



The World Bank Group in Indonesia, Fiscal Years 2013–23

Country Program Evaluation



This evaluation assesses the World Bank Group's support to Indonesia from FY 2013 to FY23 and aims to inform the Bank Group's ongoing engagement in the country.

- ▶ Indonesia is the second-largest borrower of the International Bank for Reconstruction and Development. The Bank Group is the country's leading development partner, accounting for 40 percent of its external financing.

Findings



The Bank Group's support for Indonesia's development challenges has been **relevant and partially effective**.



The Bank Group used a strategic mix of financing, analytics, and technical assistance to **strengthen institutions and advance reforms** in energy subsidies, macroeconomic stability, social protection, financial inclusion, and disaster recovery.



Nonetheless, the Bank Group faced **challenges in advancing deeper reforms** in domestic revenue mobilization, education, financial sector efficiency, and local government capacity because of limited political space, weak reform consensus, and the use of instruments not well suited to Indonesia's capacity and delivery systems.

Lessons

- ▶ The Bank Group maintained knowledge and technical engagements and supported institutional capacity development through a long-term partnership, enabled by substantial trust funds.
- ▶ The World Bank's strong alignment with government priorities enhanced program effectiveness and impact of reforms.
- ▶ The Bank Group's complementary multi-sectoral use of lending created the right incentives for implementing agencies and different levels of government.

Methodology

The evaluation used a theory-based approach and a mixed methods design to triangulate findings from multiple evidence sources, including portfolio review and analysis, analysis of diagnostics and administrative data, 300 semistructured interviews, and geospatial analysis.

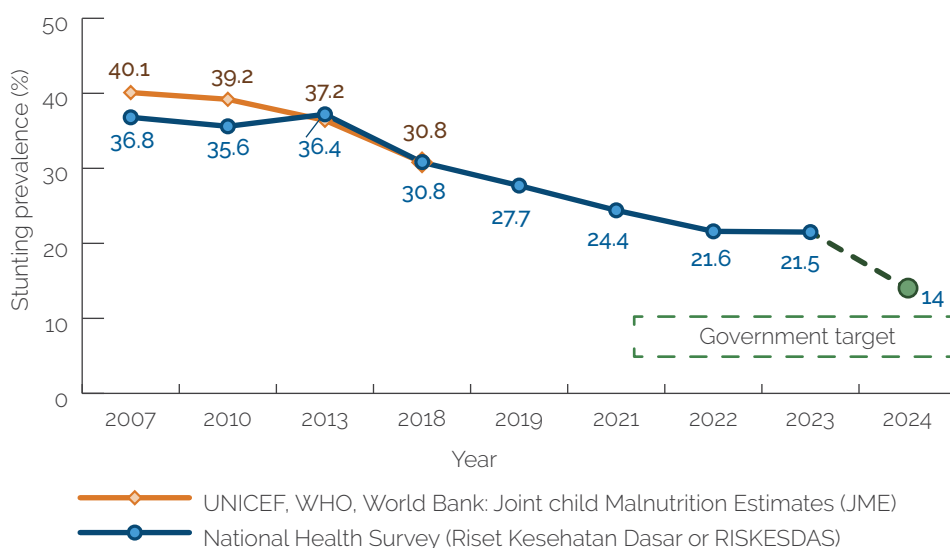
Relevance of World Bank Group Engagement to Indonesia's Development Vision

- ▶ Bank Group strategies relevantly adapted to government priorities during the evaluation period and helped Indonesia thrive despite multiple crises and institutional capacity challenges.
- ▶ Strategies remained relevant by focusing on institution building and adapting to new challenges. The Bank Group used a flexible approach to choose the most effective instruments for supporting its engagement.
- ▶ However, Bank Group approaches did not always match the country's absorptive capacity, including in procurement. Several investment projects were delayed or canceled because government counterparts were either unfamiliar with World Bank procurement rules or reluctant to assume the perceived audit risks of large contracts.

Highlights

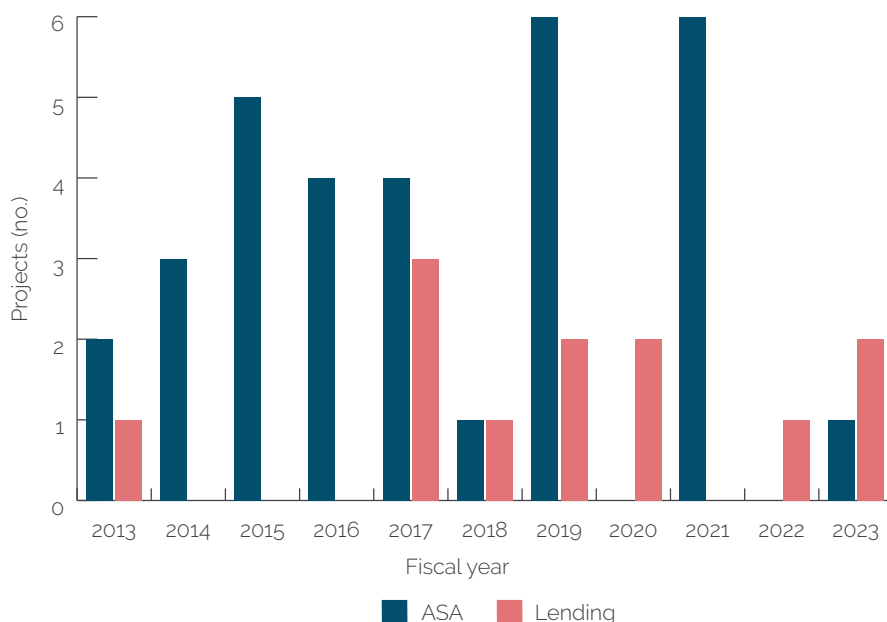
- ▶ **The World Bank strengthened fiscal controls and modernized budget execution**, improving transparency, accountability, and fiscal discipline. It recovered from policy reversals, reestablished relevance when government commitment waned, and maintained an overall positive trajectory despite setbacks.
- ▶ **The World Bank effectively supported energy subsidy reforms**, freeing fiscal space for increased government spending on health, infrastructure, and social programs.
- ▶ **Support in health, nutrition, and social protection was impactful**—stunting declined, health insurance coverage reached 98 percent of the population, and the conditional cash transfer program expanded from 6 to 10 million families.
- ▶ **The World Bank appropriately sequenced its support in health and social protection**, from diagnostics to advisory services and analytics (ASA) to lending. The diagnostics identified key constraints, 43 percent of ASA informed national strategies, and more than 50 percent of ASA directly led to lending operations.
- ▶ **The Bank Group's support was well aligned with Indonesia's financial sector priorities**, strengthening financial stability and inclusion and establishing foundations for capital market and sustainable finance development. However, the narrowed focus on access to finance stalled lending and reduced reform momentum during the FY16–20 Country Partnership Framework.
- ▶ **The World Bank's rapid response to the 2018 Central Sulawesi earthquake and tsunami** led to increased urban resilience lending.

Prevalence of Stunting in Children, 2007–24



Sources: Stunting rates, National Health Survey; UNICEF, WHO, and World Bank.
 Note: Children are younger than five years of age; height-for-age z-score is <-2. UNICEF = United Nations Children's Fund; WHO = World Health Organization.

Evolution of World Bank Advisory Services and Analytics and Lending Projects on Urban and Disaster Resilience, FY13–23



Sources: Independent Evaluation Group.