Indonesia: Poverty Reduction and Millennium Development Goals Acceleration Program
ABBREVIATIONS

BAPPENAS – Badan Peracanaan Pembangunan Nasional (National Development Planning Agency)
DMF – design and monitoring framework
MDG – Millennium Development Goal
MONE – Ministry of National Education
MOH – Ministry of Health
MORA – Ministry of Religious Affairs
PCR – program completion report
PRMAP – Poverty Reduction and Millennium Development Goals Acceleration Program
TA – technical assistance

NOTE

In this report, “$” refers to US dollars.

| Position                  | Name                        | Department                  |
|---------------------------|                            |                            |
| Director General          | Marvin Taylor-Dormond       | Independent Evaluation Department (IED) |
| Deputy Director General   | Veronique Salze-Lozac'h    | IED                        |
| Director                  | Walter Kolkma               | Thematic and Country Division (IETC), IED |
| Team Leader               | Hyun Son                    | Principal Evaluation Specialist, IETC, IED |

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I. PROGRAM DESCRIPTION

A. Rationale

1. Indonesia recovered from the 1997–1998 Asian financial crisis by enacting structural reforms that removed the distortions that made the country vulnerable to the crisis. This helped the country return to a steady economic growth from 2000 to 2006. In 2000, the country committed to achieving the Millennium Development Goals (MDGs) by 2015. Indonesia committed to halving the proportion of people trapped in poverty (MDG 1) to 7.6% between 1990 and 2015. It made similar commitments to improve health (MDGs 4, 5, and 6); education (MDG 2); and gender equality (MDG 3).

2. By 2006, the country was considerably behind its MDG targets—poverty levels were increasing, maternity mortality was high, malnutrition and child mortality exceeded those in
neighboring countries, and more than half a million new cases of tuberculosis were recorded each year. In 2006, 17.8% of the population lived below the poverty line. Poor hygiene and nutrition were significant factors that raised the infant mortality rate for the poorest 20% of households to four times that of the richest 20% in 2004. Fewer than 70% of the children were enrolled in secondary school (grades 7 to 9) in 2005 and among the poorest 20% of households, the net enrolment rate was below 50% in 2002. Attendance was worse in remote districts and the low level of academic qualifications among teachers was a persistent problem. Higher economic growth and adequate budgetary allocations were needed to achieve the MDG targets. The country also needed flexible financing arrangements, and changes in policy and resource commitments to support the programs in the social sector.

3. The government faced a substantial funding gap. But financial resources were only growing slowly, and the oil price subsidy programs absorbed an increasing amount of public funds. The government committed to reducing these subsidies to free up more funding, but greater flexibility and more resources were needed to bridge the gap.

4. The government worked with ADB to design the Poverty Reduction and Millennium Development Goals Acceleration Program (PRMAP) loan. The PRMAP was to provide the resources, the flexibility, and an improved implementation framework to achieve the government’s MDG targets more quickly. The program supported the achievement of the MDG targets 1 to 6 on poverty reduction, health, education, and gender equality. The National Development Planning Agency (BAPPENAS) was the executing agency and the implementing agencies were the Ministry of Health (MOH), the Ministry of National Education (MONE), and the Ministry of Religious Affairs (MORA).

5. The PRMAP was designed as a program cluster of three successive subprograms, each with its own loan. This arrangement provided the responsible institutions with time to adopt an extensive range of indicators and modify them if necessary. This also allowed time for drafting the enabling rules of the new laws and for capacity building to implement the extensive monitoring system.

B. Expected Impacts, Outcomes, and Outputs

6. The intended impact of the PRMAP was to accelerate progress toward achieving the government’s targets for MDGs in education (MDG 2) and health (MDG 4, 5, and 6); and contribute to poverty reduction (MDG 1) and gender equality (MDG 3).

7. The outcome was to achieve improved access, equity, and quality of service delivery in the education and health sectors to accelerate the progress toward the MDGs. The PRMAP had three major outputs or policy actions: (i) cross-sector policy reforms with five sub-outputs; (ii) national policy reform in education covering seven sub-outputs; and (iii) national policy reform in health with six sub-outputs. The policy actions were designed to enhance resource allocation to the education and health sectors, especially to delivery of services to the poor. They were also aimed at building institutional capacity to monitor and better administer service delivery, and to

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3 Footnote 2, Appendix 1, pp. 35–37.
significantly improve the relevant agencies’ performance. Improvements in service quality and gender equity were also key objectives.

