>
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<tr>
<td>(Rp billion)</td>
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<tr>
<td>Average Borrowings</td>
<td>6,503.0</td>
<td>8,217.2</td>
<td>10,798.9</td>
<td>14,725.8</td>
<td>18,126.3</td>
<td>20,160.9</td>
<td>21,614.2</td>
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<tr>
<td>(Rp billion)</td>
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<tr>
<td>Average Equity</td>
<td>142.2</td>
<td>307.0</td>
<td>552.8</td>
<td>806.3</td>
<td>906.7</td>
<td>1,273.5</td>
<td>1,899.1</td>
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<td>(Rp billion)</td>
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</table>

As a % of Average Assets

- **(a)** Income from lending: 10.44% 11.57% 11.85% 12.90% 14.96% 14.17% 13.07%
- **(b)** Other income: 2.30% 2.22% 1.93% 2.17% 1.74% 1.38% 0.32%
- **(c)** Gross income: 12.74% 13.78% 13.78% 15.08% 16.70% 15.55% 13.39%
- **(d)** Financial expenses: 7.11% 8.00% 7.78% 8.07% 12.32% 10.80% 8.16%
- **(e)** Gross spread (c-d): 5.63% 5.79% 6.00% 7.00% 4.37% 4.75% 5.23%
- **(f)** Salary and personnel expenses: 2.25% 2.08% 1.89% 1.65% 1.62% 1.36% 1.42%
- **(g)** Administrative expenses: 1.18% 1.31% 1.49% 2.46% 1.53% 1.37% 1.23%
- **(h)** Provision for bad debts: 1.22% 1.30% 1.64% 1.86% 0.74% 1.68% 1.78%
- **(i)** Profit before tax: 0.98% 1.10% 0.98% 1.02% 0.48% 0.32% 0.47%
- **(j)** Net profit: 0.61% 0.67% 0.61% 0.62% 0.31% 0.17% 0.28%

Return on Average Equity (as a %)

- 30.67% 19.97% 13.71% 13.38% 7.32% 3.13% 3.83%

**Lending Margin**

- **(k)** Income from lending as % of Average Loan Portfolio: 13.83% 15.31% 16.35% 18.06% 21.07% 20.09% 17.01%
- **(l)** Financial expenses as % of Average Borrowings: 7.83% 8.89% 9.01% 9.56% 14.46% 12.71% 9.71%
- **(m)** Spread on Lending (k-l): 6.00% 6.42% 7.34% 8.50% 6.61% 7.38% 7.30%

**Reserve for Bad Debts as % of Outstanding Loan Portfolio**

- 3.15% 3.46% 3.83% 4.06% 2.89% 4.42% 5.03%
ANNEX 4

IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

SUMMARY OF BRI'S LENDING AND BORROWING OPERATIONS, 1987-93
(Rp. billion)

<table>
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<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>7,580.5</td>
<td>10,688.0</td>
<td>14,307.2</td>
<td>20,562.3</td>
<td>21,989.3</td>
<td>25,453.1</td>
<td>25,994.6</td>
</tr>
<tr>
<td>Total Loan Portfolio a/</td>
<td>6,033.8</td>
<td>7,768.0</td>
<td>10,351.7</td>
<td>14,562.9</td>
<td>15,648.1</td>
<td>17,810.6</td>
<td>19,138.9</td>
</tr>
<tr>
<td>Long-term</td>
<td>1,464.7</td>
<td>2,560.3</td>
<td>N/A</td>
<td>4,578.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term</td>
<td>4,569.1</td>
<td>5,207.7</td>
<td>10,351.7</td>
<td>9,984.0</td>
<td>15,648.1</td>
<td>17,810.6</td>
<td>19,138.9</td>
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<td>Total Borrowings</td>
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<td>9,564.3</td>
<td>14,364.4</td>
<td>15,419.1</td>
<td>18,342.9</td>
<td>18,081.1</td>
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<td>BI loans</td>
<td>2,175.1</td>
<td>2,616.0</td>
<td>3,031.8</td>
<td>4,340.6</td>
<td>3,656.4</td>
<td>4,027.0</td>
<td>2,711.4</td>
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<td>Customer deposits</td>
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<td>Demand</td>
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<td>1,630.9</td>
<td>2,261.6</td>
<td>2,539.0</td>
<td>2,996.1</td>
<td>2,591.2</td>
<td>2,776.9</td>
</tr>
<tr>
<td>BI &amp; other gov't loans</td>
<td>1,176.9</td>
<td>1,657.5</td>
<td>2,212.5</td>
<td>624.8</td>
<td>812.0</td>
<td>915.5</td>
<td>745.5</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>2,354.2</td>
<td>2,678.0</td>
<td>2,154.2</td>
<td>2,989.2</td>
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<tr>
<td>Total Equity</td>
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<td>971.8</td>
<td>841.6</td>
<td>1,705.3</td>
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Ratios

