



1. Operation Information

Operation ID P175742	Operation Name Indonesia Human Capital DPL
Country Indonesia	Practice Area (Lead) Social Protection & Jobs

Non-Programmatic DPF

L/C/TF Number(s) IBRD-93950	Closing Date (Original) 30-Jun-2023	Total Financing (USD) 351,376,780.00
Bank Approval Date 29-Jun-2022	Closing Date (Actual) 30-Jun-2023	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	350,000,000.00	0.00
Revised Commitment	350,000,000.00	0.00
Actual	351,376,780.00	0.00

Prepared by Peter Darvas	Reviewed by Judyth L. Twigg	ICR Review Coordinator Susan Ann Caceres	Group IEGHC
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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Program Development Objective, based on the Program Document “Indonesia Human Capital Development Policy Loan” and signed May 26, 2022, was to enhance human capital development in Indonesia by (i) improving the effectiveness of public spending for human capital and (ii) protecting existing



human capital investments. These objectives were consistent with Schedule 1 of the Loan Agreement signed on November 24, 2022, by IBRD and November 29, 2022, by the representative of the government.

For the purposes of this ICR Review, the PDOs are taken as:

- i. PDO 1 Improving the effectiveness of public spending for human capital
- ii. PDO 2 Protecting existing human capital investments

b. Pillars/Policy Areas

The operation contained two pillars:

Pillar A: Improving the effectiveness of public spending for human capital

- Prior Action 1: formalization of governance arrangements, institutional roles and mandates for maternal nutrition and decrease stunting.
- Prior Action 2: institutionalization of regulatory mechanism for TB control program.
- Prior Action 3: establishment of legal and regulatory framework for telemedicine.

Pillar B: Protecting existing human capital investments:

- Prior Action 4: taxation measures related to incentivize behavior change related to reduce smoking.
- Prior Action 5: introduction of unemployment insurance.

c. Comments on Program Cost, Financing and Dates

Financing: Total financing for the DPL was \$351,376,780, which was \$1,376,780 higher than the original amount of \$350,000,000 due to currency exchange fluctuations, as both the Project Document and the Loan Agreement defined the value as 331,300,000 Euros.

The DPL was approved on June 29, 2022, and closed as scheduled on June 30, 2023.

3. Relevance of Design

a. Relevance of Objectives

Indonesia has had relatively solid macroeconomic performance including high GDP growth (interrupted briefly by the COVID pandemic), low inflation, well-managed fiscal policy, and poverty gains measured in key human capital indicators including under five and adult survival, stunting, and expected years of schooling. At the same time, low absolute levels of human capital, the negative impact of the COVID pandemic, and other aspects of the broader human development agenda, including a lack of social assistance to unemployed people, have put pressures on the country's economic and social development agenda. Importantly, both human development outcomes and social services are inequitably distributed, affecting and benefiting differently remote and central areas, urban and rural locations, poor and middle-class communities, women



and men, and populations in different demographic and age profiles. Finally, both economic and human development gains are being threatened by climate change, especially in terms of food security, public health, and economic livelihoods, including jobs.

The government response has been both ambitious and comprehensive and has been set up across sectors. Following a strong response to COVID-19 in human capital-related areas including health, education, and social protection, the government also set out a wide-ranging reform agenda along the lifecycle of human development spanning early childhood nutrition, quality education for children and youth, health care, and social protection. The steps have included Omnibus Laws on job creation (in 2020 during COVID), in the financial sector, and in health. Importantly, the government has in place a national strategy to accelerate stunting prevention (Stranas Stunting) and various strategies in place to improve educational and learning outcomes.

The DPL objectives were highly relevant, as they were closely aligned with the government development plans, the Indonesian National Medium-Term Development Plan (RPJMN) and the National Long-Term Development Plan (2005-2025, RPJPN) as well as with the government's Human Capital Development Master Plan 2020-2045 that was in draft stage at the time of DPL appraisal. In addition to the country's human capital development goals, the objectives addressed the goal of improving the effectiveness, efficiency, and equity of public expenditures in the selected areas of nutrition, communicable and non-communicable disease prevention and treatments, and protection of employees.

Out of the ambitious government human development reform programs, the DPL selected a set of reforms that were deemed to have high impact, some in the short term, and some in medium- to long term, with the aim of enhancing human capital outcomes. While human capital outcomes may only improve in the longer term clearly beyond the scope of the DPL, improved effectiveness in public spending and greater protection of existing human capital through adjustments in laws, regulations, and institutional roles are relevant, sustainable, and credible steps towards the government's strategic human development agenda.