8. The performance targets, or indicators of the design and monitoring framework (DMF) in the report and recommendation of the President were modified by adding five new indicators, where baseline data were either unavailable or not collected. There were insufficient data to determine the (i) proportion of funds for education and health programs reaching the poor; and (ii) difference in per capita expenditure for education and health between the poorest and the richest quintile (outcome indicators 2 and 3). The gross enrolment ratio for secondary schools was introduced as a proxy, while the ratio of gross enrolment among the poor in secondary schools was used as an output indicator II.1 to replace the average distance between the students’ homes and junior secondary schools. The Transparency International index of perceived corruption was added to replace the indicator on inspector general’s inclusion of corruption cases in its reports. The share of women receiving prenatal care (above 93.3%) was added as an indicator to replace the MOH budget allocation to neonatal and child health care. The percentage of people living with HIV who received coverage for retroviral therapy (above 2%) replaced the percentage of people at risk of HIV who were reached by prevention programs.

C. Provision of Inputs

9. The PRMAP is a program cluster consisting of (i) a first subprogram (SP1) and proposed two subsequent subprograms (SP2 and SP3), (ii) a program loan for SP1 of the PRMAP, and (iii) a grant technical assistance (TA) for Strengthening Social Service Delivery.

10. The ADB Board approved the program loan for SP1 on 30 October 2007 and became effective on 7 December 2007. The program loan was a single-tranche of $400 million funded from ADB’s ordinary capital resources released a week after loan effectiveness, following the completion of the required prior actions in March 2007. It was closed on 31 March 2008. The two-proposed single-tranche loans, each valued at $200 million, for SP2 and SP3 however were not drawn down. The government opted to fund subprograms 2 and 3 from its own budget. Thus, the PRMAP cluster program loan was closed on March 2008.

11. The Board also approved $1.5 million for the TA grant in October 2007. The total TA cost was estimated at $2.7 million, with the Governments of Australia and Indonesia contributing $1 million and $0.2 million, respectively. Of the ADB financing, $1.4 million was disbursed and the difference equivalent to the balance of the unused contingency was never tapped.

12. The TA supported the government in achieving the policy actions under SP2. It was originally planned to start in April 2007 immediately after the completion of SP1. However, with the evaluation of the impact of SP1, the TA was only signed in January 2008 and the team was fielded in April 2008. The TA was planned to be completed by August 2009 but it was extended by 5 months upon the government’s request to work on an additional 10 policy actions resulting in a total of 20 policy actions. Actual TA physical completion was initially set on 31 January 2010. However, settling the accounting for these adjustments and the waiver on the two follow-on loans dragged the TA closing date to December 2010. The TA achieved the intended outcomes plus some of those planned for SP3.4

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13. No consulting services were procured under the loan. Consultants under the associated TA for SP2 were procured based on the quality and cost-based selection method. No information has been provided to evaluate that procurement.

14. The PRMAP has been classified as category C for environment, involuntary resettlement and indigenous peoples.

D. Implementation Arrangements

15. Following the arrangements under SP1, BAPPENAS was the executing agency. The agency coordinated program implementation and set up an executive secretariat. MONE was the implementing agency for the education component and the MOH for the health component. Both implementing agencies established sector technical committees and secretariats for their components. MORA supported both implementing agencies on a cross-sectoral basis and for religion-sponsored schools. The Ministry of Finance (MOF) was responsible for loan disbursement and administration. A program steering committee and a technical committee oversaw program implementation. The Deputy Minister for Human Resources and Cultural Affairs of BAPPENAS, chaired both committees, which consisted of representatives from relevant ministries and agencies—Central Board of Statistics (BPS), Ministry of Home Affairs (MOHA), Ministry of Women's Empowerment (MOWE), MOF, MOH, MONE, and MORA.

