Approach Paper

Indonesia Country Program Evaluation

January 15, 2025

1. Evaluation Purpose and Audience

1.1 This Country Program Evaluation (CPE) will assess the performance of the World Bank Group's support to Indonesia between FY 2013 and FY23. The evaluation will focus on the Bank Group's contribution to help Indonesia tackle key long-term development challenges and position the country toward its goal of reaching high-income status by 2045. The evaluation period spans three country strategies—the FY13–15 Country Partnership Strategy (CPS), the FY16–20 Country Partnership Framework (CPF), and the FY21–25 CPF. The evaluation seeks to identify lessons to inform future Bank Group engagement in support of Indonesia's development priorities, including the next CPF, which is due to be completed in the fall of 2025. The primary audience for the evaluation includes the Bank Group's Boards of Executive Directors, Bank Group staff and management working on Indonesia, the government of Indonesia, and a broad set of in-country stakeholders. Its findings and lessons may be relevant to other middle-income countries.

1.2 The CPE will assess the relevance and effectiveness of Bank Group support to Indonesia by examining how the Bank Group designed and adjusted its support in four critical development areas: promoting adequacy and efficiency of public spending, ensuring resilient urbanization management, lifting human capital to reduce inequality, and deepening of the financial sector. These themes are particularly important for Indonesia in its efforts to achieve, through sustainable and inclusive growth, its long-term development goal of becoming a high-income country by 2045.

2. Country Context and Development Challenges

Country Context

2.1 Indonesia's economic performance over the past 25 years propelled it to upper-middle-income status. Between 1999 and 2023, Indonesia's GDP growth averaged 5 percent a year—3.8 percent a year per capita. The country is a major global commodity exporter for palm oil (world's largest), coal (second largest) and petroleum gas (seventh largest). The economy is driven by a large services sector and a sizeable natural resources sector, respectively accounting for 43 percent and about 25 percent of GDP in 2023. After years of engagement and cooperation through Joint Work Programs covering a broad spectrum of economic, social, and environmental policy reform, the

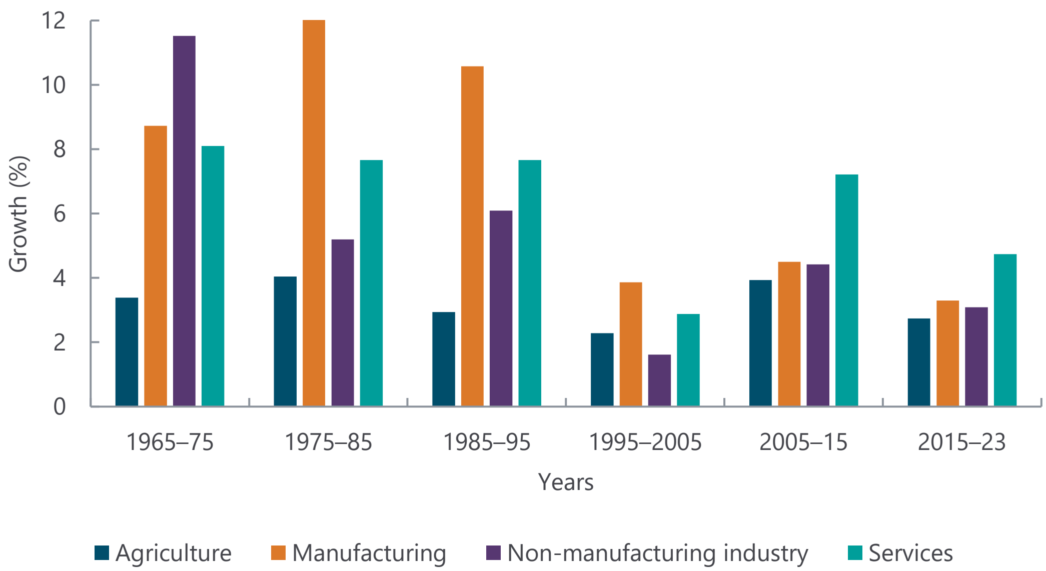
Organisation for Economic Co-operation and Development opened accession discussions with Indonesia in 2024.

2.2 Indonesia's growth has been built on commodities. Indonesia experienced robust productivity improvements early in its development as its economy transitioned from agriculture and raw commodities to manufacturing.[1] Average annual growth rates for value added in manufacturing consistently outstripped all other sectors of growth from the mid-1970s to the mid-2000s. However, Indonesia's economy benefited substantially from the run-up in commodity prices that has accompanied the rising demand from emerging markets since the 2000s. Since then, commodity export growth has almost doubled the pace of manufactured export growth, and as a result, manufactured exports as a share of total merchandise exports have declined, falling from 56 percent of merchandise export value in 2007 to 45 percent in 2023.[2]

2.3 From the mid-2000s, Indonesia's growth has been increasingly driven by services, often low value and informal. Service sector growth has exceeded manufacturing growth by more than 50 percent (figure 2.1). This transition of premature deindustrialization reflects the fact that the transition away from manufacturing production occurred before the country could extract the full productivity gains from industrialization.

2.4 Over the past 25 years, Indonesia has experienced rapid socioeconomic improvements and poverty reduction. Indonesia's national poverty rate more than halved, falling from 23 percent of the population in 1999 to 9.4 percent in 2023,[3] and extreme poverty was virtually eliminated. Between 1999 and 2023, fertility rates fell to stable replacement levels, and school enrollment rates increased significantly. Net secondary enrollment rates rose from less than 50 percent to 79 percent of school-age children, while net tertiary education rates rose from 15 percent to 42 percent.[4] With about 70 percent of the population between the ages of 15 and 64, Indonesia is in the final years of a demographic dividend, positioning it for stronger growth through increased labor supply and savings that can be allocated to productive asset accumulation.

Figure 2.1. Average Annual Growth in Value Added by Sector, 1965–2023



Source: Independent Evaluation Group staff estimates from World Development Indicators data.

2.5 Indonesia is both vulnerable to climate impacts and important to the global climate mitigation agenda. High population density in hazard-prone areas coupled with a strong dependence on the country's commodities make Indonesia vulnerable to a range of climate-related impacts, including extreme events like floods and droughts and long-term changes from sea-level rise, shifts in rainfall patterns, and increasing temperatures. Indonesia is home to significant natural resources, with the third-largest tropical rain forest in the world and the largest tropical peatlands and mangrove forests. These natural resources store vast amounts of carbon that mitigate climate change impacts. However, historical deforestation and forest loss (including in peatlands), mainly due to the rise of agriculture development (for example, palm oil plantations and illegal logging), have dampened the benefits from these carbon-rich forests.

2.6 Indonesia's financial sector is relatively shallow, with a few state-owned banks playing a dominant role. According to Indonesia's 2024 Financial Sector Assessment Program (IMF 2024, 15), the financial sector is comparably smaller than that in regional peers such as Malaysia, the Philippines, and Thailand, with a credit-to-GDP ratio of 31.4 percent. The financial system is also characterized by low financial inclusion, informality, and a high cost of providing services in rural areas. In addition, the financial sector is highly concentrated: the top 10 banks hold 66 percent of the total bank assets, of which 4 are state-owned banks constituting 43 percent of the banking sector. Nonbank financial institutions, such as insurance and finance companies, investment funds, pension funds, and fintech lending remain modest in size. Capital markets are shallow, with systemic policy-level reforms necessary to support long-term local currency financing.

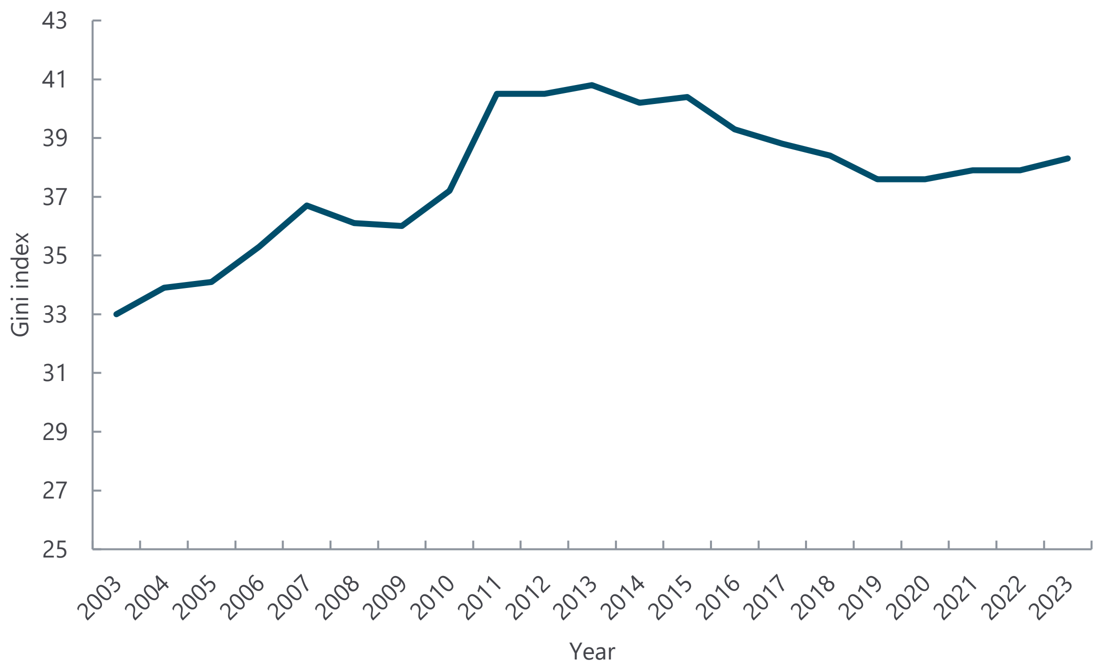
Indonesia's Golden 2045 Vision

2.7 Indonesia has set an ambitious target under its Golden 2045 Vision to become a high-income country and reduce poverty to nearly zero by its 100th anniversary of independence in 2045. To reach that goal, Indonesia will need to sustain annual growth rates between 7 and 8 percentage points for the next two decades. Boosting economic growth to 7 percent a year will require substantial increases in the rates of growth of physical and human capital and productivity—on average, 45 percent across the board from the rates observed in 2010–19.[5]

2.8 Indonesia's development vision rests on completing its structural transformation. Indonesia aims to facilitate structural transformation to higher-value activities from its current reliance on commodities and low-value services by increasing productive public and private investments, including through deeper capital markets and financial intermediation. As part of that transformation, it aims to increase the quality and competitiveness of its human capital and strengthen infrastructure to support basic services delivery. Moreover, by capitalizing on the economies of agglomeration that accompany rapid urbanization—a phenomenon yet to occur in Indonesia, in contrast to China, Thailand, and Viet Nam—the country aims to drive structural transformation and sustain growth.

2.9 Indonesia's economic growth aspirations are complemented by a desire to reduce income inequality. Even though Indonesia has nearly eradicated extreme poverty, there has been more limited progress in reducing inequality over the past decade. The Gini coefficient, a measure of national consumption inequality, rose from 33 in 2003 to 41 in 2013, and by 2023 the index had declined to only 38 (figure 2.2).[6] As much as 40 percent of the population suffers economic insecurity, defined as either being poor with a low likelihood of moving to nonpoor the after year or being nonpoor with a high likelihood of moving to poor (Pape and Ali 2023).

Figure 2.2. Gini Index, 2003–23



Source: World Development Indicators.

2.10 Indonesia's shift toward higher and more inclusive sources of growth will also necessitate decoupling economic growth from greenhouse gas emissions. Indonesia is currently a significant greenhouse gas emitter, contributing about 3.5 percent to global emissions (World Bank 2023a). Many of the country's economic activities are tied to its rich land and energy resources, including forests, peatlands, and coal. These resources have been integral to sectors like electricity, industry, transportation, and agriculture, driving the country's emissions profile. As part of its nationally determined contribution plan, Indonesia aims to reduce greenhouse gas emissions 29 percent unconditionally (and 41 percent with international support) by 2030.

Priorities for Reaching Indonesia's Development Vision

2.11 The government has recognized the urgency of addressing four critical challenges to maintain progress toward its high-level development vision. First, the government must remedy significant public spending deficits in infrastructure and human capital and ensure spending is efficient and effective. Second, Indonesia needs to effectively manage and capitalize on the gains it can achieve from urbanization. Third, Indonesia needs to ensure economic prosperity is broadly shared throughout the population by addressing long-standing gaps in human capital. Fourth, an acceleration of reforms aimed at deepening the financial sector without compromising macro- and microprudential standards is needed to accelerate growth.