The objectives were also strongly relevant to the Country Partnership Framework (CPF) for Fiscal Year 2021-2025. Under the CPF's Engagement Area I, "Strengthening Economic Competitiveness and Resilience," there was Objective 1.2 to "increase efficiency, equity and effectiveness of public spending" with the recognition that "public spending is not sufficiently translating into developmental outcomes, particularly in lagging regions, leading to poor infrastructure, education and health" (CPF Page 50, Annex 1). Under CPF Engagement Area III, "Nurture Human Capital," there were Objectives 3.2, "strengthening quality and equity nutrition and health," and 3.3, "inclusiveness and responsiveness of social and workers protection."

The DPL's relevance was further enhanced by the cross-cutting nature of reforms across various human development sectors, ranging from stunting to communicable and non-communicable diseases, access to healthcare, anti-smoking, and unemployment. Moreover, while the DPL was a single operation, it was aligned with previous reform programs and policies as well as subsequent ones that had also been and are expected to be part of the World Bank's CPF and both lending and non-lending operations. It was also timely, taking advantage of the window of opportunity of "one-off" policy actions (PAD, p. 30) to engage in a standalone operation.

However, in the context of relevance, it must be clear that beyond the objectives of improving the effectiveness of public spending for human capital and protecting existing human capital investments, the overall objective of enhancing human capital development requires sustained efforts, policies, and financing in a broader set of areas. Whereas the project design makes a strong case for selectivity, including, for instance, leaving out



education from the human capital development focus, the targeted program areas of stunting, tuberculosis control, access to health services through telemedicine, smoking, and unemployment insurance will lead to measurable enhancements in the long term only if policies and institutions are further and continually strengthened.

b. Relevance of Prior Actions

Rationale

Based on the Loan Agreement, the PAs have been defined as follows:

Objective 1: Improving the Effectiveness of Public Spending for Human Capital
PA 1. To improve nutrition of pregnant women and decrease childhood stunting across Indonesia, the Borrower has introduced a regulation to formalize the governance arrangements of central ministries and agencies as well as districts and villages, institutional roles and mandates underpinning the expansion of the anti-stunting program, as evidenced by Presidential Regulation No. 72/2021.
PA 2. To reduce the health and economic burden of tuberculosis (TB), the Borrower through the Ministry of Health has institutionalized a comprehensive and integrated TB control program with formal governance arrangements including a high-level multi-stakeholder oversight mechanism, specific institutional roles and mandates, and a monitoring and evaluation framework that tracks performance at all levels of the government, as evidenced by Presidential Regulation No. 67/2021.
PA 3. To facilitate improved access to healthcare in remote areas and in emergency situations, the Borrower through the Ministry of Health has (i) standardized the practice of telemedicine, and (ii) provided detailed regulatory guidelines to be followed by public and private sector entities that provide health services through telemedicine during the COVID-19 pandemic, as evidenced by Ministry of Health Decree No. 4829/2021.
Objective 2: Protecting Existing Human Capital Investments
PA 4. To discourage smoking and use of tobacco, the Borrower through the Ministry of Finance has: (i) increased the average rate of excise taxes for machine-made cigarettes by at least twelve (12) percentage points; (ii) simplified the tobacco classification for white and kretek (clove) cigarettes by reducing the number of tiers from ten (10) to eight (8), and (iii) introduced specific taxes on non-combusted tobacco products including e-cigarettes, as evidenced by Ministry of Finance Regulation No. 192/2021 and MOF Regulation No. 193/2021.
PA 5. To protect workers' income in the case of unemployment, the Borrower through the Ministry Of Manpower has established an unemployment insurance scheme based on mutual obligations principle establishing procedures and conditions for the provision of cash benefit, job training and job-search support, as evidenced by Ministry of Manpower Regulation No. 15/2021

Altogether, the PAs addressed identified sector constraints and targeted policy reforms adequately. As the ICR argues (pp. 8 and 11), the PAs addressed significant constraints including lack of convergence in nutrition programs across government, inefficiencies in TB programs, shortage and variations in health services, high incidence of smoking, and lack of support for the unemployed. Whereas these constraints cut across sectors in human development, policy reforms in most of them can lead to long-term enhancement of the more narrowly defined human capital outcomes as outlined in the operation's theory of change (ICR, p. 11).