16. The program established the framework for implementation, including the reform actions and the indicators through which to monitor their progress, and implementation guidelines for the implementing agencies. Achieving this required much training and other capacity building approaches for the relevant government agencies. The program loan then financed the staffing and operation of these new institutional components, plus the transitional grants for students, mothers, health insurance, and the incentives to shift resources into remote districts and new services.

17. The program loan had 17 covenants, all of which were complied with, partly due to the groundwork laid by SP1. These covenants defined the roles of the executing agency and other agencies in implementing the overall program cluster. The covenants required the (i) government to ensure that the implementing arrangements were carried out and that ADB was consulted regularly and before any major policy measures relevant to the program were enacted, including those developed with other multilateral agencies; (ii) the monitoring of the reform actions during SP1’s program period and semi-annual monitoring reports to ADB, as well as a performance completion report; (iii) government to use the loan to finance SP1’s implementation and to allocate a sufficient amount from its own budget to finance the structural adjustment costs related to SP1; and (iv) government to administer and record all implementing agencies’ activities in carrying out the program cluster and to make those records available to ADB for periodic review, specifically those relating to the use of program loan proceeds.

II. EVALUATION OF PERFORMANCE AND RATINGS

A. Relevance of Design and Formulation

18. The PCR assessed the PRMAP and its associated TA relevant. This assessment also covered the modality, implementation arrangement, and policy actions. The program aimed to accelerate the pace of achieving the MDGs and it complemented both Indonesia’s national development plan and ADB’s country strategy. The government’s decision to assume the funding of SP2 and SP3 was seen as commitment to the overall program. The completion of most of the
planned policy actions meant that the coverage of the program at completion was relevant. Of the 20 reforms, the completion of three could not be confirmed by the implementing agencies and two were partially achieved. These incomplete actions pertained to the budget allocation based on performance or to remote schools, and establishing the minimum service standards in education. The partially achieved actions dealt with increasing qualified teachers in remote areas, and diagnostic tests for and treatment of tuberculosis.

19. The first phase of the government’s Medium-Term Development Plan for 2005–2009 (RPJMN) and its national poverty reduction strategy supported the development of the PRMAP. Hence, the program was well aligned with the government’s priorities and identified needs for reaching its MDG targets. The implementation of SP1 and the coordination meetings chaired by BAPPENAS provided the opportunity for the government to refine the program.

20. In designing the PRMAP, ADB was guided by its earlier commitments to the MDGs and its poverty reduction strategy, both of which were embodied in its country strategy for Indonesia. Work under SP1 set the basis for the DMF, and the selection of indicators to achieve the outcomes and policy actions for SP2. But during implementation, baseline data could not be collected for two of the six outcome indicators, while five of the 23 original output indicators could not be confirmed. For four of these indicators, new ones were selected. The planned single disbursement of the program loan for SP1 allowed the flexibility needed by the government in implementing the PRMAP, and was a supportive feature of the design. This validation assesses the program’s design and formulation relevant.

B. Effectiveness in Achieving Program Outcomes and Outputs

21. The PCR assessed the program effective in achieving the planned outcome and outputs. In assessing the policy outputs, the PCR indicated that one of the cross-sector reforms was partially achieved, three were achieved, and one (i.e., improved incentives and geographical resource allocation to districts for education and health) could not be confirmed by the BAPPENAS. Of the seven national policy reform outputs in the education sector, two were achieved (increased affordability of education by the poor and improved planning and implementation of education services), three were partially achieved and two were not achieved. Of the six national health policy reform outputs, three were partly achieved and three were achieved. Overall, the PCR deemed that there was a major improvement in access to education and health by the poor and women given these achievements.

22. This validation assesses the program less than effective overall in achieving its intended outcomes and outputs. The program achieved about 71% of its outcome targets (including one new indicator) and indicators and 63% of output targets (including the four new indicators), falling below the 80% threshold set for projects to be considered effective.

23. Specifically, five of the seven outcome targets, or about 71%, had been achieved. The two outcome indicators with no baseline data at the time of PCR preparation dealt with budget allocations that would support the target outcome. But all the other four outcome indicators, plus the new one defined, real-sector education and health or gender outcomes were achieved. These

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7 Projects are rated effective if outcomes and outputs were substantially achieved, i.e., about 80% or more of the targets were fully met or, on average, about 80% or more of each target was met. See IED. 2016. Guidelines for the Evaluation of Public Sector Operations. Manila. ADB.
included 91.5% of all births were attended by a skilled professional, and female illiteracy decreased by 35% from 2009 to 2015 against a targeted decline of 30%.