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<tbody>
<tr>
<td>Equity : Total assets</td>
<td>1.97%</td>
<td>4.35%</td>
<td>4.48%</td>
<td>4.73%</td>
<td>3.83%</td>
<td>6.70%</td>
<td>8.05%</td>
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<tr>
<td>Total loan portfolio : Total deposits</td>
<td>169.23%</td>
<td>154.32%</td>
<td>157.12%</td>
<td>149.85%</td>
<td>133.71%</td>
<td>128.76%</td>
<td>130.13%</td>
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<tr>
<td>Total loan portfolio less BI/government borrowings : Total deposits</td>
<td>75.22%</td>
<td>69.42%</td>
<td>77.52%</td>
<td>98.75%</td>
<td>95.53%</td>
<td>93.03%</td>
<td>106.63%</td>
</tr>
<tr>
<td>Total loan portfolio : Total assets</td>
<td>79.60%</td>
<td>72.68%</td>
<td>72.35%</td>
<td>70.82%</td>
<td>71.16%</td>
<td>69.97%</td>
<td>73.63%</td>
</tr>
<tr>
<td>BI/government loans : Total borrowings</td>
<td>48.27%</td>
<td>45.03%</td>
<td>43.31%</td>
<td>28.63%</td>
<td>23.63%</td>
<td>23.08%</td>
<td>15.85%</td>
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<tr>
<td>Debt : Equity (times)</td>
<td>49.84</td>
<td>21.99</td>
<td>21.33</td>
<td>20.16</td>
<td>25.13</td>
<td>13.93</td>
<td>11.42</td>
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</table>

a/ Before provision for bad debts.
ANNEX 5

IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

BRI Unit Desa System

Income Statements, 1989-1994
(Rp. million)

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<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
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<tr>
<td>Kupedas Interest Income</td>
<td>262,992</td>
<td>421,734</td>
<td>564,107</td>
<td>635,927</td>
<td>735,345</td>
<td>910,656</td>
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<tr>
<td>IPTW Forfeited by Customer</td>
<td>19,525</td>
<td>23,151</td>
<td>33,641</td>
<td>35,472</td>
<td>31,371</td>
<td>30,440</td>
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<td>Repayment of Loans previously written off</td>
<td>5,354</td>
<td>9,296</td>
<td>9,401</td>
<td>13,744</td>
<td>23,248</td>
<td>22,133</td>
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<tr>
<td>Interest on Funds Deposited in Cabang</td>
<td>41,445</td>
<td>88,832</td>
<td>202,691</td>
<td>298,453</td>
<td>321,496</td>
<td>329,146</td>
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<tr>
<td>Other Income</td>
<td>1,313</td>
<td>3,855</td>
<td>6,488</td>
<td>8,676</td>
<td>10,079</td>
<td>12,373</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>330,629</td>
<td>546,868</td>
<td>816,328</td>
<td>992,272</td>
<td>1,121,539</td>
<td>1,304,748</td>
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</table>