PA1 is considered Highly Satisfactory. There is a strong case (a case made in the ICR [Table A4.1], based on the *Spending for Better Results: Indonesia Public Expenditure Review* in 2020 and an "Upgraded Indonesia Economic Quarterly" in 2017) that the introduction of a regulation to formalize institutional roles and mandates across government is necessary to improve effectiveness. Whereas Indonesia had historically high stunting rates, with some 31 percent of children under age 5 being stunted, the government launched Stranas Stunting in 2017 and provided a \$4 billion (equivalent) national priority project across 23 ministries to address the problem. PA1 was based on the above-cited analytical work and established a "convergence" approach whereby interventions across sectors are jointly targeted to selected geographical areas and align incentives across stakeholders to improve service delivery, quality, and utilization. Prior to the PA, according to the PD and the ICR, there was a lack of clarity on the roles and responsibilities of central, district, and village governments, and related effectiveness issues, duplications, inconsistencies, and inefficiencies were seen as critical, especially as the program was being scaled up. Stranas Stunting was scaled up following COVID-19 and necessitated a firmer policy foundation to a Presidential Regulation to make it sustainable, to clarify and formalize roles and responsibilities of central, district, and village governments, and to address critical governance, management, and accountability challenges.

PA2 is considered Highly Satisfactory. Indonesia is the second largest contributor to the global TB burden with over 1 million new cases reported annually. However, prior analytical work ("Tuberculosis in Indonesia: Endemic Projections and Opportunities to Accelerate," Hafez et al.2020.) showed that 28 percent of all active (new and relapse) cases remained undiagnosed and only 34 percent were successfully treated. Prior to the PA, the public health and medical response was based on the Ministry of Health National Strategic Plan and funded partially by domestic and partially by international sources; still with a significant funding gap. It was expected that international support would decline due to Indonesia's nearing upper middle-income status. The government program to control TB was further disrupted by the COVID-19 pandemic, as notifications of TB cases declined by 31 percent. Overall, Indonesia needed to spend more (in view of a funding gap) resources on TB and spend them better. Better spending requires clarity and accountability through oversight, governance across sectors, clear institutional roles, mandates, and budgetary arrangements, and strong M&E to improve the effectiveness of service delivery along the TB service delivery cascade, leading to better case identification, diagnosis, and treatment as well as verification of treatment success. While spending more on TB was not part of PA2, the establishment of a comprehensive and integrated TB control program with formal governance arrangements, institutional roles and mandates, and M&E framework through a Presidential Decree was highly relevant.

PA3 is considered Satisfactory. Equity and quality of health services are particularly challenging in remote rural areas of Indonesia, where health outcomes are significantly worse than the average. According to the PD (p. 6), "effective policies ...will both reduce inequality and promote growth... and the persistently low and unevenly distributed quantity and quality of health services have been limiting the effective availability of health services." Health services are also disrupted by extreme weather events and climate change. At the same time, while internet penetration exceeds 73 percent, the availability and utilization of telemedicine was negligible, with a low baseline of 1 percent in 2019. PA3 aimed to address these challenges by standardizing the practice of telemedicine and providing regulatory guidelines to create a legal basis for telemedicine providers to incentivize the engagement of new providers and for already existing providers to scale up their services. Standardization in this context referred to a regulatory framework that would be applied across diverse geographical areas, and across public and private providers in terms of access, quality, and costs of services. The PD and the ICR made a strong case that without the regulatory guidelines and sound legal framework for telemedicine for both public and private suppliers, regional disparities in equity and quality of health outcomes would persist. Prior to the PA, according to a policy brief by the WB (Gilson et al, 2020, "Health Services Trade and the COVID-19 Pandemic"), administrative restrictions and privacy protection issues were limiting the provision of



telemedicine services. At the same time, while the PA addressed the constraints on the supply side, better targeting could also have been considered on the demand side. Strong local participation could have helped assess whether there were specific impediments in using the internet to acquire medical services (accessibility, trust, capacity, etc.) and how access to telemedicine services could be supported for the 27 percent of the population without internet access (among whom the poorest communities were likely over-represented).

PA4 is considered Satisfactory. Smoking prevalence has been high and rising in Indonesia, with 68.1 percent of adult Indonesian men smoking, causing health risks to both smokers and non-smokers and leading to tobacco-related causes of death, including heart disease, TB, diabetes, and respiratory diseases, and also leading to high direct and indirect economic costs. The burden falls hardest on low-income communities. The PA supported government action through taxation, including increasing taxes and simplifying related tax categories. The simplification resulted in reducing loopholes in the taxation of tobacco products that were seen as ways for sellers and users to avoid taxes. While addressing the issue through taxation is both credible and important, it is less clear if it is sufficient by itself to lead to fewer people smoking or to reduce smoking without complementary measures including education of young smokers, sensitization in communities, or provision of support to smokers to incentivize the reduction of smoking and protection of non-smokers. This issue of buy-in is especially more pronounced in the poorest communities where education is the lowest, and in general there may be lack of awareness of smoking’s impact on health or less access to non-smoking environments to protect families from second-hand smoke.