24. Of the 27 output targets, 17 or 63%, were achieved. For output 1 on cross-sector policy reforms, four of the five output targets were achieved. The target for improved performance incentives and district resource allocations for education and health could not be confirmed by BAPPENAS.

25. Output 2 on education policy reforms comprised 11 targets, of which six were achieved. Three targets—(i) at least 50% of small and remote schools allocated funds for operations and maintenance, (ii) at least 10 districts implemented the minimum service standards established by MONE, and (iii) inspector general audit report included analyzed cases on corruption—could not be confirmed by MONE or BAPPENAS. The target on at least 30% of teachers was qualified, and about 10,000 additional teachers per year deployed in remote areas were only partially achieved.

26. Of the 11 targets for output 3 on health sector reforms, seven were achieved. The target on increased budget allocation for maternal neonatal and child health care and communicable disease control was not confirmed by BAPPENAS, while the target on the benefits from ASKESKIN (basic health care and insurance for the poor program) accruing to the poor was not reported in the PCR’s DMF. The target on tuberculosis detection and treatment rates was only partially achieved, while the target on HIV prevention programs was not achieved.

27. Although there was an initial increase in public financing of MDG-related health programs from 2005 to 2007, external budget pressure and inflation reduced those gains. The overall communicable disease control slightly improved with targets on tuberculosis detection and treatment partially achieved, and an increase in the share of population with HIV benefiting from antiretroviral therapy. However, the HIV/AIDS prevention program’s target of reaching 80% of the population at risk was not achieved.

28. The PCR reported that the PRMAP will unlikely have any adverse impact on the environment and has been classified as category C for ethnic groups. The program was also classified as category C for involuntary resettlement, but the PCR did not mention any impact on these safeguard areas.

29. The program has been classified as gender equity theme and has contributed to improving gender equity in both education and health services. The government’s willingness to improve the outcomes in health, education, and gender equity was evident in increased budgetary allocations during the reporting period. In education, access to education for girls has been enhanced with the gender parity index in primary gross enrolment increasing from 0.972 in 2000 to 1.038 in 2011 (target: 100% ratio of girls to boys in basic education). However, the ratio decreased in secondary education from 100.6 in 2007 to 100 in 2013.

30. The quality of health-care delivery to women showed improvement. The share of pregnant women receiving pre-natal care increased to 95.4% in 2013 from a baseline of 93.3% in 2008. Maternal mortality rate decreased from 190 per 100,000 live births in 2007 to 148 in 2012, while the share of married women reporting condom use increased from 0.4% in 2002 to 1.3% in 2010.

C. Efficiency of Resource Use

31. The PCR assessed the program efficient in achieving its intended outcomes and outputs. The groundwork for the TA and the loan was accomplished by ADB staff, and allowed
disbursement shortly after the program approval. Preparations, together with BAPPENAS and MOF, reduced fiscal risk and supported a smooth allocation of funds to programmed activities. In responding to the government’s request, the TA team was able to combine several components of SP3 into SP2, and complete all 20 policy actions planned in 5 additional months and within the budgeted funding.

32. Coordination among ADB and the government agencies was good and supported an efficient use of resources. Preparations under SP1 allowed significant capacity building prior to program implementation and the experience of preparing the initial drafts of some new policies helped the agencies quickly refine these to accelerate outputs. SP2 had originally been programmed to take 24 months to implement and its revision at commencement shortened that to 20 months. In only 5 additional months, the team doubled the number of policy actions and achieved many of the SP3 objectives. The program was able to apply the lessons learned from SP1 and complete an extended version of SP2 only 9 months later than its planned completion. The government’s willingness to fund the accelerated programming on its own illustrates an efficient use of funds. This validation views the program’s resource use efficient.