Promoting Public Spending Adequacy and Efficiency

2.12 Indonesia suffers from significant gaps in human and physical capital, resulting from years of underinvestment. Although Indonesia has dedicated more resources toward infrastructure in recent years, this is still insufficient given the large deficit versus other emerging and developing economies (World Bank 2020c). Between 2000 and 2013, Indonesia spent an average of 3.6 percent of GDP on infrastructure per year, compared with 17.7 percent in China, 11.3 percent in Malaysia, and 6.3 percent in Thailand. Indonesia's public capital stock per capita in 2015 was 2.5 times lower than the average for other emerging economies, indicating a US$1.5 trillion infrastructure gap (World Bank 2019b). Indonesia also has a significant human capital gap, impeding its ability to move up the productive value chain to higher-value activities. Public spending on health in 2017 was 1.5 percent of GDP, lower than both the regional average (4.9 percent) and the average for its income country group (4.0 percent). Indonesia's spending on education (3.0 percent of GDP in 2018) trails both the regional average (4.7 percent) and the average for its income country group (4.7 percent; World Bank 2020b).

2.13 Spending on these development priorities has been constrained by low domestic revenue mobilization and the high cost of energy subsidies. Indonesia has had one of the lowest revenue-to-GDP and tax-to-GDP ratios among emerging market economies. Between 2001 and 2019, revenue declined from 17.2 percent of GDP in 2001 to 12.4 percent, placing Indonesia's revenue mobilization at less than half of the emerging market average of 27 percent of GDP. Tax revenue stood at about 9.1 percent of GDP in 2021—about 7 percentage points below the estimated tax potential of 16 percent (World Bank 2024a). In addition to low revenue mobilization, Indonesia's high level of spending on improperly targeted energy subsidies is a major factor impeding its ability to ramp up spending on key development priorities like infrastructure, human capital, and social protection. These subsidies accounted for as much as one-fifth of the central government's budget.

2.14 Closing infrastructure and human capital gaps will require more effective spending. Indonesia's spending efficiency and effectiveness are weakened by a range of factors that reduce the line of sight between spending and outputs, including a complex relationship between planning and budgeting, fragmentation of spending across spending units, budget implementation challenges, and cumbersome procurement processes. After decentralization, provincial units are charged with implementing most of Indonesia's recent budgetary increases for infrastructure, but low capacity for budget execution has reduced spending efficiency and enhanced opportunities for corruption. Execution of the government's capital budget is low; only about 85 percent of the allocated capital budget is spent each year (World Bank and Indonesian Ministry of Finance 2021), and most capital spending takes place in the last quarter of the fiscal year.

Ensuring Disaster-Resilient Urbanization Management

2.15 Indonesia aims to effectively manage the congestion forces pressuring growing urban populations. Today, about 151 million people—over half of Indonesians—live in cities and towns, and by 2045, it is expected that more than 70 percent of Indonesia's population will reside in urban areas. Indonesia's rapid urbanization and the accompanying agglomeration effects are unlocking new opportunities for innovation and productivity growth. However, there are both large gaps in urban infrastructure investments and deficient land use planning. Connectivity within metropolitan regions and between metropolitan and nonmetropolitan areas is hampered by transport infrastructure underinvestment and lack of metropolitan governance and coordination, leading to pervasive traffic congestion. Additionally, 20 percent of urban Indonesians live in slums, with inadequate water and sanitation and solid waste management infrastructure (Roberts et al. 2019), and pollution adversely affects urban livability. In Jakarta, air pollution is linked to health issues for 60 percent of residents, and 70 percent of city dwellers cite pollution as a top urban environmental concern (World Bank 2018).

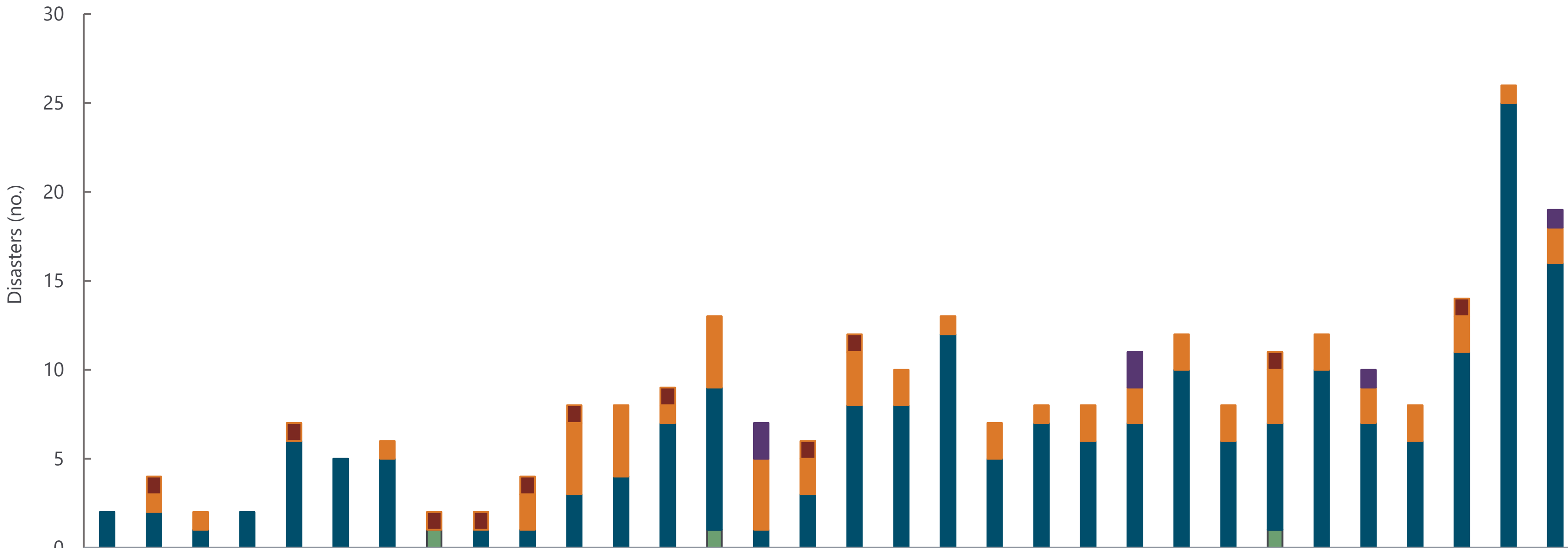
2.16 Addressing climate change and extreme weather events is central to urban development. City dwellers are increasingly vulnerable to natural hazards, particularly from heavy rainfall due to climate change; building resilience to these disasters and other climatic shocks is essential. Partly to address the continued flooding affecting Jakarta, the government is developing a new capital, Nusantara, on Kalimantan Island. Without careful planning and management against disaster risks, rapid urbanization could escalate risks by clustering populations and assets in hazard-prone areas.

Lifting Human Capital

2.17 Low human capital development is stifling growth and poverty reduction, with Indonesia facing challenges of low child survival and high rates of stunted growth of children. Indonesia's Human Capital Index grew only modestly from 0.50 in 2010 to 0.54 in 2020. On average, a child in Indonesia is expected to be 54 percent as productive as they would be with complete education, health, and nutrition. This is lower than the regional average for East Asia and Pacific and is low in comparison with most upper-middle-income countries. Under-five child mortality currently stands at 21 deaths per 1,000 births, one of the highest in the region (UNICEF 2022). High levels of stunted growth (21.6 percent in 2022) also limit the extent to which human capital can contribute to the economy. The Indonesian economy loses approximately US$3.7 billion per year (equivalent to 2.3 percent of GDP) as a result of stunted growth (Murthi 2022).

2.18 Indonesia has large disparities in human capital, which run along income lines and are further aggravated by high exposure to climate-related disasters. Indonesia's human capital challenge reflects its inequality challenge. Poor people face significantly greater risks for low human capital accumulation: stunted growth of children, reduced cognitive development, lower learning and educational attainment, and substantially decreased adult productivity and wages. Indonesia is highly exposed to shocks. The INFORM Risk Index ranks Indonesia in the top quarter of countries, at 47 out of 191 countries worldwide.[7] Since the 1990s, Indonesia experienced over 300 natural disasters affecting more than 11 million people, with poor people carrying a disproportionate burden because they more often live in affected areas (figure 2.3).

Figure 2.3. Natural Disasters, 1990–2021



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Wildfire	0	1	0	0	1	0	0	1	1	1	1	0	1	0	0	1	1	0	0	0	0	0	0	0	0	1	0	0	0	1	0	0
Storm	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	2	0	0	0	0	1	0	0	0	1
Landslide	0	1	1	0	0	0	1	0	0	2	4	4	1	4	4	2	3	2	1	2	1	2	2	2	2	3	2	2	2	2	1	2
Flood	2	2	1	2	6	5	5	0	1	1	3	4	7	8	1	3	8	8	12	5	7	6	7	10	6	6	10	7	6	11	25	16
Drought	0	0	0	0	0	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0

Year and disasters (no.)

Source: Independent Evaluation Group estimates from World Bank 2023.

Deepening of the Financial Sector

2.19 To break the middle-income ceiling, Indonesia needs to continue developing its financial system. The Asian financial crisis shifted authorities' focus to rebuilding and modernizing the financial system. This included restructuring banks, establishing deposit insurance, eliminating government funding distortions, and improving supervision and regulation (including the establishment of the Financial Services Authority and the Deposit Insurance Corporation). Reforms in capital markets development, financial inclusion, payment systems, and disaster risk finance have also been important elements in the reform agenda. These efforts enhanced financial stability and supported the real economy during the COVID-19 pandemic and recovery period. Yet, to achieve faster and higher-quality growth, high-income countries have expanded the depth and efficiency of their financial sectors. Indonesia's financial sector remains significantly small compared with those of other middle- and high-income countries (Strobbe et al. 2023).

2.20 Capital markets do not provide sufficient investment funding and are not yet a viable alternative to bank financing (Strobbe et al. 2023). According to the 2024 Financial Sector Assessment Program, the government securities markets are relatively well developed, but the corporate bond and equity markets remain shallow. Progress in developing Indonesia's capital markets has been supported by the Financial Sector Omnibus Law (Law 4/2023) and ongoing regulatory amendments. However, further reforms and addressing structural issues are still necessary.

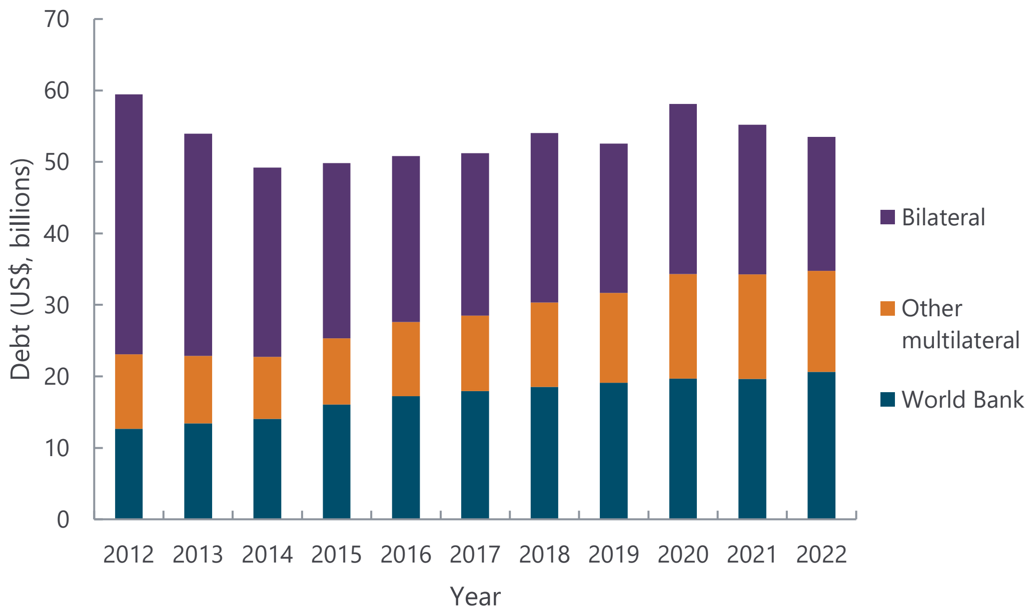
3. The Bank Group in Indonesia

Overview

3.1 The partnership with Indonesia is one of the Bank Group's most significant ones. Indonesia is the second-largest borrower from the World Bank, with US$19.5 billion in project finance disbursed during FY14–24 (World Bank Group Finances One [database]). As of 2022, the World Bank accounted for 39 percent of Indonesia's total external debt outstanding and about 60 percent of Indonesia's public debt outstanding to multilaterals, making the World Bank a large player among external creditors (figure 3.1). The engagement is supported by the Bank Group's largest country office. The Bank Group engagement was marked by strong collaboration with development partners, essential in such a large country with a broad range of multilateral and bilateral partners working across diverse agenda.