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Interest Expenses</td>
<td>73,085</td>
<td>161,273</td>
<td>351,087</td>
<td>459,734</td>
<td>460,381</td>
<td>440,113</td>
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<tr>
<td>Cost of Cabang Borrowing</td>
<td>23,184</td>
<td>37,557</td>
<td>42,777</td>
<td>19,929</td>
<td>14,878</td>
<td>12,339</td>
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<tr>
<td>Transfer to Reserve for IPTW</td>
<td>66,484</td>
<td>107,237</td>
<td>141,695</td>
<td>159,248</td>
<td>184,237</td>
<td>226,047</td>
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<tr>
<td>Transfer to Reserve for Bad Debt</td>
<td>24,465</td>
<td>36,122</td>
<td>47,148</td>
<td>75,238</td>
<td>82,479</td>
<td>62,248</td>
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<td>Expense of Staff Salary &amp; Wages</td>
<td>62,148</td>
<td>79,056</td>
<td>88,530</td>
<td>102,894</td>
<td>125,000</td>
<td>151,061</td>
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<td>Supervision Expense</td>
<td>11,565</td>
<td>15,674</td>
<td>16,311</td>
<td>19,276</td>
<td>24,014</td>
<td>27,412</td>
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<tr>
<td>Other Expenses</td>
<td>25,022</td>
<td>37,879</td>
<td>53,640</td>
<td>64,348</td>
<td>78,475</td>
<td>110,582</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>293,715</td>
<td>481,677</td>
<td>746,554</td>
<td>908,297</td>
<td>981,288</td>
<td>1,039,380</td>
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</table>

**Profit (Loss)**

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</thead>
<tbody>
<tr>
<td><strong>Profit (Loss)</strong></td>
<td>36,914</td>
<td>65,191</td>
<td>69,774</td>
<td>83,975</td>
<td>140,251</td>
<td>265,368</td>
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</table>
ANNEX 6
IMPLEMENTATION COMPLETION REPORT
INDONESIA
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

BRI Unit Desa System


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<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
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<tr>
<td>Cash</td>
<td>13,725</td>
<td>17,697</td>
<td>16,613</td>
<td>14,222</td>
<td>16,085</td>
<td>18,309</td>
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<tr>
<td>Kupedes Outstanding</td>
<td>846,794</td>
<td>1,384,142</td>
<td>1,455,713</td>
<td>1,648,534</td>
<td>1,957,385</td>
<td>2,458,131</td>
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<tr>
<td>-Not yet Due</td>
<td>1,498,460</td>
<td>1,830,892</td>
<td>2,348,230</td>
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<tr>
<td>-Over Due Installments</td>
<td>75,140</td>
<td>60,498</td>
<td>51,281</td>
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<tr>
<td>-Overdue Beyond Final Loan Due Date,&lt;3mths</td>
<td>24,461</td>
<td>25,435</td>
<td>17,011</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>-Overdue Beyond Final Loan Due Date,&lt;&lt;3mths</td>
<td>50,473</td>
<td>40,560</td>
<td>41,609</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for Kupedes Bad Debt</td>
<td>(39,663)</td>
<td>(52,695)</td>
<td>(78,539)</td>
<td>(107,794)</td>
<td>(106,416)</td>
<td>(113,161)</td>
</tr>
<tr>
<td>Cash in Cabang</td>
<td>438,834</td>
<td>750,297</td>
<td>1,418,611</td>
<td>2,063,234</td>
<td>2,800,301</td>
<td>3,395,036</td>
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<td>Other Receivables</td>
<td>2,275</td>
<td>1,519</td>
<td>3,382</td>
<td>8,009</td>
<td>13,227</td>
<td>41,056</td>
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<tr>
<td>Fixed Assets &amp; Inventory-Depreciation</td>
<td>23,190</td>
<td>47,548</td>
<td>59,556</td>
<td>71,745</td>
<td>85,356</td>
<td>86,094</td>
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<tr>
<td>Other Assets</td>
<td>5,736</td>
<td>8,443</td>
<td>40,575</td>
<td>52,202</td>
<td>79,181</td>
<td>110,056</td>
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<td>Errors &amp; Commissions</td>
<td>274</td>
<td>1,508</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>1,291,165</td>
<td>2,158,459</td>
<td>2,915,911</td>
<td>3,750,152</td>
<td>4,845,119</td>
<td>5,957,087</td>
</tr>
</tbody>
</table>