D. Preliminary Assessment of Sustainability

33. The PCR assessed the project likely sustainable. Significant reforms at the national level, such as Law 14/2005 on Teachers and Educational Personnel and enacting a mandatory national health insurance system in 2014 have helped embed the reforms in public institutions. Under the wider decentralization policy, significant transfers for education and health have been made to local districts. Together with the monitoring systems established, this localization of policy administration created incentives to continue improving each indicator, so long as continued central funding is dependent upon local performance.

34. The institutional capacity developed under the program allowed the output indicators to become standards of performance measurement in education, health, and gender areas. Since the government ministries had accepted the MDG targets and related indicators specified by the program, the program’s monitoring process should have become a part of the monitoring system of the education and health ministries. The policy reforms supported a new law and regulations relating to education and health that have changed expectations. For example, the Law 14/2005 on Teachers and Education Personnel sets the standards for teacher qualification and lesson content and provides incentive pay for teaching in remote areas. The Bureau of National Education Standards was established in 2005 and issued Regulations 22/2006 and 24/2006 on the standards of lesson content and their implementation. The MOHA issued regulations in 2007 (no number specified) to clarify the roles for district-level administration of education and health services and was preparing a regulation on performance evaluation of local governments. Since 2008, a uniform system for targeting the poor as beneficiaries of these reforms has boosted the outputs in many of the policy areas. Universal health insurance has improved access to health services. The planning framework to support the policy reforms was included in a report prepared by BAPPENAS in partnership with ADB and Australian Aid in 2010.8

35. It is probably too early to evaluate the trends for budget allocations to education and public health in Indonesia since there are many competing priorities. But the benefits realized from the implementation of the program must have raised expectations among the beneficiaries. The

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institutional capacity to deliver those benefits may suffer public sector capacity erosion, but a public demand for better education and health services could sustain the provision of training for more administrators, teachers, and medical professionals in both the public and private sectors. The budget allocated to education increased from 2.4% in 2001 to 2.8% in 2004 to 3.4% in 2007, while public expenditure on health rose from 0.6% of the gross domestic product (GDP) in 2001 to 0.7% in 2004 and to 1.1% in 2007. This program's demonstration effect may have played a part in this trend. But since other donor agencies have operations in the same area, Indonesia's population would naturally demand for better public services as GDP per capita rises.

36. A risk to sustainability arose because the loan was disbursed to the government as one tranche. The complex mix of public and private agencies providing health care constrained information availability and therefore limited the performance transparency in the short term. Weak fiscal transparency and limited capacity in financial management are generally shortcomings in both the education and health sectors, so accountability for funds could have been a risk. MOF and BAPPENAS, however, appeared to have coordinated effectively to allow drawdown of program funds gradually and against progress checks. This validation considers the project likely sustainable.

III. OTHER PERFORMANCE ASSESSMENTS

A. Preliminary Assessment of Development Impact

37. The PCR assessed the development impact satisfactory. Education enrolment rates rose significantly, especially for the poorest 20% through to 2014, and programs for quality improvement became well established. Maternal and child health care improved and the national health insurance became mandatory in 2014. Programs to tackle communicable diseases improved but failed to reach all their targets. Poverty level was reduced by 38% over 2006 to 2014, with 11% of the population in 2014 trapped in poverty.

38. This validation views the project’s development impact satisfactory. Output indicators show a significant improvement in access to education and health services by the poorest 20% of households. Other quality indicators, especially in education, appear to be in transition. The infrastructure for monitoring was improved and should be able to generate relevant data for policymakers. The government’s willingness to improve outcomes in education and health was evident in increased budgetary allocations during the reporting period. Given the degree of institutionalization that was achieved and the importance of the outcomes to poor voters, it is likely to be sustainable.

B. Performance of the Borrower and Executing Agency

39. The PCR rated the performance of the government and the executing agency satisfactory. The institutional capacity of BAPPENAS improved to a level that ensured program effectiveness. The borrower worked to ensure that the loan met its effectiveness requirements, as defined in the loan’s covenants (para. 17), by the end of SP1 and kept ADB informed of the program's achievements.