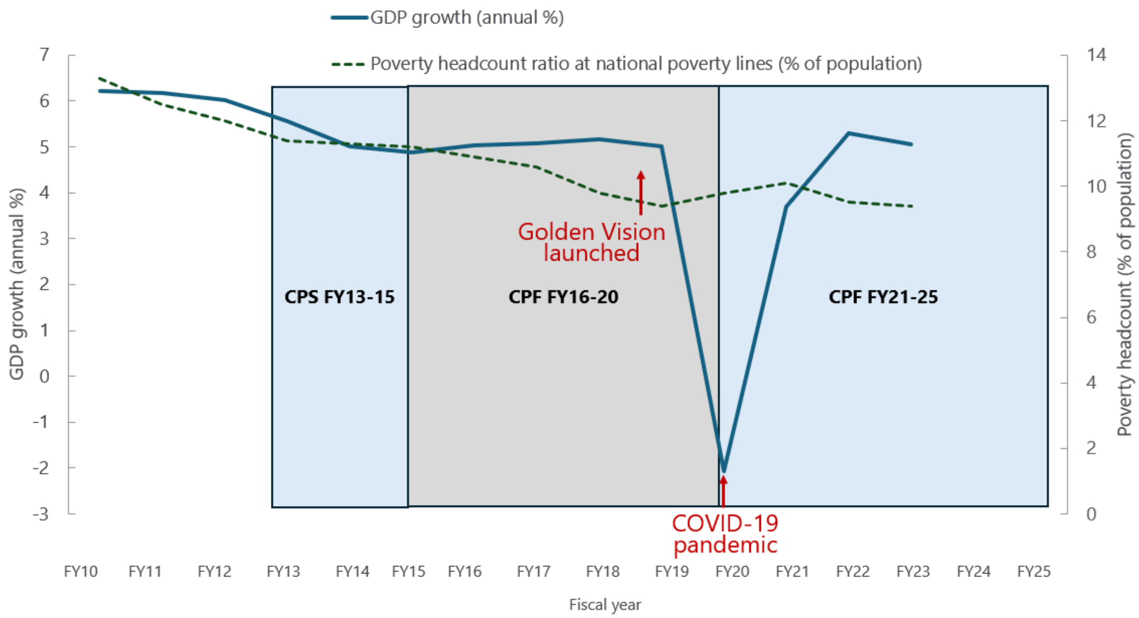
3.2 Over the evaluation period, the Bank Group adapted its support in response to evolving economic priorities. For most of the period after the 2008 global financial crisis, Indonesia has exhibited steady economic growth and poverty reduction (figure 3.2). Bank Group support has focused on continued capacity building to meet Indonesia's development vision. Early Bank Group support, with the help of third-party financing, has provided intensive advisory and implementation support. Increasingly, the World Bank has shifted its modes of support in response to a sophisticated client with a country-led development agenda using its systems and processes. In most cases, the World Bank remained a key convener and provider of knowledge services and technical advice, but occasionally it scaled back financial support where government programs were successfully launched or where other financing was preferred.

Figure 3.1. Indonesia External Debt Outstanding, by Creditor, 2012–22



Source: World Bank Group Finances One database.

Figure 3.2. Main Economic Developments over World Bank Group Engagement Cycles, FY10–25



Source: Independent Evaluation Group staff from World Development Indicators.
Note: CPF = Country Partnership Framework; CPS = Country Partnership Strategy.

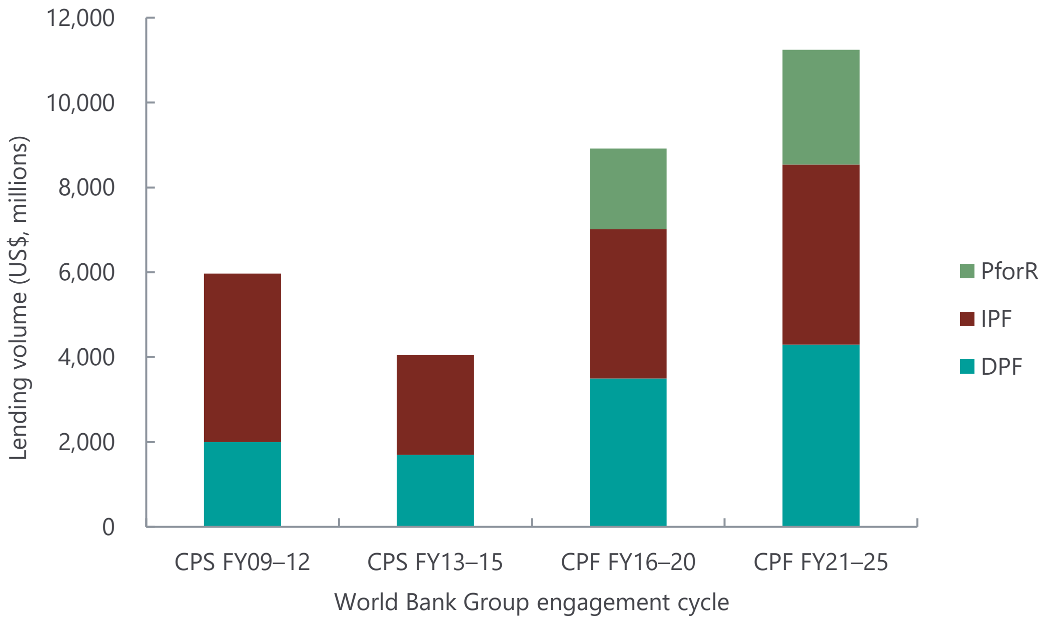
Evolution of Bank Group Support Toward Key Development Challenges

3.3 Bank Group support evolved over each engagement cycle in response to changing country needs. Support toward public spending adequacy and efficiency gradually transitioned from a program that initially focused on technical capacity building to one that delivered both policy advice and investments to match Indonesia's advancing capabilities and political windows for reforms. Urbanization management support has increasingly evolved into climate-resilient urban development reinforced by the private sector. It included long-running national programs such as slum upgrading and community-driven development in urban areas and local government capacity building for service delivery. The agenda to lift human capital required shifting the focus from developing the basic building blocks of human development delivery systems, such as targeting, to an equity lens of improving access among the disadvantaged. This required a "whole-of-Indonesia approach" to tackle stunted growth of children, the country's stubborn learning crisis, and uneven health outcomes. The World Bank's support to the financial sector evolved from focusing on stability at the beginning of the evaluation period to an ambitious programmatic series aimed at enhancing the depth, efficiency, and resilience of the financial sector. Support from the International Finance Corporation (IFC) to this sector remained consistently focused mainly on increasing financial depth.

Country Partnership Strategy FY13–15

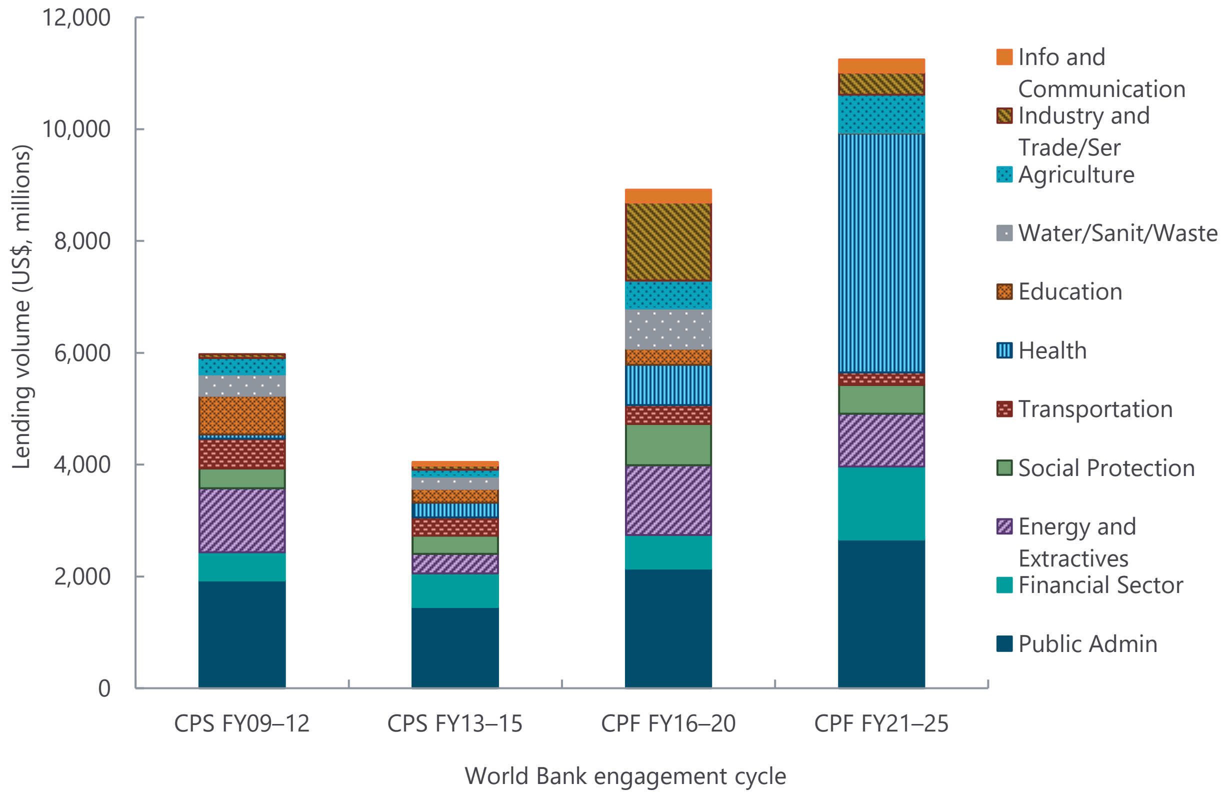
3.4 During the CPS period (FY13–15), Bank Group support responded to a wide array of complex development challenges facing a fast-growing economy. Though financial support was scaled back from the FY09–12 CPS period (figures 3.3 and 3.4), the Bank Group delivered a broad program of support in four key engagement areas: (i) boosting growth and job creation by facilitating the supply response to the dramatic change in demand that a rising middle class and urbanization bring (the government's progrowth and projobs agenda); (ii) accelerating the pace of poverty reduction and providing greater economic security for the vulnerable so that they can share the benefits of growing prosperity (the pro-poor and projobs agenda); (iii) enhancing sustainability in natural resource management (the progreen agenda) and (iv) deepening the financial sector (the progrowth agenda).

Figure 3.3. Evolution of World Bank Lending by Instrument and Engagement Cycle, FY09–25



Source: Independent Evaluation Group Data Hub, August 2024; Independent Evaluation Group staff calculation.
Note: CPF = Country Partnership Framework; CPS = Country Partnership Strategy; DPF = development policy financing; IPF = investment policy financing; PforR = Program-for-Results.

Figure 3.4. Evolution of World Bank Lending by Sector and Engagement Cycle, CPS FY09–12, CPS FY13–15, CPF FY16–20, and CPF FY21–25



Source: Independent Evaluation Group Data Hub, August 2024; Independent Evaluation Group staff calculation.
Note: Admin = Administration; CPF = Country Partnership Framework; CPS = Country Partnership Strategy; Sanit = Sanitation; Ser = Services.

3.5 The World Bank provided extensive technical assistance toward the first critical challenge to improve public spending adequacy and efficiency, which was largely financed through trust funds. At the time of the CPS, several major trust fund programs funded by the government of Australia and implemented by the World Bank provided ground-level support toward evidence-based policy making. This included the secondment of external consultants directly into Indonesia's Fiscal Policy Agency, transferring expertise in macroeconomic management and revenue and expenditure analytics. In addition to the wide body of technical assistance provided to the Ministry of Finance, the World Bank also undertook a stream of core analytic activities to underpin the government's tax and expenditure reforms (including a Public Expenditure Review update). With key spending on infrastructure decentralized to the local level, the World Bank also delivered several projects and technical assistance aimed at improving accountability and reporting of subnational spending of central government infrastructure grants.