<table>
<thead>
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</thead>
<tbody>
<tr>
<td><strong>Liabilities &amp; Capital</strong></td>
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</tr>
<tr>
<td>Total Savings</td>
<td>953,437</td>
<td>1,720,091</td>
<td>2,541,548</td>
<td>3,399,105</td>
<td>4,325,241</td>
<td>5,231,844</td>
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<tr>
<td>-Giro</td>
<td>26,831</td>
<td>41,282</td>
<td>54,255</td>
<td>80,578</td>
<td>120,238</td>
<td>124,645</td>
</tr>
<tr>
<td>-Romuna</td>
<td>-</td>
<td>101</td>
<td>733</td>
<td>139</td>
<td>-</td>
<td>-</td>
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<tr>
<td>-Tabanas/Taska</td>
<td>113,662</td>
<td>154,700</td>
<td>217,715</td>
<td>301,906</td>
<td>411,232</td>
<td>534,295</td>
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<tr>
<td>-Simaskot</td>
<td>1,652</td>
<td>154,269</td>
<td>283,861</td>
<td>455,429</td>
<td>633,735</td>
<td>760,439</td>
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<tr>
<td>-Simpedes</td>
<td>693,011</td>
<td>1,007,316</td>
<td>1,334,683</td>
<td>1,924,412</td>
<td>2,697,211</td>
<td>3,351,622</td>
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<tr>
<td>-Other</td>
<td>676</td>
<td>1,827</td>
<td>4,037</td>
<td>7,672</td>
<td>5,152</td>
<td>1,488</td>
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<tr>
<td>-Deposito</td>
<td>117,605</td>
<td>331,840</td>
<td>567,384</td>
<td>515,766</td>
<td>400,810</td>
<td>422,042</td>
</tr>
<tr>
<td>-Demuna</td>
<td>-</td>
<td>28,756</td>
<td>78,880</td>
<td>113,203</td>
<td>56,863</td>
<td>37,493</td>
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<tr>
<td>Loans From Cabang</td>
<td>198,459</td>
<td>210,908</td>
<td>127,943</td>
<td>130,870</td>
<td>139,821</td>
<td>172,176</td>
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<tr>
<td>Reserve for IPTW</td>
<td>30,142</td>
<td>49,737</td>
<td>42,993</td>
<td>41,376</td>
<td>49,353</td>
<td>61,823</td>
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<td>Interest to be paid Customers</td>
<td>4,320</td>
<td>9,253</td>
<td>20,077</td>
<td>22,350</td>
<td>31,534</td>
<td>39,801</td>
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<tr>
<td>Working Capital</td>
<td>57,377</td>
<td>66,234</td>
<td>63,446</td>
<td>63,523</td>
<td>34,224</td>
<td>65,964</td>
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<tr>
<td>Other Capital</td>
<td>7,174</td>
<td>7,799</td>
<td>7,468</td>
<td>7,333</td>
<td>7,318</td>
<td>7,570</td>
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<tr>
<td>Other Liabilities</td>
<td>3,343</td>
<td>27,110</td>
<td>42,762</td>
<td>51,273</td>
<td>87,377</td>
<td>112,423</td>
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<td>Undivided Profit (Loss)</td>
<td>36,914</td>
<td>65,191</td>
<td>69,774</td>
<td>83,976</td>
<td>140,251</td>
<td>265,487</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Capital</strong></td>
<td>1,291,166</td>
<td>2,158,513</td>
<td>2,916,011</td>
<td>3,750,152</td>
<td>4,815,119</td>
<td>5,957,088</td>
</tr>
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</table>
**ANNEX 7**

**IMPLEMENTATION COMPLETION REPORT**

**INDONESIA**

**SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)**

**BRI Unit Desa System**

**Indicators of Unit Desa’s Financial Performance, 1989-1994**

(Rp. million)

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</thead>
<tbody>
<tr>
<td><strong>Average Total Assets</strong></td>
<td>1,291,165</td>
<td>2,158,495</td>
<td>2,915,911</td>
<td>3,750,151</td>
<td>4,845,119</td>
<td>5,957,087</td>
</tr>
<tr>
<td><strong>Average Loan Portfolio</strong></td>
<td>845,614</td>
<td>1,381,826</td>
<td>1,455,713</td>
<td>1,648,533</td>
<td>1,790,359</td>
<td>2,123,833</td>
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<tr>
<td><strong>Average Borrowings</strong></td>
<td>1,643,980</td>
<td>1,893,138</td>
<td>1,837,549</td>
<td>1,831,732</td>
<td>1,897,265</td>
<td>1,970,983</td>
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</tbody>
</table>

**As a % of Average Assets**

1. Income from lending
2. IPTW forfeited
3. Other income
4. Gross income
5. Financial expenses
6. Gross spread (4 - 5)
7. Salary and personnel expenses
8. Administrative expenses
9. Provision for bad debt
10. Profit (loss)