40. This validation assesses the performance of BAPPENAS satisfactory. Its duties in coordinating the efforts of MOH, MONE, and MORA with several donor agencies and motivating

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9 A common problem facing capacity building projects, particularly in the health sector, is the movement of newly trained public-sector health workers to better-paying jobs in the private sector.
the political and law-making processes to support the agreed outcomes were major tasks. Creating effective infrastructure to accelerate the attainment of MDGs, especially those which deal with poverty reduction, is quite difficult. Ensuring a high priority for the poor’s access to education and health services takes time and requires new skills within the education and health agencies. The administration of these program benefits ran the risk of leakage to unintended beneficiaries and the process of decentralizing the administration of these benefits increased such risk. The amount of social infrastructure deployed and the meaningful increase in many indicators was impressive. It was hard to measure the effectiveness of the borrower, given the lack of direct information about disbursement. However, the outcomes reported as of 2015 indicate that it was effective in doing so. Assessing its efficiency, however, is not possible with the available information at the time of PCR formulation.

C. Performance of the Asian Development Bank and Cofinanciers

41. The PCR assessed ADB’s performance satisfactory. ADB fielded five missions to Indonesia to prepare the program and conduct policy discussions to support SP1 implementation. Supervision of the implementation of the program was handed over to the Indonesia Resident Mission in 2009. An education specialist was based at the resident mission for the duration of the program. ADB joined quarterly meetings to monitor progress with Australian Aid and the government.

42. There were no cofinanciers in this program. The work for SP1 was performed by ADB staff and staff consultants plus the resident mission team. This validation views ADB’s performance satisfactory.

D. Others

43. An Australian Aid mission was fielded under the PRMAP umbrella as an intervention in the health sector. Its objectives and findings will have outcomes that may reinforce or complement those reported in the PCR. These could affect the overall performance of the program. Nevertheless, the findings of the Australian Aid mission were not shared for the evaluation.

IV. OVERALL ASSESSMENT, LESSONS, AND RECOMMENDATIONS

A. Overall Assessment and Ratings

44. The following table shows the ratings under the PCR and those of this validation report. The program was rated relevant, effective, efficient and likely sustainable by the PCR. The validation rates the program overall, successful. The program was found to be relevant because of the extensive work undertaken with the government and Australian Aid in its preparation to match the conditions in Indonesia and for consistency with ADB’s Country Strategy and Program. The program was less than effective because the threshold of 80% of achieved outcome and output targets was not met since only 71% of the outcome targets and 63% of the output targets were attained. The program was efficient in its use of resources partly because of the planning undertaken for SP1 and because of the high priority given by the government. The program seems to have motivated the government to go beyond its earlier commitment and allocate more budgetary funding than envisaged in 2005. This commitment and the related institutionalization of several key reforms, such as the (i) new standards for teaching in remote areas; (ii) uniform database of 17.5 million poor households to improve service targeting and administration; (iii) establishment of universal health insurance, where over half the poor accessed public health
services; and (iv) scholarships awarded to junior secondary school students, indicate that the program is likely sustainable within the government’s budget.

### Overall Ratings

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<th>Validation Criteria</th>
<th>PCR</th>
<th>IED Review</th>
<th>Reason for Disagreement and/or Comments</th>
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<td>Relevance</td>
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<td>Only 71% of the outcome targets and 63% of the output targets were attained, failing to meet the 80% cut-off set in the guidelines. Projects are rated effective if 80% or more of the targets were fully met or, on average, about 80% or more of each target was met.</td>
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<td>Effectiveness</td>
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<td>Sustainability</td>
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<td>Overall Assessment</td>
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<td>Borrower and Executing Agency</td>
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<td>Quality of PCR</td>
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<td>Para. 57.</td>
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ADB = Asian Development Bank, IED = Independent Evaluation Department, PCR = program completion report.

Note: From May 2012, IED views the PCR's rating terminology of "partly" or "less" as equivalent to "less than" and uses this terminology for its own rating categories to improve clarity.

Source: Independent Evaluation Department.

### B. Lessons

45. **Country-level lesson.** The validation notes that donor coordination can be a problem. Better coordination with Australian Aid was an explicit part of the PRMAP from the beginning. Adjustments to ADB’s country strategy and the design of follow-on programs may be better informed if there is sharing of information during and after each intervention.