3.6 The Bank Group's support toward the second critical challenge, to enhance urbanization management, supported local government capacity for improved infrastructure and service delivery. Urbanization management support included support to local governments for public financial management and social and environmental management. Additionally, the World Bank on-lent to subnational governments for complex infrastructure projects. IFC, meanwhile, provided advisory services toward energy and transport.

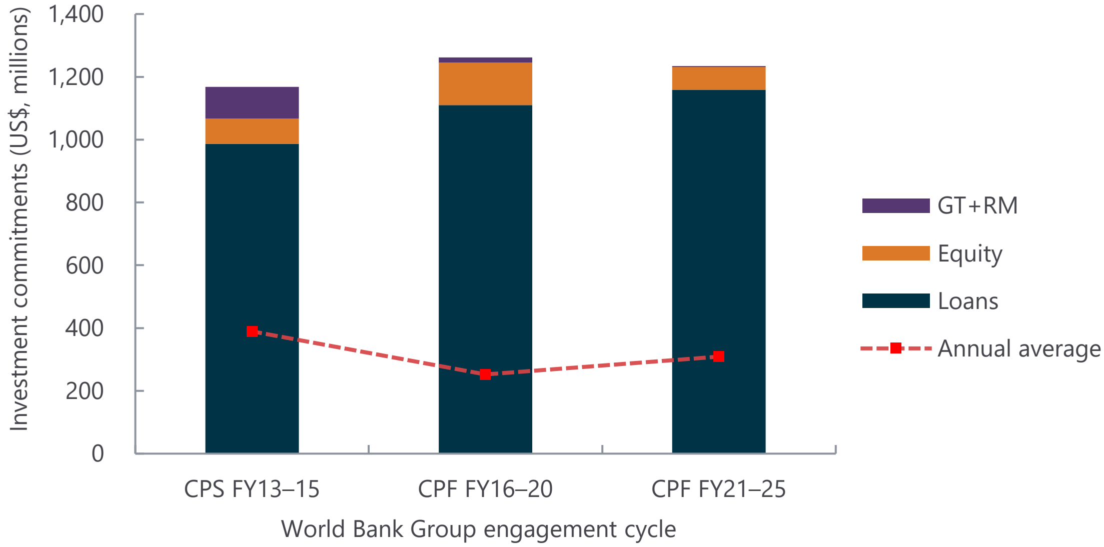
3.7 Bank Group support toward the third challenge, lifting human capital, spanned the pro-poor and projobs engagement areas. The World Bank primarily focused on improving targeting, community development, nutrition, and universal health coverage. There was a large focus on knowledge building for universal health coverage, HIV/AIDS, and nutrition around this time.

3.8 The Bank Group support to the financial sector was delivered under the progrowth agenda. The World Bank's support included two development policy operations and one investment project financing totaling US$600 million, targeting financial sector stability, diversification, and inclusion. IFC complemented these efforts by allocating US$677 million (58 percent of its total portfolio) to the financial sector and implementing five advisory services projects (US$12.7 million) aimed at enhancing access to finance for low-income clients and small and medium enterprises.

Country Partnership Framework FY16–20

3.9 During FY16–20, Bank Group lending increased significantly, addressing both new policy agenda and critical health, social protection, and energy investments (see figure 3.4). With a new government in place in October 2014, the World Bank ramped up policy-oriented support (in fiscal strengthening, maritime logistics, and energy modernization), investment financing in energy and health (particularly at the beginning of the COVID-19 crisis), and Program-for-Results. In addition, the World Bank supported holistic landscape management programs to protect natural resources, reduce carbon emissions, and support sustainable livelihoods. Overall, World Bank lending increased from US$3.9 billion during FY13–15 to US$8.8 billion during FY16–20, a 40 percent annualized increase. The IFC investment amount remained the same (US$1.3 billion; see figure 3.5). The World Bank also intensified analytical work, much of it focused on public administration, the financial sector, and social protection.

Figure 3.5. Evolution of International Finance Corporation Investments by Product for CPS FY13–15, CPF FY16–20, and CPF FY21–25



Source: International Finance Corporation iPortal, July 2024; Independent Evaluation Group staff calculation.
Note: Loans: includes loan-type, quasi-loan products. Equity: includes equity-type, quasi-equity products. CPF = Country Partnership Framework; CPS = Country Partnership Strategy; GT+RM = guarantees and risk management products.

3.10 World Bank support toward public spending adequacy and efficiency supported the new government's ambitious reform agenda. The new administration sought to tackle the long-standing fiscal risks from subsidies and undertook a decisive program to remove energy subsidies. The World Bank supported a reduction in energy subsidy expenditures through an energy sector development policy operation, and provided a range of technical assistance aimed at improving social protection systems to buffer the subsidy reform impacts on poor people. This was complemented with a US$1.7 billion fiscal reform development policy operation programmatic series of three operations (FY16–19), which sought to improve the effectiveness of fiscal policy in support of the government's national plan. A significant program of analytical work complemented operational support, including toward tax and expenditure policy reform.

3.11 Bank Group support toward urbanization management continued to focus heavily on enhancing infrastructure and service delivery by local governments. World Bank support included strengthening the decentralization framework, establishing a performance-based fiscal transfer system, enhancing the monitoring of local service delivery by the central government and citizens, and urban planning. The World Bank prioritized sustainable urbanization in major and growing secondary cities by supporting essential infrastructure sectors (including urban transport, water supply and sanitation, drainage, slum upgrading, solid waste management, and urban pollution) and national programs aimed at universal access to water and sanitation. Additionally, IFC assisted selected municipalities with corporatization, municipal bonds, and private sector infrastructure investments.

3.12 The Bank Group's support toward lifting human capital aimed to improve quality and equity in services delivery, which under federalism was localized, and social protection. On health, the World Bank's portfolio was therefore more focused on local implementation of national programs and technical assistance to districts and villages in disadvantaged regions to ensure universal access to health-related services. On social protection, the World Bank aimed to strengthen social protection programs, especially Program Keluarga Harapan, for poor and vulnerable people. IFC also sought private sector models for using new technologies to expand health care services to the base-of-the-pyramid populations in remote regions.

3.13 One CPF objective was to enhance access to finance as part of improving the business climate and the functioning of markets. IFC investments focused on the finance and insurance sector, totaling about US$750 million. IFC investments in commercial banks and nonbank financial institutions aimed at providing financial services to micro, small, and medium enterprises and women entrepreneurs, complementing the World Bank's ongoing policy of lending and advisory services to broaden access to financial services. Support to Indonesia Infrastructure Finance (a nonbank financial institution) exemplifies the joint efforts of the World Bank and IFC in this area.[1] The World Bank supported Indonesia Infrastructure Finance with a US$100 million investment policy financing operation in 2009 and additional US$200 million in financing in 2017. Meanwhile, IFC provided three loans totaling US$95 million in loans to the same institution between 2014 and 2017.

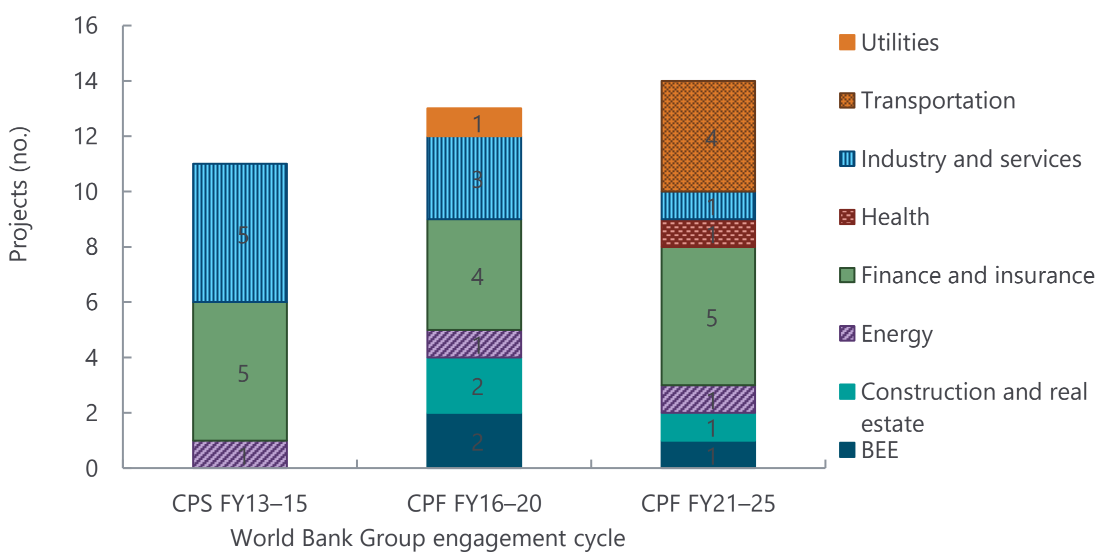
Country Partnership Framework FY21–25

3.14 During FY21–25, Bank Group lending increased further, with an enhanced focus on climate change. Post-COVID-19 and with increased recognition of Indonesia's vulnerability to climate change and natural resource degradation, the CPF focused on promoting a resilient recovery through (i) strengthened competitiveness and resilience, (ii) improved infrastructure, (iii) enhanced human capital, and (iv) improved management of natural assets, livelihoods, and disaster resilience. Knowledge and advisory work centered on public finances, governance, health, and social protection.

3.15 Support toward public spending adequacy and efficiency increased attention to enhanced domestic revenue mobilization and subnational spending efficiency. Through a stand-alone fiscal development policy operation (US$750 million), the World Bank supported increased tax revenues and improved tax equity. With the increasing need to ensure effective spending of decentralized transfers for infrastructure, the operation also focused on improved expenditure management at the subnational level. The World Bank supplemented operational support with continued knowledge services, including a programmatic series to strengthen the fiscal policy framework post-COVID-19.

3.16 Bank Group support toward urbanization management focused on disaster- and climate-resilient urban development and environmental and financial sustainability. The World Bank financed disaster risk management, a green urban mass transit system, and urban water and solid waste management. The CPF also aimed to have a sharper focus on infrastructure financial sustainability, innovative financing approaches, and private sector participation. Through programmatic advisory services and analytics (ASA), the Bank Group aimed to continue to develop advisory products for dialogue on infrastructure finance; institutional and regulatory support, including for subnational agencies and state-owned enterprises, with IFC focusing on capital market and risk products; and green buildings and waste management (figure 3.6).

Figure 3.6. Evolution of International Finance Corporation Advisory Services by Sector and Engagement Cycle, FY13–25



Sources: International Finance Corporation iPortal, July 2024; Independent Evaluation Group staff calculation.
Note: BEE = Business-Enabling Environment (economy wide); CPF = Country Partnership Framework; CPS = Country Partnership Strategy.

3.17 The World Bank's support toward lifting human capital during this CPF was in line with the previous cycle. The social protection sector focused more on inclusiveness, and IFC sought to invest in health care platforms with broader geographic reach and health-related supporting industries in response to the pandemic. On education, the World Bank aimed to have a comprehensive ASA agenda to enhance evidence-based policy making and implementation of the National Education Strategy 2020–2024.

3.18 Financial sector support aimed to increase depth, efficiency, and resilience. The World Bank expanded its support to Indonesia's financial sector with a programmatic series of three development policy operations with a total commitment value of US$2 billion, maintaining the core objectives of increasing the depth, efficiency, and resilience of the financial sector. IFC's support remained primarily focused on the financial sector, with close to US$1 billion in investments allocated to this area as of July 2024. Although IFC continued to channel its support mainly through commercial banks to enhance financial inclusion, more recently it also expanded its support for digital inclusion initiatives.

4. Purpose, Objectives, and Audience

4.1 The objective of this CPE is to assess how the Bank Group has supported Indonesia in addressing key development challenges and how that support adapted to changing circumstances and lessons from experience. The evaluation will cover FY13–23. Its findings will inform the new CPF. The primary audience is the World Bank's Board of Executive Directors, its Committee on Development Effectiveness, the Bank Group's management and staff working on Indonesia, stakeholders in Indonesia, and Bank Group teams working in middle-income countries that are facing similar development challenges.

5. Evaluation Questions and Scope

5.1 This evaluation will focus on four evaluation questions (detailed evaluation questions are included in appendix A). These evaluation questions were chosen because of their strategic relevance to Bank Group engagement over the CPE period and to Indonesia's vision of becoming a prosperous, fair, and high-income nation by 2045. In choosing these themes (figure 5.1), the Independent Evaluation Group (IEG) also considered the importance of the theme to Indonesia's development and refined the evaluation subquestions and cross-sectional lenses based on discussions with the country team.