<table>
<thead>
<tr>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from lending as % of average loan portfolio</td>
<td>31.10</td>
<td>30.52</td>
</tr>
<tr>
<td>Financial expenses as % of average borrowings</td>
<td>14.84</td>
<td>22.80</td>
</tr>
<tr>
<td>Spread on lending (11 - 13)</td>
<td>16.26</td>
<td>7.72</td>
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</table>

**Reserve for Bad Debt as % of Outstanding Loan Portfolio**

<table>
<thead>
<tr>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
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</thead>
<tbody>
<tr>
<td>2.89</td>
<td>2.61</td>
<td>3.24</td>
<td>4.56</td>
<td>4.61</td>
<td>2.81</td>
<td></td>
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</table>

**Salary & Personnel Expenses as % of Average Loan Portfolio**

<table>
<thead>
<tr>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>25</th>
<th>26</th>
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</thead>
<tbody>
<tr>
<td>7.35</td>
<td>5.72</td>
<td>6.08</td>
<td>6.24</td>
<td>6.98</td>
<td>6.82</td>
</tr>
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<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Outstanding at begin</td>
<td>343,964</td>
<td>436,147</td>
<td>551,921</td>
<td>971,973</td>
<td>1,425,753</td>
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<tr>
<td>Plus: disbursements</td>
<td>1,592,987</td>
<td>2,300,756</td>
<td>3,467,438</td>
<td>5,277,522</td>
<td>6,967,339</td>
</tr>
<tr>
<td>Less: repayments</td>
<td>1,198,278</td>
<td>1,798,653</td>
<td>2,666,520</td>
<td>3,952,615</td>
<td>5,636,060</td>
</tr>
<tr>
<td>Less: write-offs</td>
<td>1,127</td>
<td>3,231</td>
<td>8,585</td>
<td>17,881</td>
<td>276,000</td>
</tr>
<tr>
<td>Outstanding at end</td>
<td>429,642</td>
<td>542,344</td>
<td>846,504</td>
<td>1,381,826</td>
<td>1,455,713</td>
</tr>
<tr>
<td>New loans (amount)</td>
<td>48,921</td>
<td>62,914</td>
<td>101,528</td>
<td>143,113</td>
<td>143,841</td>
</tr>
<tr>
<td>New loans (no. of</td>
<td>84,713</td>
<td>94,934</td>
<td>116,672</td>
<td>109,738</td>
<td>115,662</td>
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</table>
## Implementation Completion Report
### Indonesia
#### Second BRI/KuPENDE Small Credit Project (Loan 3249-IND)

**BRI Unit Desa System**

**Arrears Information of KuPENDE Loan Portfolio, 1989 - 1995**
(Rp. million)

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<td>Cumulative Amount Loaned</td>
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<td></td>
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<tr>
<td>Total Loans Outstanding  a/</td>
<td>845,613</td>
<td>1,381,816</td>
<td>1,455,713</td>
<td>1,648,533</td>
<td>1,957,385</td>
<td>2,458,130</td>
<td>2,862,203</td>
</tr>
<tr>
<td>Total Arrears</td>
<td>45,702</td>
<td>58,490</td>
<td>124,434</td>
<td>150,074</td>
<td>126,493</td>
<td>109,900</td>
<td>111,362</td>
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<tr>
<td>Overdue Installments before Final Due Date</td>
<td>24,938</td>
<td>36,007</td>
<td>77,075</td>
<td>75,140</td>
<td>60,498</td>
<td>51,281</td>
<td>59,612</td>
</tr>
<tr>
<td>Overdue Beyond Final Loan Due Date (0-90 days)</td>
<td>7,519</td>
<td>8,105</td>
<td>17,645</td>
<td>24,461</td>
<td>25,435</td>
<td>17,011</td>
<td>16,448</td>
</tr>
<tr>
<td>Overdue Beyond Final Loan Due Date (91-365 days)</td>
<td>13,245</td>
<td>14,378</td>
<td>29,714</td>
<td>50,473</td>
<td>40,560</td>
<td>41,609</td>
<td>35,302</td>
</tr>
<tr>
<td>Overdue Beyond Final Due Date (over 1 year) b/</td>
<td>N/A</td>
<td>46,774</td>
<td>60,782</td>
<td>95,563</td>
<td>162,295</td>
<td>195,521</td>
<td>217,509</td>
</tr>
</tbody>
</table>

*a/ Because of the nature of KuPENDE loans (installment loans with interest calculated on a flat rate basis),
there is no accrued interest; either as income or an asset; in the Unit accounting system.
All outstanding balances are for principal only. Interest income is booked strictly on a cash basis.
Interest arrears are recorded in the individual borrower's records and are pursued with the same vigor as principal arrears.
Under the Units accounting system, interest collect rates are always greater than or equal to principal rates.

