

## **MANAGEMENT RESPONSE TO THE PROGRAM PERFORMANCE EVALUATION REPORT FOR THE SOCIAL PROTECTION SECTOR DEVELOPMENT PROGRAM IN INDONESIA (Loans 1622/1623-INO)**

On 15 February 2007, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

### **A. Overall Assessment**

1. Management appreciates OED's evaluation of Loans 1622/1623-INO for the Social Protection Sector Development Program (SPSDP) in Indonesia. A rapid response to mitigate the anticipated social effects of the Asian financial crisis, the SPSPD was approved in July 1998 and closed in November 2001. It is noted that the Project Performance Evaluation Report (PPER) rates the overall project as successful and that the project is rated as highly relevant, effective, efficient, and likely sustainable. Both ADB and Government performance were highly satisfactory.

### **B. Issues, Lessons, and Follow-Up Actions**

2. The report highlights six novel policies and implementation practices promoted by the SPSPD, including block grants to schools and health providers. The use of block grants to channel project funds to schools through the post office was extremely successful and this mechanism has now become the funding mechanism in the Indonesian education sector. They are used not only to channel substantial amounts of government funding directly to schools, but continue to form the centerpiece of ADB education projects, such as the Decentralized Basic Education Project (L-1863-INO, approved on 29 November 2001) and the recently-approved Madrasah Education Development Project (L-2294-INO, approved 15 December 2006). The use of block grants has had a powerful impact in empowering school principals and local communities, by encouraging participatory governance and independent, needs-based decision making. Block grants have had less effect in the health sector, but continue to be used for specific programs such as nutrition improvement in the proposed Nutrition Improvement through Community Empowerment project, currently under preparation.

3. We note and agree with the observation made in the PPER that future social sector programs could benefit from an SPSPD style independent implementation monitoring unit, i.e. the Central Independent Monitoring Unit (CIMU). This is particularly true given the context of decentralization. In fact, similar monitoring units are planned in at least two new INO operations, Madrasah Education Development (L-2294-INO, approved 16 December 2006) and the proposed Nutrition Improvement through Community Empowerment project. It is noted that CIMU was not institutionalized, and that future programs will pay particular attention to the sustainability of such units.

4. We also agree with the caution to avoid overly optimistic assumptions on the speed of bureaucracies to react even under crisis conditions. The slow

government response in implementing the Earthquake and Tsunami Emergency Support Project (Grant 0002-INO, approved on 7 April 2005) confirms this observation. The additional caution to avoid multiple implementing and delivery agencies is also supported. Both of these factors caused the nutrition component to be less successful than the education component. These issues will be carefully assessed to avoid similar problems in the proposed Nutrition Improvement through Community Empowerment Project currently being prepared.

5. The PPER questions the usefulness of “stereotypical gender project designs” in regard to the scholarship component, which ensured equal distribution of scholarships between boys and girls (para. 91). This is based on the observation that Indonesian girls are more likely than boys to be attending school at the right level for their age (as indicated by the net enrolment rate). The PPER cautions that gender imbalance can be the reverse of what is expected. We acknowledge this latter point, but maintain that boys and girls are enrolled in equal numbers at the primary and junior secondary level. Survey data from the 2003 National Socioeconomic Survey (SUSENAS) shows that primary school net enrolment was 92.8% for girls as opposed to 92.7% for boys. When disaggregated into urban and rural, the rate for urban boys was higher at 92.3% as opposed to 92.0% for urban girls.<sup>1</sup> As such, we find the attention to equal distribution of scholarships entirely justified.

6. It is unclear why the PPER does not recommend any specific follow-up actions, noting that the health sector components were followed up in the Health and Nutrition Sector Development Program (HNSDP, approved on 25 March 1999). For education, the PPER notes that there has since been an amendment to the Constitution requiring that 20% of the national government budget be allocated to education. It is not clear how this relates to the need for follow-up actions. A priority, general follow-up action would be support for rigorous independent monitoring of the ongoing government-funded block grant programs both in the Ministry of National Education and the Ministry of Religious Affairs.

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<sup>1</sup> See ADB, CIDA, World Bank, The Asia Foundation, and NDI. 2006. *Indonesia: Country Gender Assessment*. July.