- Evaluation question (EQ) 1: In the face of Indonesia's plans for significantly increased spending for infrastructure and human development toward higher and more inclusive growth, how effectively did the World Bank design and adapt its support toward ensuring Indonesia's spending adequacy and sustainability?

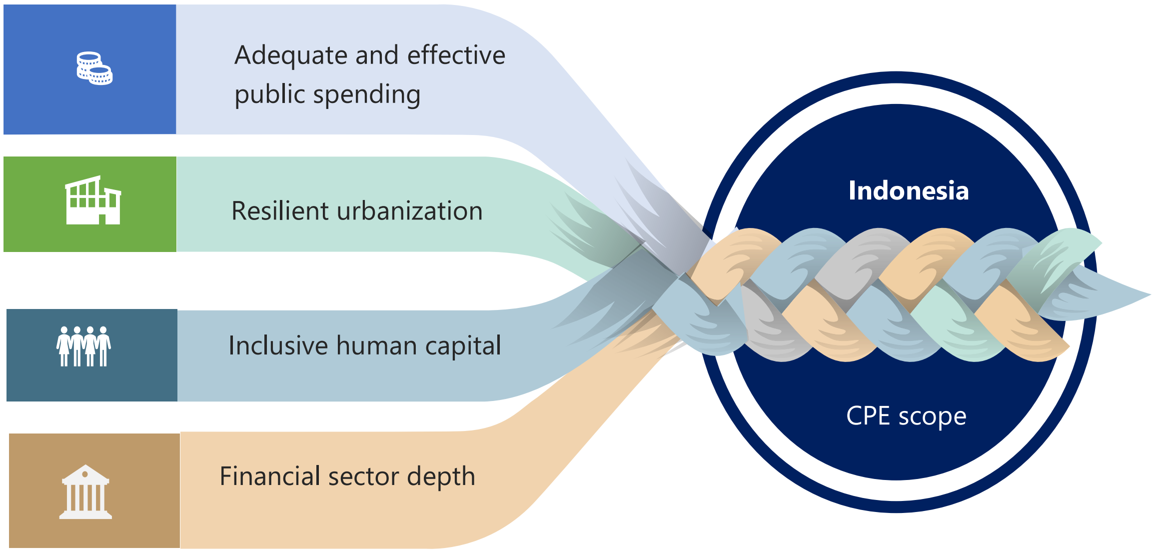
- EQ2: How relevant and effective has the Bank Group been in addressing Indonesia's rapid urbanization to ensure disaster-resilient cities?

- EQ3: How relevant and effective have the World Bank's efforts been in overcoming obstacles to inclusive human capital?
- EQ4: How relevant and effective have the Bank Group's efforts been in deepening the financial sector while maintaining financial stability and building institutions?

5.2 Within these four major evaluation questions, the team will also consider how the Bank Group incorporated cross-cutting challenges of climate change and inequality. Both climate change and inequality reduction are core to EQ2, and inequality reduction is at the center of EQ3. Inclusion and climate also feature in the World Bank's support to the financial sector. Within each question, the CPE will assess the degree to which the World Bank's portfolio of projects and analytical work was informed by and addressed the government's climate change and inequality ambitions. For example, in looking at the relevance and effectiveness of the World Bank's support toward public financial management (EQ1), the evaluation will consider how the support was relevant and contributed to both improved equity and improved climate adaptation and mitigation. In addition to incorporating these cross-cutting lenses in the evaluation questions, a portfolio review of lending projects for climate adaptation and mitigation will be included in a climate change appendix.

5.3 Beyond assessing the relevance and effectiveness of support, the team will draw on available evidence to understand the factors underpinning the scope, nature, and effectiveness of the Bank Group engagement. To identify the lessons on relevance and effectiveness, the team will assess how specific aspects of the Bank Group's engagement (including the choices of instruments [Program-for-Results versus investment policy financing, for example], its level of engagement and coordination with other development partners, coordination between the World Bank and IFC, the level of government with which the Bank Group worked, and so on) affected its influence and effectiveness.

Figure 5.1. Country Program Evaluation Themes



Source: Independent Evaluation Group.
Note: CPE = Country Program Evaluation.

5.4 EQ1 will assess the degree to which World Bank support approved during the evaluation period was relevant to and effective toward strengthening Indonesia's domestic revenue mobilization and quality of spending. Fiscal policy, in its revenue mobilization and spending (including transfers) functions, underpins the Indonesian government's ability to undertake investments needed to enhance productivity and competitiveness toward reaching high-income status by 2045, to deliver public services toward poverty reduction and shared prosperity, and to achieve income distribution goals. EQ1 will assess the degree to which the World Bank program of support was relevant and adaptive to identified constraints to more efficient, effective, and accountable domestic revenue mobilization and spending.[2, 3] EQ1 will also consider the degree to which World Bank support addressed equity considerations in revenue mobilization, spending, and transfers, and the degree to which World Bank support toward fiscal policy and public finance addressed climate considerations (for example, through energy subsidy reform and public financial management systems that ensure climate considerations in evaluation and selection of public investment projects). Relevance considers not only the relevance of what the World Bank did but also gaps in support: the degree to which identified priorities for improved fiscal management were not met by the World Bank or other partners. Where possible, the team will determine (through documentary evidence and interviews) the factors that have driven and the entry points that have facilitated the areas of World Bank engagement, to draw lessons on what works. The effectiveness of the World Bank's support will be assessed in terms of the degree to which it can be traced to meaningful improvements in "collecting more and spending better" (drawing on indicators that can be closely linked to reforms undertaken) and whether the World Bank's support was effective in ensuring impacts were sustained.[4]

5.5 The scope of EQ1 will include all World Bank analytical and project support toward fiscal and public financial management during the evaluation period. It will cover not only support toward domestic revenue mobilization and improved quality of spending (including at the subnational level) but also World Bank support toward fiscal risk management (including through improved transparency of contingent liabilities such as from state-owned enterprises and improved debt management). The support includes approximately a dozen projects across four Global Practices (Macroeconomics, Trade, and Investment; Governance; Sustainable Development; and Human Development) equivalent to International Bank for Reconstruction and Development (IBRD) commitments of approximately US$3.8 billion and approximately 35 analytical activities.

5.6 EQ2 will assess the relevance and the effectiveness of the Bank Group's support toward the goal of disaster risk resilience. While this theme will assess broad disaster risk management policy and capacity building at the central and local levels and disaster resilience aspects in urban development projects, the analysis will also include a desk-based review of sustainable development (planet) and infrastructure portfolios to analyze the evolving Bank Group support to address broader key challenges regarding climate change and environmental sustainability. Disaster risk resilience will be assessed in terms of selected elements within disaster risk mitigation and disaster preparedness, to ensure that these areas are supported by a robust evidence base. These include the following: (i) effectiveness of supporting robust infrastructure with integrity, strength, and ability to withstand shocks, specifically coastal and inland floods and earthquakes (as defined in World Bank 2019a), through applying adequate resilience standards for road infrastructure, public buildings, and housing (for example, standards for all-season roads and resilient building codes); (ii) adequacy of operations and management measures for these infrastructure works; (iii) effectiveness of flood risk–management works; and (iv) adequacy of the World Bank's capacity-building support for disaster risk-preparedness efforts.

5.7 EQ2 will examine the World Bank's relevant support through approximately 10 World Bank lending projects spread across multiple sectors approved between 2013 and 2023 (equivalent to approximately US$2.1 billion in IBRD commitments) and 95 analytical activities. IFC support for disaster risk resilience focusing on urban areas will be included in the analysis by assessing three investment projects approved during the same period, amounting to US$90 million, and two advisory services projects. The Multilateral Investment Guarantee Agency has no guarantees supporting the urban sector during this period. EQ2 analysis will assess how the Bank Group's analytic and advisory activities helped improve understanding of the constraints to resilient urbanization in Indonesia and then how lending was operationalized to address these needs.[5] The effectiveness analysis will include the closed portfolio of Bank Group projects during the evaluation period on slum upgrading, the provision of affordable housing, and urban community development programs.

5.8 EQ3 will assess the relevance and effectiveness of the World Bank's support for human capital toward the goal of sustained reductions in inequality and improvements in shared prosperity. The portfolio suggests a strong focus on ASA in the first part of the evaluation period, and, therefore, EQ3 will first assess how the diagnostic work helped improve understanding of the constraints to human capital accumulation and then how lending was leveraged to address these constraints. The question will also throw light on the evolution of the World Bank's support in relation to ever-changing needs for human capital, including those associated with climate adaptation.

5.9 EQ3 will examine the World Bank's support through approximately 14 projects in the Human Development Practice Group approved between 2013 and 2023 (equivalent to approximately US$3.8 billion in IBRD commitments). While these projects pertain to health, nutrition, and social protection, 71 percent in terms of number of projects and 68 percent in terms of IBRD commitments of the portfolio falls under health and nutrition. The team will also assess 34 analytical activities across these sectors and education, as the World Bank has produced pathbreaking analytical work in the latter. This theme will cover aspects of gender, disasters, and the pandemic, given the portfolio focus on reproductive and maternal health, adaptive social protection, and pandemic response. Because low human capital accumulation is highly correlated with high poverty, EQ3 will indirectly assess the World Bank's efforts to reduce inequality and promote shared prosperity by investing in human capital.

5.10 EQ4 will assess the relevance and effectiveness of the Bank Group's efforts in deepening the financial sector. This includes enhancing access to and use of financial services and capital market instruments. The team will also assess contributions to financial sector resilience (including stabilization) and efficiency, and examine the relationships among the three priority areas: depth, efficiency, and resilience. EQ4 will assess the extent to which the World Bank and IFC analytical and diagnostic work contributed to identifying the primary constraints and priorities in Indonesia's financial sector. It will also assess the relevance and effectiveness of World Bank and IFC support in addressing the identified constraints in the financial sector and the extent to which that support adapted to Indonesia's evolving needs, including shocks. Finally, it will assess the extent to which the World Bank and IFC collaborated effectively to support Indonesia's financial sector.

5.11 The scope of EQ4 will cover all World Bank and IFC support to the financial sector during the evaluation period. This support includes World Bank lending operations (five development policy operations and two investment project financing) approved between 2013 and 2023, totaling US$2.6 billion, and three programmatic advisory services grouping over 20 analytical activities with a total approximate value of US$20 million. To assess IFC's support to the financial sector, the CPE will examine 29 investment projects approved during the period, amounting to US$2.3 billion, and 14 advisory services projects.

6. Evaluation Design

6.1 The evaluation will assess the Bank Group's engagement through two main evaluation criteria:[6]

- **Relevance.** Within each evaluation question, the evaluation will determine the relevance of the Bank Group's contribution along three dimensions: (i) whether it addressed important constraints to Indonesia's development, as informed by existing rigorous diagnostics; (ii) whether it took into account its comparative advantage, the interest of the government, and contributions of other development partners; and (iii) whether it adapted its engagement in light of changing conditions, accrued evidence, and experience of what worked and what did not, for whom, and why.

- **Effectiveness.** The evaluation will capture the Bank Group's contribution to country outcomes during the evaluation period and determine whether the Bank Group's engagement amounted to more than the sum of its individual activities through appropriate sequencing, complementarity of instruments, and leverage. The evaluation will assess how analytics have informed financing operations and influenced government reforms. To assess effectiveness, the evaluation will reconstruct the theories of change—the packages of activities delivered by the Bank Group during the 11 years and their underlying assumptions—in each outcome area.

Given the addition of the cross-cutting lenses of inclusion and climate action, the evaluation will consider the relevance and effectiveness of World Bank support toward climate and inclusion goals across all four themes.

6.2 To answer the evaluation questions, the team will undertake two levels of analysis. At the broader level, the evaluation team will undertake a descriptive portfolio review analysis for the four themes to identify areas of the World Bank's engagement and the gaps based on diagnostics. Additionally, the team will delve into the factors that have driven decisions on engagement (including through Bank Group and stakeholder interviews). At the level of our themes, the team will follow four analytical steps. First, the team will review major trends for each high-level outcome area. The team will also review and synthesize key diagnostics and analytics produced by the Bank Group, development partners, and the government to identify the main constraints explaining outcomes in the outcome area. Second, the team will reconstruct the main pathways to country outcomes that the Bank Group pursued, whether direct or indirect, through document reviews and complementary interviews with Bank Group staff. Third, the team will use the evidence gathered in the first two steps and additional information to assess the relevance of the Bank Group's contribution along the four outcome areas. Fourth, the evaluation will assess the Bank Group's effectiveness in contributing to development outcomes along the most plausible pathways using pertinent causal analysis techniques.