*b/ Principal which has been written off but not yet repaid.
All KuPENDE arrears over 90 days past final due date are fully reserved against.
All KuPENDE arrears over 1 year past the final due date are automatically written off.
 IMPLEMENTATION COMPLETION REPORT  
INDONESIA  
SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

BRI Unit Desa System

Arrears and Aging Analysis of KUPEDES Loan Portfolio  
(Rp. million)

As of: August 1995

<table>
<thead>
<tr>
<th>Loans Overdue By:</th>
<th>Total Portfolio</th>
<th>Total (Principal) Arrears</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Loan Account</td>
<td>Amount of Loans in Portfolio</td>
</tr>
<tr>
<td>Overdue Installments Before Final Due Date</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overdue Beyond Final Loan Due Date (0-90 Days)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overdue Beyond Final Loan Due Date (91-365 Days)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Over 1 Year Beyond Final Due Date a/</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Loans Affected</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Loans Without Overdue

| In grace period b/                                       | -       | -                        | -              | 2,750,841 | 96.11%  |
| In repayment period                                       | -       | -                        | -              |          |       |
| Total of Loans                                            | 2,173,916 | 2,862,203 | 100.0          | 2,862,203 | 100.00% |

a/ Already written off: this does not show up as an asset on the Units balance sheets.
b/ Data Not Available at National Level: grace period and single payment loans comprise a small (approx. 11%) percentage of the portfolio.

Max Grace Period=1 year (typically less).
## SECTORAL DISTRIBUTION OF KUPEDES LOANS
(1993-1995)

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>1993</th>
<th>1994</th>
<th>1995 (May)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outstanding Loan Amount</td>
<td>No. of Loan Accounts</td>
<td>Outstanding Loan Amount</td>
</tr>
<tr>
<td></td>
<td>(Rp. million)</td>
<td>Number</td>
<td>(Rp. million)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>374,880</td>
<td>19.2</td>
<td>383.0</td>
</tr>
<tr>
<td>Industry</td>
<td>38,857</td>
<td>2.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Trade</td>
<td>998,146</td>
<td>51.0</td>
<td>907.0</td>
</tr>
<tr>
<td>Other</td>
<td>80,496</td>
<td>4.1</td>
<td>46.0</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>463,995</td>
<td>23.7</td>
<td>527.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,956,374</td>
<td>100.0</td>
<td>1,895</td>
</tr>
</tbody>
</table>

ANNEX II

IMPLEMENTATION COMPLETION REPORT

INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT
(LOAN 3249-IND)