PA5 is considered Highly Satisfactory. While the unemployment rate in Indonesia declined from 4.5 percent in 2015 to 3.4 percent in 2023, there is still significant welfare risk for the country and for communities with people losing their jobs due to catastrophes or other reasons. Until the related government action, Indonesia did not have an unemployment insurance scheme, which meant that in case of job loss, the defined contributions to their pensions (“old-age savings”) became the de facto severance pay, reducing the future incomes of people beyond working age. Until the unemployment insurance scheme, the main social assistance programs included social health insurance, work accident benefits, death benefits, and pension benefits. There is both country and global evidence about the importance of a modern unemployment insurance system, which had not existed in Indonesia, and—in view of the recent shocks (COVID-19, climate, economic)—increasing the resilience of workers and households is critical to protecting existing human capital.

Rating

Highly Satisfactory

4. Relevance of Results Indicators

Rationale

RI Description	Associated PA	RI Relevance	Baseline (units, date)	Target (units, date)	Actual value (target date)	Actual Change	Most recent value	RI Achievement rating
Objective 1: Improving effectiveness of public spending for human capital								



RI 1: Number of districts implementing multi-sectoral nutrition actions	PA1	MS	260(2020)	514(2023)	514	100%		Substantial (reduced from High due to shortcomings in relevance of the RI)
RI2: Percentage of pregnant women taking a minimum of 90 iron supplement tablets during pregnancy	PA1	HS	38.1(2018)	50 (2023)	44 (2023)	50%		Modest
RI 3: Percentage of new and relapse cases diagnosed in the TB control program	PA2	HS	42 (2020)	60 (2023)	77 (2023)	>100%		High
RI 4: Percentage of households that have ever used telemedicine for their health needs	PA3	MS	1 (2019)	8 (2023)	14 (2023)	>100%		Substantial (reduced from High due to shortcomings in relevance of the RI)
Objective 2: Protecting existing human capital investments								
RI 5: Percentage of GDP per capita per day required to purchase 20 cigarettes at average retail sales price	PA4	MS	11.3 (2019)	13.78 (2022)	14.3 (2022)	>100%		Substantial (reduced from High due to shortcomings in relevance of the RI)
RI 6: Percentage of	PA5	HS	0 (2020)	52.7% (2022)	76.4 (2023)	>100%		High



eligible salaried employees covered by unemployment insurance								
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Objective 1: Improving effectiveness of public spending for human capital

RI1 (Moderately Satisfactory)

The RI monitored how many of Indonesia’s 514 districts implemented multi-sectoral nutrition actions that had been planned and implemented through a prior and parallel nation-wide program, Stranas Stunting. These actions, according to the PD, were to enable households to receive multi-sectoral services including maternal, infant, and young child nutrition, early childhood care, and health and wash behaviors. Situating the indicator at the district level was reasonable as, according to the regulations, responsibility for program implementation lies with the districts, although the central government provides inputs, capacity development, and oversight, and Indonesia’s 75,000 villages also play some role in anti-stunting programs. Stunting, according to the PD, is more significant in rural areas and among the most vulnerable groups.

Importantly, it is not entirely clear how the formalization of government arrangements under PA1 accelerated the rate of this district roll-out. The CPF offers one alternative and possibly more robust indicator. Under the CPF objective of Strengthening Quality and Equity in Nutrition and Health, a related indicator aims to measure the percent of districts “exceeding 60 percent score on priority nutrition services targeting index,” a measure that was introduced in 2018 and is expected to cover all districts by 2024. This indicator, if monitored, could be considered as a supplementary or complementary measure of performance under PA1.

RI2 (Highly Satisfactory)

The RI measured the percentage of pregnant women taking a minimum of 90 iron supplement tablets during pregnancy. This result, in conjunction with the other RI under PA1, adequately and clearly measured the improved effectiveness of health spending in line with the result chain. Taking fortifiers and mineral supplements is clear, credible, and easily monitorable, as it measures not only the delivery and reception of the supplements but also the consumption, which, in this case, turned to be a significant factor during implementation (to be discussed in the Bank Performance section). Within the multi-sectoral, multi-agency context that the presidential decree regulated, prenatal checkups were identified as another key factor in maternal health and, consequently, in stunting. Stranas Stunting for Indonesia and CPF FY21-25 also identified RI2 as a key indicator.