6.3 For EQ2 and EQ3, given the multisectoral nature of the themes, the team will create a separate theory of change for each sector. For example, under human capital, there will be separate theories of change for health, nutrition, and social protection. All three (considered as pathways) eventually contribute to inclusive human capital. The team will rely on existing literature, diagnostics, and analytics to inform the theories of change.

6.4 The CPE will adopt a mixed methods approach to answer the evaluation questions. Analysis of the development context in Indonesia, including relevant indicators, will provide a background in which the Bank Group program took place. Content and portfolio analysis will inform the major development constraints facing Indonesia (within each development theme) and the areas the Bank Group sought to influence. A theory-based approach will be used to trace the pathways of influence between the Bank Group support and intended outcomes, with focus on the role of analytics and strategy on identifying areas of work and projects to ensure relevance and coherence. Contribution analysis will be used to explore the degree to which the Bank Group's work helped shape policy dialogue, catalyze support from other stakeholders, and deliver its program effectively and efficiently.

6.5 The main documentation sources that will be drawn on are as follows: (i) World Bank portfolio documentation during the period, including outputs of ASA, Project Appraisal Documents, Implementation Completion and Results Reports, Implementation Completion and Results Report Reviews, Implementation Status and Results Reports, restructuring documents, Project Completion Reports, aide-mémoire, review of meeting minutes, and project-related communication; (ii) IFC portfolio documentation, including Board approval documents, supervision reports, Expanded Project Supervision Report Evaluative Notes, and Evaluative Notes of IFC advisory services (project completion reviews); (iii) internal and external diagnostic analytic work; and (iv) formal Bank Group strategies including CPS FY13–15, CPF FY16–20 (and its accompanying Performance and Learning Review), and CPF FY21–25; and evaluations from external partners, including the Asian Development Bank. IEG staff will supplement these sources with information from interviews with Bank Group staff and stakeholders associated with the Indonesia country program (including government, development partners, and IFC clients). Geospatial analysis will be drawn on where relevant to determine whether the Bank Group and other partners targeted operations in regions or areas of greater need. Each of these methods is explained in the following paragraphs and illustrated in figure 6.1:

- **Content analysis of World Bank documents.** The evaluation will review the World Bank's strategy documents, outputs of analytical activities (World Bank, IFC, and external), and existing evaluative evidence both from the World Bank or IFC and from IEG. Content analysis will help the team (i) establish the core constraints within each outcome area from which to determine the relevance of Bank Group support; (ii) build the theories of change that describe Bank Group support in each output area (based on Bank Group strategy documents, project documents, and so on); and (iii) establish the effectiveness of Bank Group support (through existing evaluative documentation).

- **Stakeholder interviews.** The evaluation team will conduct semistructured interviews with Bank Group staff (current and former Country Management Unit staff, regional management, and task team leaders), development partners (and implementation agencies), and clients (both private sector clients and government officials—both incumbent and former). The team will leverage tools such as NVivo to perform qualitative analysis of interview data. Stakeholder interview data will be used to triangulate findings from other documentary evidence and bring out information not presented in documentary evidence (for example, identification of factors that allowed specific projects, programs, or support streams to be more effective than others).

- **Portfolio review analysis.** The evaluation team will review and analyze both the lending and nonlending portfolios to map projects and analytical work to selected themes and to answer the subquestions, including the ones related to the cross-cutting aspect of climate change. The team will use a combination of methods to code projects and ASA, including themes and sector codes from the operational portal and text analytics of project development objectives and components. Within the four evaluative questions, the team will assess the extent to which select ASA have informed lending and Bank Group strategic decisions. Portfolio review analysis will also inform the adaptation of the Bank Group program (across sectors and choice of instruments) over time in response to shocks and other changing conditions.

- **Partnerships analysis.** The evaluation team will review relevant activities of development partners during the evaluation period within the selected four themes. Data will be sourced using IEG's partnership tool and validated with semistructured interviews. The analysis will focus on assessing the extent to which the Bank Group has coordinated and cooperated with development partners to leverage its own and partners' comparatives advantages, divide labor, and avoid duplication. Partnership analysis can help determine the degree to which Bank Group support was well coordinated with other development partners and can provide insights on the World Bank's convening power (which may feature in contribution analysis).

- **Geospatial analysis.** The evaluation team aims to use geospatial analysis to assess the extent to which the design and implementation of World Bank interventions have addressed spatial and socioeconomic disparities. Geospatial analysis will be used to assess the regional distribution of projects and activities and whether Bank Group support has targeted places with higher levels of needs and vulnerability for both EQ2 and EQ3. Geospatial analysis can provide additional data on urban disaster resilience and urban infrastructure conditions such as housing and roads. Geospatial analysis will be specifically used to assess whether housing conditions and community infrastructure have improved in targeted areas. Since the Bank Group support on urbanization is dispersed across many cities in the country, a sampling methodology has been developed to focus the geospatial analysis under EQ2 (for details see the Deep Dive into the Four Evaluation Questions section of appendix A).

- **Contribution analysis.** The evaluation team will reconstruct theories of change using literature and diagnostics for specific sectors. Document reviews and interviews with Bank Group staff will help uncover the sequence of activities and identify how Bank Group contributions addressed key knots and issues pertaining to those sectors. Clear contribution claims will be formulated and validated with key stakeholders. They will then be tested through triangulated sources of evidence.

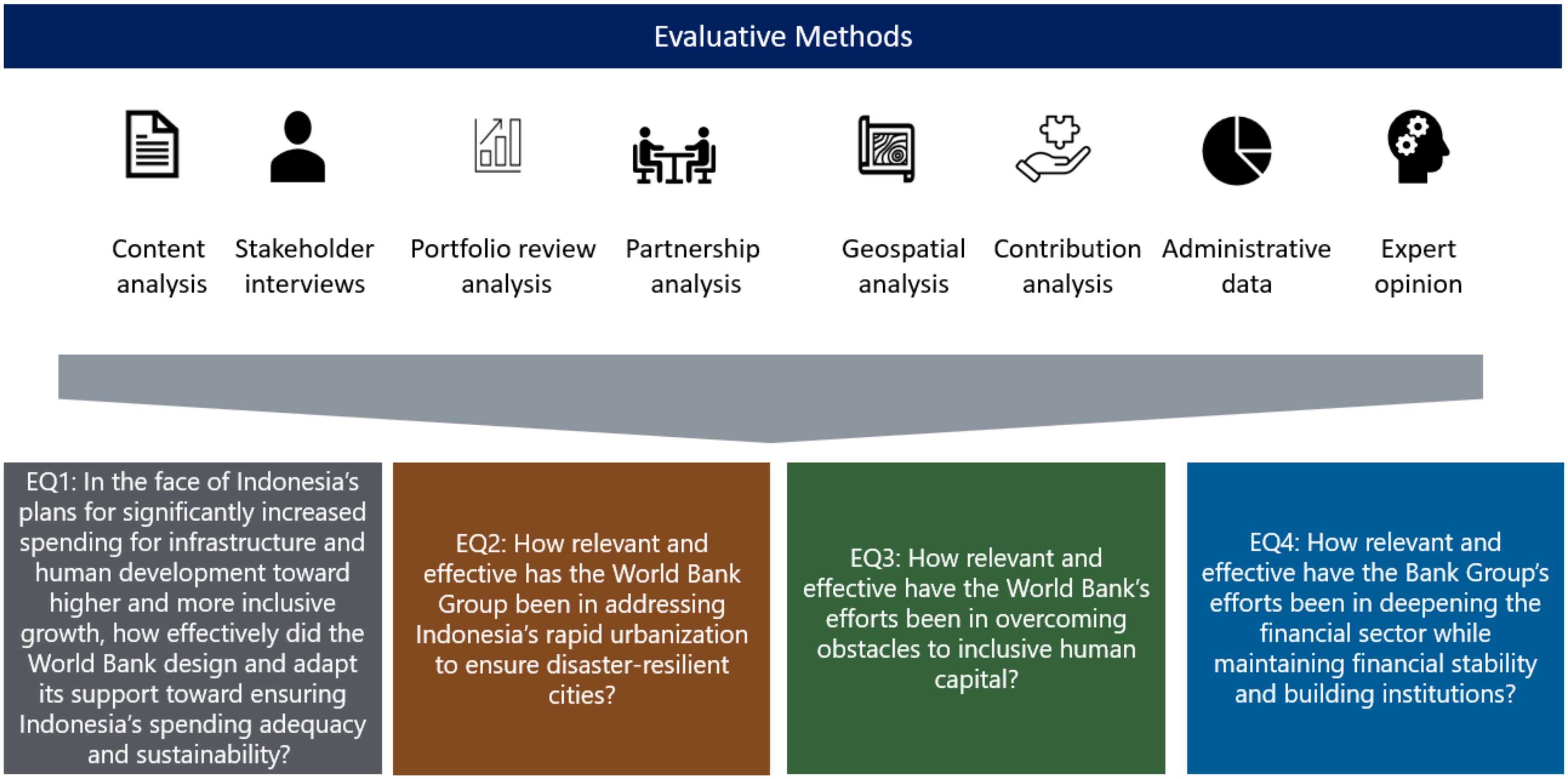
- **Administrative data.** To enhance the effectiveness analysis under EQ2, available administrative data will be used, including the government's database on slums developed under the National Slum Upgrading Project,[7] management information system data from the National Community Empowerment Program in Urban Areas, and data from the National Affordable Housing Program. These data will be used to assess results at the subnational level.

- **Expert opinion.** Under EQ2, to evaluate the effectiveness of Bank Group support on resilience, an international expert and a local consultant will be engaged. Their task will be to assess the adequacy of resilience codes and standards applied to road and housing construction works, as documented in project design documents.

- **Structured virtual interviews.**[8] To complement the analysis of EQ2, structured interviews will be conducted with selected representatives from local governments and implementing agencies at the local level. These interviews aim to assess the effectiveness of World Bank support in applying resilience standards and operation and maintenance arrangements for supported infrastructure works. Additionally, the interviews will evaluate the strategies used by implementing agencies to include poor communities and households for closed projects. Active projects that are sufficiently advanced to provide tangible results will also be included. The sampling strategy for this survey is detailed in the Deep Dive into the Four Evaluation Questions section of appendix A.

6.6 The evaluation will validate findings through data and methods triangulation. Figure 6.1 presents an overview of the key methods for answering the four evaluation questions.

Figure 6.1. Triangulation Methods



Source: Independent Evaluation Group.
Note: EQ = evaluation question.

7. Limitations

7.1 The evaluation faces limitations which may constrain the analysis. Among them, information contained in project documents can be missing or superficial on key dimensions of importance. Data that are sufficiently longitudinal, reliable, and disaggregated (both socially and geographically) may not be available in project documents. Moreover, sensitive information, pertaining to, for example, the political economy, might not be mentioned explicitly in Project Appraisal Documents, restructuring documents, and Implementation Completion and Results Reports. The team will mitigate these limitations through the use of multiple sources of information and data, particularly from development partners working in Indonesia, and through the application of various evaluation methods, particularly stakeholder interviews, to triangulate the information.

7.2 Reconstructing the theories of change of Bank Group support over time can fall prey to choice-supportive bias. Also, interview data can be biased, with recall bias and positive illusions particularly affecting memories of early years of the evaluation period. The team intends to codify interview and other documentary evidence to substantiate the strength of findings based on a burden of proof.

7.3 It may be difficult to reach key counterparts and informants, particularly those involved with early years of the evaluation period. To the extent possible, the team will draw on the Indonesia country office to assist in locating former government officials and others to ensure sufficient stakeholder representation for the early period of engagement.

7.4 It may be difficult to obtain plausible outcome-level results by Bank Group support. Where such outcomes are not available, the team will use intermediate outcomes or outputs that approximate the intended final outcomes but are more likely to be measurable and achievable over the lifetime of the Bank Group support. These pertain particularly to EQ3, where outcomes such as lower rates of stunted growth of children are visible only after significant lags. In addition, the team will use other data sources to obtain outcome-level data such as geospatial analysis and media analysis.

7.5 The Bank Group's influence is likely to be less tangible through instruments such as analytic and advisory activities, capacity strengthening, and support toward institutional change. The outcomes of these activities are difficult to observe, measure, and document. To address this challenge, where possible the evaluation team will selectively draw on process-tracing principles and techniques to investigate change processes. The team will gather a range of qualitative and quantitative evidence to reconstruct plausible contributions.

