

MANAGEMENT RESPONSE TO THE PROGRAM PERFORMANCE EVALUATION REPORT FOR THE HEALTH AND NUTRITION SECTOR DEVELOPMENT PROGRAM IN INDONESIA (Loans 1675/1676-INO)

On 2 October 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Project Performance Evaluation Report (PPER) of the Health and Nutrition Sector Development Program (HNSDP) well prepared with a commendable effort to evaluate the performance of this national sector development program. The overall assessment and rating (satisfactory) of the HNSDP is similar to the rating in the Project Completion Report (successful, at the higher range of this category) (para. 3). Management response focuses on some issues, lessons learned and, OED recommendations.

A. Overall Assessment

2. **Design and Formulation.** We appreciate the comments on the formulation process of the HNSDP, referring to the relationship ADB had built up with the Ministry of Health through earlier support that facilitated a constructive planning process, and thereby demonstrated the importance of continuity of engagement in a particular sector (para. 9). We appreciate the recognition that the HNSDP, with a pro-poor targeted approach, experimented with innovative methods to channel funds in a transparent manner, developed mechanisms to ensure results-based independent monitoring focus, and introduced early implementation responsiveness through the complaint resolution units. (paras. 10 and 41).

3. **Performance.** We note the overall positive assessment of the HNSDP performance, despite the challenges of implementing this highly complex project across Indonesia (para. 49). We agree with the identified efficiency recommendations on the timing of procurement for drugs, and the selected method of procurement for the blended food.

4. **Other Assessments.** The constructive comments on the institutional impact of the HNSDP are appreciated (paras. 65–68).

B. Issues and Lessons Learned

5. The country still faces high out-of-pocket contributions, and ADB along with other development partners are in dialogue with the Government in this area. ADB is encouraging Government to consider demand-side financing, and mechanisms to protect households against health care costs. (para. 82).

6. Management agrees that identifying and tracking the poor is complex and costly, and that a standard classification for the poor could substantially reduce overheads of programs targeting the poor. However, this was beyond the scope of the HNSDP. We are in close communication with the Government to encourage improved mechanisms on targeting of the poor. (para. 83).

7. We agree that the HNSDP, given its focus to address the post-crisis situation, may have led many public sector facilities to be dependent on central government contribution for operation of their facilities, thus crowding-out local government contributions. We agree that the supplementary funding of basic health services from central and provincial levels is sending mixed signals under the decentralization laws and is encouraging Government to consider targeted health financing for the poor and to address this challenge through the various projects (para. 84).

C. Follow-up Actions

8. Regarding the recommendation to assist the Government in developing a strategy to transcend its crisis mitigation-oriented efforts, and develop longer-term and more sustainable approaches to improving the health and nutritional status of the poor (para. 89), Management has the following:

- (i) Since the tsunami of December 2004, crisis mitigation has received substantial attention by the Government. ADB and other development partners have been critical in this response. ADB is examining its future role in risk-mitigation oriented efforts in the social sector in this regard, and will report this back to Management.
- (ii) Several development agencies including ADB (under the current Loan 1810-INO: Decentralized Health Services Project, and Loans 2074 and 2075-INO: Second Decentralized Health Services Project) are assisting in the development of more sustainable approaches to improving health and nutrition of the poor. This will be further supported through the forthcoming Nutrition Improvement through Community Empowerment (NICE) Project and the Poverty Reduction and Millennium Development Goals Acceleration Program (PRMAP), both scheduled for 2007.

9. Regarding the recommendation to fast-track the development of a unified definition of the poor, and support the issuance of a single social security card to ensure more efficient targeting of the poor (para. 89).

- (i) The development of a unified definition of the poor is currently being examined by the Government.
- (ii) The issuance of a single social security card is currently being examined by the Government.

D. Conclusions

10. Management agrees with the report's overall assessment and rating and appreciates the many positive aspects of the HNSDP as recorded in the PPER, which, as noted, reflect a combination of strong Government commitment, innovative design, control mechanisms, and flexibility, while working on a large scale in a complex environment.