RI3 (Highly Satisfactory)

Prior to the program, the TB service delivery cascade, from testing to diagnosis to treatment to follow-up, had significant gaps, and COVID-19 added further disruptions. Under PA2, RI3 measured improvement in the percentage of new and relapse cases diagnosed and treated in the TB control program and the impact on value for money (effectiveness) through improved service delivery along TB cascade, which are the



most critical results in terms of the increasing challenge of TB infection and the limited resources to tackle them.

RI4 (Moderately Satisfactory)

Under PA3, the result of standardizing telemedicine and related regulatory guidelines was to be assessed by the percentage of households that have ever used telemedicine for their needs. This result is clear and adequate with credible data towards the expected outcomes according to the results chain. However, with improving the effectiveness of human capital expenditures as a project objective and with the compelling case made that in-country shortages (of qualified doctors and services) and distribution challenges disproportionately affect the poorer quintiles of the population as well as those living in rural and remote areas (PD, p. 25), the project explicitly and plausibly links the objective of effectiveness in human capital expenditures with equity and quality of medical services, including the limited availability of specialists and their distribution within the country. The need of greater access to telemedicine especially for some of the most remote and vulnerable population groups is part of the rationale of the PA. Yet, the RI target of households ever using telemedicine at least once does not indicate how telemedicine is “bought in” in such poorer and remote locations or among the most vulnerable population groups. On a positive note, the data collected through monitoring the household use of telemedicine should make it feasible to monitor the equity effects in the future.

Objective 2: Protecting existing human capital investments

RI5 (Moderately Satisfactory)

Under PA4, RI5 monitored the GDP per capita per day required to purchase 20 cigarettes at average retail sales prices. According to the PD, there is a proliferation of classification tiers, causing distortions. While this indicator of increased costs of tobacco via taxation has a clear and credible reference to the results chain, it is unclear if this increase by itself is sufficient to lead to a reduction in the number of people using tobacco or e-cigarettes; complementary measures are likely needed that target more directly the potentially affected populations. Also, the use of GDP per capita as a denominator may not sufficiently show how the tax increase affects households especially in different income groups, presumably with variations of smoking habits and financial implications in terms of the out-of-pocket costs of tobacco consumption and e-cigarette use.

RI6 (Highly Satisfactory)

Under PA5, RI6 measured the beneficiaries of a hitherto non-existent unemployment insurance system that appears to be a first line of defense of protecting employees from unemployment stemming from external shocks. This RI fully and clearly measured the direct impact of the prior action and has a clear and credible data source for the future as well.

Rating

Satisfactory



5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Improving the effectiveness of public spending for human capital

Rationale

RI1 was achieved, as all 514 districts implemented multisectoral nutrition actions. From Stranas Stunting's initial 100 priority districts in 2018, the number of districts was increased to 160 in 2019, 260 in 2020, 360 in 2021, and 514 by 2023. However, it is unclear to what extent the presidential regulation led to increasing the number of participating districts that had already been growing as part of Stranas Stunting, or how the regulation led to improved health care effectiveness. However, additional evidence was provided regarding the budget for Stranas Stunting declining from by 20 percent, from US\$3.784 billion USD in 2020 to 3.055 in 2023, while stunting fell from 26.9 percent to 21.6 percent in the same period. These data indicate that the cost-effectiveness of the program improved, although it is unclear whether the new organizational structure led to this improvement.

The ICR provides additional evidence that can be considered as an additional result relevant to PA1, in terms of the percentage of pregnant mothers receiving all four prenatal checkups. This indicator was set in the CPF FY21-FY25 to increase from 74.1 percent in 2018 to reach 80 percent, and this target was surpassed and reached 86.2 percent by 2023.

RI 2 targeted the increase in the proportion of women taking a minimum of 90 iron supplement tablets during pregnancy. While the distribution system has been set up and women receiving the tablets increased from 73.2 percent in 2018 to 92.2 percent in 2023, there remained a gap between distribution and consumption, according to the National Health Survey. The target of 50 percent of women taking the tablets (from a baseline of 38.1 percent) was not achieved, with achievement reaching only 44 percent due to side effects and palatability issues.