8. Quality Assurance Process

8.1 Quality assurance will take place through peer-review arrangements, close collaboration with IEG management, and triangulation of evidence. Peer reviewers for the Indonesia CPE include Maria Gonzalez, ASEAN2 division chief and mission chief for Indonesia, International Monetary Fund; Bert Hofman (director, East Asian Institute, National University of Singapore; former chief economist for the East Asia and Pacific Region, World Bank); and Martha Bowen, deputy vice president for policy in the Department of Policy and Evaluation at the Millennium Challenge Corporation. An additional peer reviewer with subject matter expertise in financial markets, including at the micro level, will be added at the decision draft stage.

9. Expected Outputs, Outreach, and Tracking

9.1 The main output of this evaluation will be a report that presents relevant findings and lessons that can inform the next CPF for Indonesia, currently planned for no earlier than the second quarter of FY26. The CPE is planned for e-submission at the end of the first quarter of FY26.

10. Resources

10.1 The evaluation team will be led by Jennifer Keller (senior economist, IEG, Economic Management and Country Programs), Ebru Karamete (evaluation officer, IEG Infrastructure and Sustainable Development), and Stuti Sachdeva (evaluation officer, IEG Corporate and Human Development). Team members include Melvin Vaz (senior evaluation officer, IEG Financial, Private Sector, Infrastructure, and Sustainable Development), Leonardo Bravo (senior evaluation officer, IEG Financial and Private Sector Micro Unit), Santiago Tellez Canas (extended-term consultant), Claudia Rokx (adviser), Deborah Delmar (consultant), and Sengphet Lattanavong (consultant), in addition to other international and local consultants to be determined. The estimated budget for delivering this evaluation is US$823,000.

Chapter 2

[1] Average annual growth rates for value added in manufacturing continually overtook all other sectors of growth from the mid-1970s to the mid-2000s.

[2] Independent Evaluation Group (IEG) staff estimates based on WITS/UN Comtrade Database.

[3] IEG staff estimates based on World Development Indicators data.

[4] IEG staff estimates based on World Development Indicators data.

[5] Based on standard growth accounting estimates, given expected rates of labor force growth 2025–45. IEG staff estimates based on World Development Indicators data.

[6] IEG staff estimates based on World Development Indicators data.

[7] INFORM is a global risk index of natural disasters hazards and exposure, vulnerability, and lack of coping.

Chapter 3

[1] PT Indonesia Infrastructure Finance (IIF) is a private national company providing infrastructure financing and advisory services, which is managed professionally and focuses on commercially viable infrastructure projects. IIF was established by the Ministry of Finance of the Republic of Indonesia along with the World Bank, Asian Development Bank, and other multilateral institutions. It was established in accordance with the Regulation of the Minister of Finance of the Republic of Indonesia No 100 of 2009 regarding Infrastructure Financing Company. IIF was established on January 15, 2010, based on Company's Deed of Establishment. Its Business License was issued through the Decree of Minister of Finance No 439/KM.10/2010. IFC is a shareholder with 19.99 percent stake in IIF (see the IIF website at https://iif.co.id/en/).

Chapter 5

[2] This evaluation question will focus on World Bank support and will not include activities of IFC or Multilateral Investment Guarantee Agency.

[3] Domestic revenue mobilization includes policies and interventions to increase the tax base, increase tax compliance, strengthen tax efficiency, and strengthen nontax revenue administration. Public spending includes policies and interventions to strengthen the government of Indonesia's ability to plan, budget, execute, and monitor priority public spending, at both the national and subnational level.

[4] While in some cases, World Bank–supported reforms or interventions can be directly linked to revenue- or expenditure-related outcome indicators (for example, value-added tax revenue raised, after the implementation of such a tax), in other cases, effectiveness must be judged in relation to the achievement of intermediate outcomes that lie within a broader results chain to higher-level objectives (for example, the number of income tax returns filed electronically, toward the higher-level objective of reduced tax administration costs).

[5] This will be done first by comparing the Bank Group's ASA work against literature on urban development, and then by assessing the relevance against the government's urban development strategy. Furthermore, it will examine how these insights have been translated into lending to address the needfor building disaster resilience in urban areas. Consequently, the analysis of relevance will also assess whether the Bank Group interventions on building resilience have also benefited poor communities and individuals in urban settings. In addition, the evaluation will examine climate mitigation and adaptation measures in selected infrastructure projects. This will be conducted through a desk review of project interventions and relevant indicators presented in project documents and climate assessment reports prepared by the World Bank's Climate Change Group. These reports determine climate change commitments and the intended outcomes related to climate change from FY18 onward.

Chapter 6

[6] Other evaluative measures may be drawn on as relevant to supplement these two main criteria, for example, those related to project implementation.

[7] The Ministry of Agrarian Affairs and Spatial Planning and Ministry of Public Works and Housing established a slum profiling database in collaboration with the Central Statistics Agency (Badan Pusat Statistik) to provide updates on slum profiles at the national level based on an annual survey and ranking of slums by measuring the severity of the deficiencies in living conditions. Local governments conduct regular monitoring, publish results, and report information for the management information system (MIS) and on the project website. The MIS was built on the tested system under the predecessor program NCEP-Urban. This system monitored the activities and achievements of sector targets across Indonesia with georeferenced data and photographs at the ward, city, and provincial levels. The NSUP MIS was web based and was accessible to the public through kotaku.pu.go.id. The MIS covered data and information on baselines, progress, and the performance of urban communities (kelurahans) and cities.

[8] To enhance the evidence base for the effectiveness analysis under EQ2, the evaluation team considered conducting a survey targeting the local governments and local implementing agencies involved in the World Bank urban projects. However, this approach was ultimately dismissed due to anticipated difficulties in reaching the relevant contacts, the rapid pace of the evaluation, and the extensive time required to complete such a survey.

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Evaluation Design and Methods

Evaluation Questions

To help answer the evaluation questions listed in chapter 5, the evaluation will seek to assess the following subquestions for the four selected cross-sectoral objectives:

Evaluation question (EQ)1. In the face of Indonesia's plans for significantly increased spending for infrastructure and human development toward higher and more inclusive growth, how effectively did the World Bank design and adapt its support toward ensuring Indonesia's spending adequacy and sustainability?

- How effectively did the World Bank design and adapt its support for enhanced domestic revenue mobilization (including through tax policy, tax administration, and nontax revenue management)?
- How effectively did the World Bank design and adapt its support toward more efficient and effective public spending, including at the subnational level?
- How effectively did the World Bank design and adapt its support toward management of fiscal risks?
    - **Climate lens.** How did the World Bank's support toward public financial management support improved climate adaptation and mitigation? How effective was this support?
    - **Inequality lens.** How did the World Bank's support toward public financial management support reduced inequality? How effective was this support?

EQ2: How relevant and effective has the World Bank Group been in addressing Indonesia's rapid urbanization to ensure disaster-resilient cities?

- How has the Bank Group's analytical, diagnostic, and advisory work contributed to better identifying the constraints and priorities for resilient urban development, and how relevant was the Bank Group's support in addressing these identified constraints?
- How effectively has the Bank Group applied disaster risk resilience measures in urban infrastructure projects and to what extent have these targeted the vulnerable communities (via slum upgrading, urban community-driven development, and affordable housing projects)?
- To what extent has the World Bank integrated climate mitigation and adaptation across select key sectors in urban areas (transport, water, housing, solid waste)?

EQ3: How relevant and effective have the World Bank's efforts been to overcoming obstacles to inclusive human capital?

- How has the World Bank's analytical and diagnostic work contributed to a better identification of the constraints on and priorities for inclusive human capital?
- How relevant and effective was the World Bank's lending in addressing the identified constraints to improved human capital to reduce inequality and promote shared prosperity?
- How has World Bank support adapted to Indonesia's evolving needs, including shocks?
    - **Climate lens.** How did the World Bank's support toward human capital enable households to become more resilient to climate change? How effective was that support?
    - **Inequality lens.** How did the World Bank's support toward human capital reduce inequality? How effective was this support?

EQ4: How relevant and effective have the Bank Group's efforts been in deepening the financial sector while maintaining financial stability and building institutions?

- To what extent has analytical and diagnostic work of the World Bank and International Finance Corporation (IFC) contributed to identifying the primary constraints and priorities in Indonesia's financial sector?
- How relevant and effective was the World Bank's and IFC's support in addressing the identified constraints in the financial sector?
- How has World Bank and IFC support adapted to Indonesia's evolving needs, including shocks?
- To what extent did the World Bank and IFC collaborate effectively?

Table A.1. Evaluation Design Matrix

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
EQ1: How effectively did the World Bank design and adapt its support toward ensuring Indonesia's spending adequacy and sustainability?									
1.i. How effectively did the World Bank design and adapt its support for enhanced domestic revenue mobilization? (tax policy, tax administration, removing tax exemptions)	Content analysis of (i) analytical work (along with statistical analysis) to identify main constraints over time; (ii) World Bank program documentation to identify scope, breadth, and rationale of World Bank support; (iii) evaluative documentation toward determining effectiveness (and factors affecting effectiveness)	Interviews with (i) World Bank Group staff to triangulate data on scope, breadth, and rationale of World Bank support; (ii) government counterparts to triangulate data on effectiveness of World Bank support (and factors affecting effectiveness)	Review and analysis of PFM-related portfolio (with country comparisons) to triangulate data on scope of World Bank support over time; assess (at broad level) effectiveness (using performance indicators)	Review of development partner support toward PFM-related agenda to identify complementarity of World Bank support; support coverage; support gaps		Using theory of change for World Bank's support to PFM-related agenda, explain how interventions contributed to result			

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
1.ii. How effectively did the World Bank design and adapt its support toward more efficient and effective public spending?	Same								
1.iii. How effectively did the World Bank design and adapt its support toward management of fiscal risks?	Same								

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
EQ2. How relevant and effective has the Bank Group been in addressing Indonesia's rapid urbanization to ensure disaster-resilient cities?									
2.i. How has the Bank Group's analytical, diagnostic, and advisory work contributed to better identifying the constraints and priorities for resilient urban development, and how relevant was the Bank Group's support in addressing these identified constraints?	Content analysis to assess how ASA and diagnostic work helped improve understanding of the constraints to resilient urbanization when compared with urban literature and government strategies	Interview with development partners (and implementation agencies) and clients (government officials) to validate how ASA have helped influence their work Interview Bank Group staff (current and former CMU staff, regional management, and TTLs), development partners (and implementation agencies), private sector and civil society representatives to triangulate data on scope, breadth, rationale of World Bank support	Analyze the Bank Group's lending and nonlending portfolios to assess the relevance of design and objectives of operations and analytical work (project level)	Review of relevant activities of partners working in overlapping sectors to assess the extent of Bank Group support's complementarity, using IEG's partnership tool	Geospatially analyze the World Bank's urban lending to assess how effectively the World Bank has targeted disaster-prone areas and vulnerable communities.				Interviews with select local government officials to triangulate data on scope, breadth, and rationale of World Bank support
2.ii How effectively has the Bank Group applied disaster risk resilience	The Bank Group's resilience framework and principles and literature will be	Interviews with World Bank staff, government officials, and civil society to assess project	Assess project outcomes mapping key performance indicators to		Geospatially analyze Bank Group slum upgrading operations, to	Using theory of change for the World Bank's support to urban-theme-	Analyze databases developed for urban projects to assess project	Expert opinion to assess the adequacy of resilience codes and	Interviews with select local government officials to assess the project

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
measures in urban infrastructure projects, and to what extent have these targeted the vulnerable communities (via slum upgrading, urban CDD and affordable housing projects)?	used to define resilience indicators on select infrastructure projects Content analysis of (self-) evaluation documents (and validation and program evaluation, when available) to capture evidence of contribution to outputs (and outcomes on disaster risk resilience and targeting poor places or people in urban settings	results, extract what worked and what did not work, and the appropriateness of disaster risk resilience interventions and outcomes and targeting strategies used by Bank Group projects	measure the achievement of objectives, assess appropriateness of indicators to measure objectives Extract and assess relevant information on access to infrastructure by poor people and targeting from project documents		assess before-and-after changes in infrastructure and living conditions in select slums	related agenda, explain how interventions contributed to results on resilient cities	results on disaster risk resilience and targeting of poor people	standards applied to road and housing construction works, as documented in project design documents.	results on disaster risk resilience and appropriateness of targeting strategies used by Bank Group projects
2.iii. To what extent has the World Bank integrated climate mitigation and adaptation across select key	The Bank Group's climate co-benefit assessment reports will be used to assess climate mitigation and		Assess project outcomes mapping key performance indicators to measure the achievement of objectives on climate mitigation,						

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
sectors in urban areas?	adaptation for urban projects Content analysis of project evaluation documents to capture evidence of contribution to outputs and outcomes on climate change in various sectors		adaptation assess appropriateness of indicators to measure objectives						
EQ3: How relevant and effective have the World Bank's efforts been in overcoming obstacles to inclusive human capital?									
3.i. How has the World Bank's analytical and diagnostic work contributed to a better identification of the constraints to and priorities for human capital?	Content analysis to assess how ASA are helping in identification of underlying causes of HD issues prevalent in the country; the team to identify whether ASA have helped inform lending operations	Interview World Bank staff (current and former CMU staff, regional management, and TTLs) to assess how ASA have informed lending and facilitated the promotion of shared understanding on HD issues within and outside the World Bank Interview development partners (and implementation	Analyze intent and impact of ASA to inform World Bank country strategies and lending; this would also involve analyzing supplemental ASA associated with lending operations				The team will use administrative data to identify HD issues prevalent in the country.		