46. **Sector-level lesson.** None.

47. **Program-level lessons.** The PCR emphasized that the program’s success depended largely on accurate implementation, including the collection of appropriate data, adequate human resources, the capacity of local government, defining the appropriate indicators, and setting the right incentives for local authorities to achieve the indicators defined. Further development of all these steps will also support the improved implementation of the minimum service standards.

48. This validation also points out that the interim restructuring of the program, at the request of the government, lowered the total program cost to the government. It also put greater emphasis on the program’s design features than on embedding the program deeper within public institutions. This may have been fiscally expedient but will have long-term costs that are hard to measure now. The government may have employed the program’s national consultants after it decided to fund SP2 and SP3, but ADB is unlikely to receive information on the results.
49. In addition, the complication arose from the government’s decision, during SP2, to inject the other half of the anticipated policy output units into the subprogram, by extending it by another 5 months. This put considerable work and budget pressure on the project team. And that may have been a factor in the inability to fully achieve several output actions in time for this report.

50. **Results framework and methodology-level lessons.** The PCR had identified an important lesson that the well-conceived and structured TA associated with the program addressed the obstacles presented by system inefficiencies and limited capacity. Survey data and other forms of monitoring can be subject to local manipulation by incumbents and unintended beneficiaries. A related problem is rent-seeking in local agencies and the government can similarly distort monitored data, and misdirect public transfer payments and other benefits. This a recurring problem with targeting methods, so indirect measures such as proxies and district comparisons drawn from central government surveys are needed to corroborate or adjust direct monitoring.

51. The PCR further underscored that in-depth consultations at the subnational level during the design and preparation stages could have been helpful in designing the most appropriate indicators.

C. **Recommendations for Follow-Up**

52. The Government of Indonesia may be open to a follow-on support to this program, particularly with the adoption of the new international targets under the Sustainable Development Goals.

53. Where cost is a driving factor to a developing member country’s government, ADB might consider investing more on a program’s budget for national consultants and improving their capacity early in the program. This would leave a lower cost element, which will help the program reach its intended depth and scope and institutionalize capacity for ongoing improvements.

54. It is desirable to continue pursuing (i) the operations and maintenance support for remote schools, (ii) improved teacher academic qualifications in primary schools, (iii) increased implementation of the minimum service standards for health services in 10 or more districts, and (iv) a much higher effectiveness in prevention and treatment of tuberculosis and HIV/AIDS infections.

V. **OTHER CONSIDERATIONS AND FOLLOW-UP**

A. **Monitoring and Reporting**

55. From the perspective of ADB regional policy with developing member countries, improved monitoring of social services is of the utmost value. Obtaining such data in any detail and high quality is indeed difficult. Providing some follow-up support in completing output indicator monitoring would help enhance ADB’s strategic function, as well as improve the attainment of the program’s goals. The PCR brings this up and it is a question of the government’s resolve to monitor the MDGs progress based on standards acceptable to ADB. If competing demands for resources mean that the government is satisfied with a lower standard, then further ADB investment in this area may not be warranted.

56. The lack of baseline data for two outcome indicators may have been due to budget constraints on performance monitoring or uncoordinated collection of data among various
ministries. If so, the government should have been able to construct a new baseline by now. The two indicators dealt with budgetary proxies for real-sector outcomes. The PCR indicated that there was some progress in allocation of budget for the poor. The lack of data may not have a material effect on the program’s outcome, but better pro-poor monitoring will certainly improve MOH’s and MONE’s work in reducing poverty and inequity. Of greater concern might be the four output indicators for which data were “not confirmed” by the responsible ministry at the time of PCR preparation.

B. Comments on Program Completion Report Quality

57. This validation finds the quality of the program completion report satisfactory. It provided thorough documentation of the conditions before the project, the previous and concomitant programs, the government’s commitments, and program achievements. The institutional capacity that had to be created or revised to meet the MDG commitments and DMF targets was fairly well documented and illustrated the challenge that the project team faced. The Lessons and Recommendations sections explain how more intensive consultations at the district level may have improved service penetration.

C. Recommendation for Independent Evaluation Department Follow-Up

58. No specific recommendation is made for IED’s follow-up on the project.