RI 3 targeted the percentage of new and relapse cases of TB diagnosed and treated in the TB control program. The target of 60 percent in 2023 as compared to the baseline of 42 percent was surpassed significantly, at 77 percent.

RI 4 targeted the percentage of households that have ever used telemedicine for their health needs to increase from 1 percent in 2019 to 8 percent in 2023. The target (as measured by the High-Frequency Monitoring of COVID-19 Impacts Rounds 1-8, 2020-2023, World Bank) was surpassed, as 14 percent of households used telemedicine for their health needs. As noted earlier, this RI did not capture progress among the likely most poor and vulnerable households without internet access.

With one RI target highly achieved, one modestly achieved, and two fully achieved but downgraded because of issues with relevance of the RIs, achievement of this objective is rated Satisfactory.

Rating



Satisfactory

OBJECTIVE 2

Objective

Protecting existing human capital investments

Rationale

RI 5, the increase of the percentage of GDP per capita per day needed to purchase 20 cigarettes at average retail prices, had a baseline of 11.3 percent in 2019 and target of 13.78 percent in 2023. According to WB staff calculations based on Statistics Indonesia and related Ministry of Finance information, the target was surpassed to reach 14.3 percent. However, according to the ICR (p. 17), these price increases relative to GDP per capita did not lead to decreases in the percentage of the population who smoke, which remained steady, as 28.7 percent of people smoked in 2020 and 28.6 percent smoked in 2023. No data were provided on whether the price increases prompted smokers to consume less tobacco. Additional interventions, most likely including further education, are needed to influence the behavior. In addition, no information is available on the affordability of e-cigarettes, the use of which showed growing trends.

RI6 was the percentage of eligible salaried employees covered by unemployment insurance. Coverage was targeted to increase from zero in 2020 to 52.7 percent in 2023. The target was significantly surpassed to reach 76.4 percent by 2023. The RI had high relevance in terms of improving worker protection and economic efficiency.

With one RI highly achieved and one fully achieved but with caveats around the relevance of the RI, achievement of this objective is rated Satisfactory.

Rating

Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

With both objectives rated Satisfactory, overall efficacy is Satisfactory.

Overall Efficacy Rating

Satisfactory

6. Outcome



Rationale

With Satisfactory relevance of the RIs and Satisfactory efficacy, the DPL's Outcome rating is Satisfactory.

a. Rating

Satisfactory

7. Risk to Development Outcome

The project identified relevant institutional and policy changes that lead towards enhanced human capital outcomes through improved effectiveness of public spending and through greater protection of existing human capital investments. By the project's own definition, such outcomes may only be observed in the medium and long-term through sustained efforts.

In terms of effectiveness of public spending, the reduction of stunting will likely need to go beyond extending the creation and implementation of nutrition actions and plans to all 514 districts, especially as existing social and geographical disparities will likely be further exacerbated by external challenges and fragilities, including the impact of climate change, global conflicts' impact on food supply, and others. The ICR also indicates that funding for Stranas Stunting declined between 2020 and 2023, while stunting itself was reduced. Part of the reason for these trends may have been GNI growth (possibly leading to improved consumption figures). But, at times of sustained inequality, these trends require stronger targeting of the program. Once the stunting rate is reduced, complementary measures, larger demand for maternal health, nutrition, and social services, and accommodation of a larger number of children in the school-system, especially in deprived, remote locations, will be required. A follow-up Program for Results (PforR) and Programmatic Advisory Services and Analytics (PASA) in nutrition will help promote sustainability of achieved outcomes.

Sustained improvements in TB identification and treatment will also require sustained financing, better district capacities (especially in the most deprived locations), and better targeting of national policies and interventions. Here, too, there is a follow-up PforR, the Strengthening National Tuberculosis Response program, supporting sustainability.

Better targeting is also likely an important condition to ensure quality and equity of primary health care services, take-up of medical services through telemedicine, and confidence that such telemedicine programs complement instead of substitute for face-to-face health services. A follow-up IPF, the Indonesia Health System Strengthening Project, and technical assistance on Digital Health and Universal Health Coverage DPL promise sustainability.

The PA4 goal to reduce smoking through increased out-of-pocket costs showed no evidence of effect on the number of smokers, indicating that such a reduction requires actions, including education, to sensitize affected people, and also that measures are needed to assist tobacco farmers to diversify their agricultural activities. While the government is committed to continue the tobacco taxation reforms, little tangible information is available about complementary measures. The WB is not presently engaged in the tobacco taxation reform, nor is it involved in any complementary program.