SECTORAL DISTRIBUTION OF KUPEDES LOANS
(1993-1995)
## IMPLEMENTATION COMPLETION REPORT

### INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT  
(LOAN 3249-IND)

COMPARISON OF THE UNIT DESAS WITH TOTAL BRI, 1990-1994  
(Rp million)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NUMBER OF ACCOUNT</td>
<td>AMOUNT</td>
<td>NUMBER OF ACCOUNT</td>
<td>AMOUNT</td>
<td>NUMBER OF ACCOUNT</td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRI</td>
<td>14,334,797</td>
<td>3,396,938</td>
<td>15,648,100</td>
<td>3,072,350</td>
<td>17,810,608</td>
</tr>
<tr>
<td>Unit Desas</td>
<td>1,381,800</td>
<td>1,893,138</td>
<td>1,455,700</td>
<td>1,837,549</td>
<td>1,648,500</td>
</tr>
<tr>
<td>Units as % of BRI</td>
<td>9.6%</td>
<td>9.3%</td>
<td>59.8%</td>
<td>9.3%</td>
<td>58.9%</td>
</tr>
<tr>
<td>Deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRI</td>
<td>9,666,745</td>
<td>10,896,657</td>
<td>11,626,004</td>
<td>12,228,237</td>
<td>11,820,758</td>
</tr>
<tr>
<td>Unit Desas</td>
<td>1,694,830</td>
<td>7,262,509</td>
<td>2,540,450</td>
<td>8,587,872</td>
<td>3,399,100</td>
</tr>
<tr>
<td>Units as % of BRI</td>
<td>17.5%</td>
<td>21.9%</td>
<td>70.2%</td>
<td>28.8%</td>
<td>72.5%</td>
</tr>
<tr>
<td>Profits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BRI (before tax)</td>
<td>178,559</td>
<td>91,673</td>
<td>75,127</td>
<td>88,574</td>
<td>142,506.0</td>
</tr>
<tr>
<td>Unit Desas</td>
<td>65,191</td>
<td>66,107</td>
<td>69,316</td>
<td>132,844</td>
<td>256,154</td>
</tr>
<tr>
<td>Units as % of BRI</td>
<td>36.5%</td>
<td>72.1%</td>
<td>92.3%</td>
<td>150.0%</td>
<td>179.7%</td>
</tr>
</tbody>
</table>
# Annex 13

## Implementation Completion Report

**Indonesia**

**Second BRI/KEPDES Small Credit Project**

*(Loan 3249-IND)*

### Number of Unit Desas and Staff by Region (1990-1995)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Unit</td>
<td>No. of Staff</td>
<td>No. of Unit</td>
<td>No. of Staff</td>
<td>No. of Unit</td>
<td>No. of Staff</td>
</tr>
<tr>
<td>--------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Banda Aceh</td>
<td>67</td>
<td>328</td>
<td>71</td>
<td>362</td>
<td>70</td>
<td>370</td>
</tr>
<tr>
<td>Medan</td>
<td>123</td>
<td>567</td>
<td>144</td>
<td>647</td>
<td>143</td>
<td>630</td>
</tr>
<tr>
<td>Padang</td>
<td>140</td>
<td>625</td>
<td>145</td>
<td>660</td>
<td>146</td>
<td>737</td>
</tr>
<tr>
<td>Palambang</td>
<td>186</td>
<td>929</td>
<td>192</td>
<td>887</td>
<td>186</td>
<td>928</td>
</tr>
<tr>
<td>Jakarta</td>
<td>186</td>
<td>525</td>
<td>204</td>
<td>987</td>
<td>205</td>
<td>1,012</td>
</tr>
<tr>
<td>Bandung</td>
<td>498</td>
<td>2,850</td>
<td>517</td>
<td>2,833</td>
<td>513</td>
<td>2,733</td>
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<tr>
<td>Semarang</td>
<td>457</td>
<td>2,279</td>
<td>482</td>
<td>2,317</td>
<td>456</td>
<td>2,288</td>
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<tr>
<td>Yogyakarta</td>
<td>327</td>
<td>1,739</td>
<td>327</td>
<td>1,677</td>
<td>324</td>
<td>1,556</td>
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<tr>
<td>Surabaya</td>
<td>544</td>
<td>2,748</td>
<td>561</td>
<td>2,783</td>
<td>562</td>
<td>2,736</td>
</tr>
<tr>
<td>Banjarmasin</td>
<td>96</td>
<td>427</td>
<td>115</td>
<td>516</td>
<td>118</td>
<td>527</td>
</tr>
<tr>
<td>Denpasar</td>
<td>102</td>
<td>540</td>
<td>109</td>
<td>536</td>
<td>113</td>
<td>583</td>
</tr>
<tr>
<td>Ujong Pandang</td>
<td>154</td>
<td>786</td>
<td>159</td>
<td>788</td>
<td>163</td>
<td>774</td>
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<tr>
<td>Manado</td>
<td>93</td>
<td>426</td>
<td>98</td>
<td>403</td>
<td>99</td>
<td>450</td>
</tr>
<tr>
<td>Kupang</td>
<td>51</td>
<td>322</td>
<td>57</td>
<td>304</td>
<td>58</td>
<td>289</td>
</tr>
<tr>
<td>Jayapura</td>
<td>16</td>
<td>61</td>
<td>29</td>
<td>113</td>
<td>38</td>
<td>147</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,040</strong></td>
<td><strong>15,152</strong></td>
<td><strong>3,210</strong></td>
<td><strong>15,813</strong></td>
<td><strong>3,194</strong></td>
<td><strong>15,860</strong></td>
</tr>
<tr>
<td>NAME OF TRAINING CENTER</td>
<td>CONSTRUCTION START DATE</td>
<td>COMPLETION DATE</td>
<td>COST (RP MILLION)</td>
<td>NUMBER OF Classrooms</td>
<td>NUMBER OF TRAINERS</td>
<td>NUMBER OF TRAINEES</td>
</tr>
<tr>
<td>-------------------------</td>
<td>-------------------------</td>
<td>-----------------</td>
<td>-------------------</td>
<td>---------------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Surabaya</td>
<td>February 10, 1992</td>
<td>May 6, 1993</td>
<td>2,898.2</td>
<td>6</td>
<td>18</td>
<td>2,793</td>
</tr>
<tr>
<td>Yogyakarta</td>
<td>January 28, 1992</td>
<td>November 3, 1992</td>
<td>2,934.8</td>
<td>6</td>
<td>18</td>
<td>2,713</td>
</tr>
<tr>
<td>Bandung</td>
<td>March 4, 1992</td>
<td>December 23, 1992</td>
<td>2,988.0</td>
<td>6</td>
<td>18</td>
<td>1,451</td>
</tr>
<tr>
<td>Ujung Pandang</td>
<td>August 10, 1992</td>
<td>June 15, 1994</td>
<td>6,456.1</td>
<td>3</td>
<td>9</td>
<td>1,167</td>
</tr>
<tr>
<td>Padang</td>
<td>December 11, 1991</td>
<td>October 28, 1992</td>
<td>2,821.2</td>
<td>5</td>
<td>14</td>
<td>1,056</td>
</tr>
</tbody>
</table>
IMPLEMENTATION COMPLETION REPORT