For PA5, the PD and the ICR provided projections that suggest that unemployment insurance is sustainable and may have long-term positive effect on household incomes, savings, and economic resilience. A related Social Protection Reform ASA and the Labor Market Information and Skills System Transformation for Labor Market Flexibility Project provide support to developing information systems and services and to implementation of the unemployment insurance system.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The design was based on extensive prior experience, lessons learned both from operations and from analytical work in the related sectors, including a parallel PforR program focusing on stunting, ASA work focusing on health service delivery, TB control, and tobacco consumption, and broad global experience developing modern unemployment benefit systems.

The analytical underpinnings of the PIs and RIs were robust and adequate. While the operation was ambitious, especially in terms of a broad cross-sectoral approach to human capital development, it was also selective in adopting an approach with focus on actions and policies where there was the biggest buy-in by the government and willingness to engage in significant institutional changes both in coordination through one governmental agency, implementation by decentralized entities, and monitoring by sector ministries. Risks in terms of institutional capacities and monitoring of take-up by beneficiaries were considered, and mitigation measures were identified. A good example is the adjustment of the prior action focusing on the iron supplement given to pregnant women, which was found to have side effects and palatability issues and required adjustment to the program, which led to a micronutrient supplementation design. Also, the same program measured the percentage of pregnant mothers receiving four prenatal checkups, a result that was targeted by the CPF but not included among the result indicators. These adjustments indicate that while the performance of this RI could only be rated as modest, other indications helped to conclude that the overall performance of this PA was satisfactory.

The PD identified risks and constraints and went into good detail about mitigation. At the same time, for some constraints that were listed in the risks and mitigation section of the program document, and within this standalone DPL, it was not entirely clear how fully the DPL mitigated these risks. For instance, the institutional capacity-related risks were rated at appraisal high and were planned to be mitigated by implementation through one central executive agency, Kemenko PMK. Beyond the centralized implementation, however, decentralized context was identified to posing additional risks, and yet it is unclear whether the most remote and deprived locations and the poorest and most fragile population groups benefited from any type of special targeting.

The operation clearly reflected extensive consultations with government at various levels and with stakeholders. IEG also notes that, while the PAs added substantive and credible contributions to achieving the objectives, they were also strongly linked with prior related government programs and also appeared to require necessary subsequent follow-up reform actions. There should perhaps be more clarity in terms of the specific impact of the prior actions, distinguished from the impact of previous programs. While these



contingencies across phases of reform are clearer in programmatic series, they may be more difficult to assess in a stand-alone DPL.

Rating

Highly Satisfactory

b. Bank Performance – Implementation

Rationale

There is an in-country WB presence to facilitate hands-on support to implementation, both to the coordinating agency and to the sector ministries involved. In most relevant sectors, especially in the areas of nutrition, maternal health, and labor, there were complementary operations, allowing for regular monitoring. For telemedicine, a survey conducted by the WB in partnership with the Ministry of Health helped monitor telemedicine use. For tobacco taxation, the public expenditure review informed the DPL, leading to decisive reforms requiring less follow-up hands-on support.

Rating

Highly Satisfactory

c. Overall Bank Performance

Rationale

The Bank used its extensive global knowledge and experience and also its corporate vision to design an ambitious program for human capital development while addressing relevant country-specific issues and challenges while also aligning with the government's own strategic agenda across sectors with strong focus on institutional development. This was also observed during implementation, when feedback from implementation performance required adjustment and day-to-day advice.

Overall Bank Performance Rating

Highly Satisfactory

9. Other Impacts

a. Social and Poverty



The DPL PD provided poverty/social analysis on each prior action. Given the project's focus on nutrition, health, and employment; the expected positive impacts are strong. However, given that enhancement of human capital outcomes is only expected in the medium to long term, these impacts may only be projected through the DPL but not captured in a one-year operation. Still, the focus on stunting, TB, access to health care in remote locations, smoking, and unemployment, the targets are by definition pro-poor, and inasmuch as measurable improvements are achieved in stunting, TB detection and treatment, access to telemedicine, and unemployment insurance, the direct impacts are straightforward to recognize. In the meantime, the fact that the number of people smoking has not changed, but the costs of tobacco increased, makes the social and poverty impact of the tobacco taxation less clear or positive.

b. Environmental

As per the PD and the ICR, the environmental impacts are negligible apart from the assumption that allocation of lands to tobacco production would be reduced in the long term, with benefits in terms of reduced harm to soil and use of pesticides.

c. Gender

The gender impacts of the PAs are significant, starting from PA1's impact on maternal health and the incorporation of women's empowerment programs in Stranas Stunting. In addition, there is a significant gender gap in smoking, as men are at a disproportionately high risk of premature death due to tobacco use.

d. Other

As per the ICR's finding of the project's impact on institutional strengthening, the Coordinating Ministry of Human Development and Culture (Kemenko PMK) has strong capacity for the future to coordinate human capital-focused operations and related programs to be supported by the World Bank and other development partners.

10. Quality of ICR

Rationale

The ICR presents a strong, coherent, and credible evaluation report on the DPL. It flows logically. It is referenced appropriately, using credible data sources and evidence both from the government and from the WB. There is clear and concise presentation of the analytical underpinnings of the prior actions and overall results chain. The ICR adheres well to established guidelines and methodologies. It covers the information that is necessary for a sound self-evaluation. However, there are three areas where the analysis could have been improved:



- First is the area of attribution, especially in the context of stunting, where the project was built on a strong pre-existing strategic program. Although there are indications that this strategic program was improved through mainstreaming and clearer definition of roles and responsibilities, it is not clear to what extent these institutional changes led to improved effectiveness in human capital investments and especially in improvements in nutrition.
- Second, the ICR should have interrogated data about the improvements in inequality among regions and income groups and how these inequalities, which were highlighted in the sector context of the PD, may have been addressed by better targeting of resources, capacity building, and addressing region-specific social challenges.
- Third, lessons drawn from the project could have been sharper. While the lessons cite comprehensiveness of the actions as a positive lesson, they also focus on selectivity as an important dimension of design. The ICR correctly mentions the need for political economy analyses (specifically in terms of anti-corruption, climate change planning, and gender dimensions), it remains vague about how such analyses can and should lead to improvements in future actions, i.e. steps like better targeting or stronger support to at-risk communities, regions, and income groups.

a. Rating

High

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Satisfactory	
Bank Performance	Highly Satisfactory	Highly Satisfactory	
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	High	

12. Lessons

The operation's design and results offer some lessons:

Costs and benefits of preparing a DPL one-off loan or a DPL series. The DPL proved to be the appropriate World Bank instrument, as it allowed for introduction of new policies and building of both central and local institutional capabilities, complementing investments and technical sector analyses in the space of human capital development. Pursuit of the DPL as a one-off loan instead of a series may have been intended to pursue rapid action, but it requires prior as well as follow-up development programs, investments, and results-based actions that build on the long-term development agenda and lessons learned. A DPL series may have had the benefit of a rapid PA agenda while also aligning necessary follow-up policies and measuring medium- and long-term impact.



Preservation of human capital in addition to improvements in it across sectors. Human capital development allowed the government and the Bank to pursue policies and build institutional capacities across sectors based on a shared vision but relying on deep-rooted technical capacities in health, nutrition, labor, and taxation. At the same time, the project demonstrated the benefit of selectivity, not only selecting policies and interventions that were necessary for human capital development but also offering momentum for change while complementing parallel programs in other human capital-related sectors such as education. Also, a project strength was its extension beyond direct human capital improvement, adding emphasis on protecting existing human capital through its focus on tobacco use and building an unemployment insurance system.

Institutional capacities at central and local levels. Another of the DPL's strengths was its building of both central cross-sectoral institutional capacities and decentralized institutional capacities (especially in the areas of nutrition, stunting, and TB monitoring).

Targeted interventions aligned with diversity of local challenges. For the future, a key policy challenge is to maintain and strengthen policy targeting by poverty and across social groups, regions, and communities. This operation's design success shows that in the focus areas of nutrition, health, and medical services (including the use of telemedicine), results depend on identifying the diversity of challenges across communities and addressing them through tailored action.

Local M&E capacities so that interventions can be aligned with diverse local outcomes. Another lesson is to build sustained decentralized M&E capacities to be able to pursue the necessary adjustments and alignments required by these variations. For instance, the impacts of climate change on local communities affect most of the targeted sectors (nutrition, health, local habits, labor market). The adjustment of using the appropriate nutrition supplement could not be pursued without strong monitoring. Similarly, the taxation policy's impact on the use of tobacco requires strong monitoring to be able to gain evidence that increasing costs lead to reductions in smoking.

13. Project Performance Assessment Report (PPAR) Recommended?

Yes

Please explain

IEG notes that a PPAR would allow for examination of the longer-term impact of the supported policies and institution-building actions, potentially informing follow-up programming for the Bank and for the government.