INDONESIA

SECOND BRI/KUPEDES SMALL CREDIT PROJECT (LOAN 3249-IND)

CURRENT ORGANIZATION CHART OF BRI UNIT DESA SYSTEM
HEAD OFFICE STRUCTURE

BOARD OF COMMISSIONER

PRESIDENT DIRECTOR

DIRECTOR I
- BPKP DIVISION
- BUD DIVISION
- MFP DIVISION

DIRECTOR II
- ADK DIVISION
- PLK DIVISION

DIRECTOR III
- INT DIVISION
- TREASURY DIVISION
- DEK DIVISION
- KCK
- OFFSHORE BRANCH

DIRECTOR IV
- COM-BUS DIVISION
- COR-BUS DIVISION
- AGR-BUS DIVISION

DIRECTOR V
- SYS-TECH DIVISION
- OPS DIVISION
- ACC DIVISION
- ORG DIVISION

DIRECTOR VI
- HR DIVISION
- TRAINING DIVISION
- SEC DIVISION
- LOG DIVISION

INTERNAL AUDIT
- PPP DIVISION

BINWIL I
- Ka. B. ACEH
- Ka. MEDAN
- Ka. PADANG
- Ka. PALEMBANG
- Ka. BANJARMASIN

BINWIL II
- Ka. JAKARTA
- Ka. BANDUNG
- Ka. SEMARANG
- Ka. YOGYAKARTA
- Ka. SURABAYA

BINWIL III
- Ka. U. PANDANG
- Ka. MANADO
- Ka. JAYAPURA
- Ka. DENPASAR
- Ka. KUPANG

Ka. B. ACEH
Ka. MEDAN
Ka. PADANG
Ka. PALEMBANG
Ka. BANJARMASIN
Ka. JAKARTA
Ka. BANDUNG
Ka. SEMARANG
Ka. YOGYAKARTA
Ka. SURABAYA
Ka. U. PANDANG
Ka. MANADO
Ka. JAYAPURA
Ka. DENPASAR
Ka. KUPANG
Remark:
1. UDO (Unit Desa Officer)
2. More than 9 VU there is UDO
   less than 9 VU no UDO, but it is coordinated by UBM
3. UBM ratio 1 up to 4 VU = 1 UBM
Remark:
1. Another one Creditman if the total borrowers more than 400
2. Another one Bookeeper if more than 150 daily cash transactions
   for VU computer and 100 for VU manual during 6-month period
3. Another one Teller if more than 200 daily cash transaction for VU
   computer and 150 for VU manual during 6-month period subsequently.