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
		agencies) and clients (government officials) to validate how ASA have helped influence their work							
3.ii. How relevant and effective was the World Bank's lending to address the identified constraints to improved human capital to reduce inequality and promote shared prosperity?		Interviews with World Bank staff and government officials to On relevance, to validate scope, breadth, and rationale of World Bank support On effectiveness, to validate the magnitude and significance of contribution on human capital	Assess relevance of the World Bank's lending to address underlying HD issues identified (for example, were the projects focusing on the right priority areas?) Ascertain effectiveness of the World Bank's portfolio based on achievement of performance indicators	Assess coordination and extent of complimentary of World Bank operations in relation to partners; coupled with interviews, this analysis would throw some light onto the World Bank's convening power	Geospatially analyze the World Bank's lending our HD sectors to assess how effectively the World Bank has targeted disadvantaged areas	Assess effectiveness of the World Bank's support for each sector using separate theories of change	The team will use administrative data (to the extent possible) to assess the impact of the World Bank's efforts in areas of engagement		
3.iii. How adaptive were the World Bank's efforts to Indonesia's evolving needs?	Content analysis of the World Bank's analytics and external data to map out the country's evolving HD needs such as	Interviews with clients and partners to assess adaptability, flexibility, and agility of the World Bank's portfolio	Overlay the World Bank's portfolio with development needs to assess relevance of evolution				The team will use administrative data to map out the country's evolving HD needs.		

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
	those associated with changing demographics, climate change, and so on The World Bank's CCDR will help guide the evaluation to benchmark operations to the needs of the country.		Assess the variability in instrument choice in the World Bank's portfolio such as CERC and CAT-DDOs						

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
EQ4: How relevant and effective have the Bank Group's efforts been in deepening the financial sector while maintaining financial stability and building institutions?									
4.i. To what extent has the World Bank's and IFC's analytical and diagnostic work contributed to identifying the primary constraints and priorities in Indonesia's financial sector?	Content analysis to assess the Bank Group's efforts in terms of coverage of analytical and diagnostic work to understand the depth, efficiency, and resilience of the financial sector	Interviews with World Bank and IFC staff to take stock of the most relevant analytical and diagnostic and gather their views on the robustness of the studies and value of the findings. Interviews during field mission with government and private sector counterparts to gauge their views on the extent to which World Bank and IFC analytical and diagnostic work have accurately assessed the sector's constraints							

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
4.ii. How relevant and effective was the World Bank's and IFC's support in addressing the identified constraints in the financial sector?	Relevance: Content analysis to determine the extent to which the identified constraints in the analytical and diagnostic work were used to inform the strategic selectivity of the program in the Country Partnership Framework	Effectiveness: Interviews with World Bank staff and external counterparts to gauge their perceptions on the scale and significance of the World Bank's and IFC's contributions to address the main financial sector constraints	Relevance: Mapping the analytical underpinnings of the main Bank Group operations to determine whether the prioritization, sequencing, and approach aligns with the constraints identified in the analytical and diagnostic work			The team will reconstruct a theory of change to identify potential gaps for the achievement of long-term effects based on additional evidence gathered from content analysis and findings from interviews (both internal and external).	The team will use administrative data (for example, financial sector regulators) to assess the effectiveness of the World Bank's and IFC's efforts in the areas of engagement. The team will complement this information with other sources of data such as existing surveys, other evaluations, and public records of enacted legislation.		

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
4. iii. How has the World Bank's and IFC's support adapted to Indonesia's evolving needs, including shocks?	Content analysis of internal and external data to identify the changes in the financial sector needs such as those associated with the COVID-19 pandemic and climate change	Interviews with external counterparts during the field mission to gather their perceptions on the World Bank's and IFC's adaptability, flexibility, and agility to respond to evolving needs and shocks	Mapping of portfolio evolution against major contextual changes (for example, restructuring of objectives or components or results frameworks of projects) to assess adequacy and agility of response						
4.iv. To what extent did the World Bank and IFC collaborate effectively?	Content analysis of internal documents to identify mechanisms of systematic (not anecdotal) collaboration between the World Bank and IFC, if any	Interviews with World Bank and IFC staff to extract lessons learned and best practices in collaboration (for example, IIF) Interviews with external counterparts during the field mission to gauge their opinion on the World Bank and IFC coordination and collaboration	Identifying joint World Bank and IFC projects to understand the extent to which the two institutions coordinated and collaborated at the project level						

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
Cross-cutting lens									
How effectively did the Bank Group support for PFM, urbanization management, and inclusive human capital development take into consideration climate change challenges?	Content analysis of Bank Group analytics and external data and information to identify evolving climate change issues and priorities within PFM, urbanization management, and inclusive human capital development. Analysis of World Bank program documentation to identify scope of Bank Group support (within PFM, urbanization management and inclusive human capital development) toward climate change issues		As part of PRA within each theme, analysis of portfolio trends and portfolio performance for projects that had climate change considerations						

Evaluation Questions	Content Analysis	Stakeholder Interviews	Portfolio Review Analysis	Partnerships Analysis	Geospatial Analysis	Contribution Analysts	Administrative Data	Expert Opinion	Structured Virtual Interviews
	Review of evaluative documentation of the Bank Group portfolio to determine effectiveness (and factors affecting effectiveness)								
How effectively did the Bank Group support for PFM, urbanization management, and inclusive human capital development take into consideration inequality challenges?	Review of evaluative documentation of the Bank Group portfolio to determine effectiveness (and factors affecting effectiveness)		As part of PRA within each theme, analysis of portfolio trends and portfolio performance for projects that had inequality reduction considerations						

Source:
Note: ASA = advisory services and analytics; CAT-DDO = catastrophe deferred drawdown option; CCDR = Country Climate and Development Report; CDD = community-driven development; CERC = Contingent Emergency Response Component; CMU = Country Management Unit; EQ = evaluation question; HD = human development; IEG = Independent Evaluation Group; IFC = International Finance Corporation; IIFP = Indonesia Infrastructure Finance ; PFM = public financial management; PRA = portfolio review analysis; TTL = task team leader.

Deep Dive into the Four Evaluation Questions

Evaluation Question 1: Public Spending Adequacy Theme Portfolio

Portfolio Details

EQ1 will cover a lending portfolio of 16 operations over the evaluation period: 8 from the macroeconomics, trade, and investment Global Practice, 7 from the Governance Global Practice, and 1 from the Urban Resilience and Land Global Practice (including support for improving the accountability and reporting of the central government's Specific Purpose Grants for basic infrastructure, consisting of roads, irrigation, water, and sanitation, within selected local governments; figure A.1). The portfolio represents US$5.7 billion of International Bank for Reconstruction and Development lending (along with trust fund finance, particularly for projects within the governance practice).

Figure A.1. Lending Portfolio for Evaluation Question 1

Project Id	Project Legal Name	Approval FY	Project Status Name	Global Practice Name	Instrument Type Name	Lending IBRD Total Commitment $
P126162	Institutional, Tax Administration, Social and Investment (INSTANSI) DPL	2013	Closed	Governance	DPF	300,000,000
P144775	Institutional, Tax Administration, Social and Investment (INSTANSI) DPL 2	2014	Closed	Governance	DPF	400,000,000
P123940	AF to the Local Government and Decentralization Project /LGDP Phase II	2015	Closed	Urban, Resilience and Land	IPF	$ 500,000,000.00
P152551	Public Financial Management and Revenue Administration Reform Program*	2016	Closed	Governance	IPF	-
P154291	Indonesia Energy Sector DPL	2016	Closed	MTI	DPF	500,000,000
P156655	Indonesia Fiscal Reform DPL	2016	Closed	MTI	DPF	400,000,000
P157761	Indonesia EITI Post-Compliance - NR4D*	2016	Closed	Governance	IPF	-
P158140	DPL to reform the Indonesian maritime logistics sector	2017	Closed	MTI	DPF	400,000,000
P159448	Strengthening Internal Audit*	2017	Closed	Governance	IPF	-
P161475	Indonesia Fiscal Reform DPL 2	2018	Closed	MTI	DPF	300,000,000
P163973	Second DPL to reform the Indonesian maritime logistics sector	2018	Closed	MTI	DPF	300,000,000
P167297	Indonesia Fiscal Reform DPL 3	2019	Closed	MTI	DPF	1,000,000,000
P172439	Indonesia Investment and Trade Reforms DPL	2021	Closed	MTI	DPF	800,000,000
P173429	The PFM MDTF III Support to Government of Indonesia*	2021	Active	Governance	IPF	-
P175864	Indonesia EITI Transition and Mainstreaming Support*	2021	Active	Governance	IPF	-
P177726	Indonesia Fiscal Reform Development Policy Loan	2022	Closed	MTI	DPF	750,000,000
						5,650,000,000

Source:
Note: AF = additional financing; DPL = development policy loan; IBRD = International Bank for Reconstruction and Development; IPF = investment policy financing; MTI = Macroeconomics, Trade, and Investment.
* Trust fund financed.

Evaluation Question 2: Urbanization Theme Portfolio and Sampling Strategies

Portfolio Details

EQ2 will cover the 10 unique projects listed in figure A.2 that have a total lending commitment of US$2.1 billion and were approved during the evaluation period. There are 3 closed projects with a total lending amount of US$932 million and 7 active projects with a total lending amount of US$1.15 billion.

Figure A.2. Lending Portfolio for Evaluation Question 2

Project Id	Project Legal Name	Approval FY	Project Status	Global Practice	Lending Total Commitment $	Areas Supported	Number of Locations	Number of Cities (Kota)	Central/Local Implemeting Agency
P125405	National Community Empowerment Program In Urban Areas For 2012-2015	2013	Closed	URRL	$ 266,000,000	Road, water sanitation, solid waste, drainage, house improvements, capacity building for communities and local governments	20*	0	Ministry of Public Works and Housing, Kota and Kabupaten Governments
P154782	National Slum Upgrading Project	2017	Closed	URRL	$ 216,500,000	Road, water sanitation, solid waste, drainage, slum alleviation, house improvements, capacity building for communities and local governments	113	40	Ministry of Public Works and Housing and Local Governments
P154948	National Affordable Housing Program	2017	Closed	URRL	$ 450,000,000	Mortgage-Linked Down Payment Assistance and Home Improvement Assistance	48	0	Ministry of National Development Planning, Ministry of Agrarian and Spatial Planning, Ministry of Public Works and Housing
P156125	National Urban Water Supply Project	2018	Active	Water	$ 100,000,000	Water supply and capacity building for local governments	212	70	Ministry of Public Works and Housing and Local Governments
P169403	Central Sulawesi Rehabilitation and Reconstruction Project	2019	Active	URRL	$ 150,000,000	Resilient construction of housing units and public facilities with appropriate infrastructure connections and capacity building for resilient building standards	4	0	Ministry of Public Works and Housing and Central Sulawesi Department of Housing
P157245	Improvement of Solid Waste Management to Support Regional and Metropolitan Cities	2020	Active	ENRB	$ 100,000,000	Solid waste management infrastructure, capacity building for local governments and communities on solid waste management,	19	0	Ministry of Public Works and Housing
P170874	Indonesia Disaster Resilience Initiatives Project	2020	Active	URRL	$ 160,000,000	Disaster preparedness and emergency management capacity, Geophysical early warning services	2	0	National Disaster Management Authority (BNPB) and Local Governments
P169548	Indonesia Mass Transit Project	2022	Active	URRL	$ 223,996,591	Rapid bus transport system in two urban areas, institutional structures to manage mass transit at the national and sub-national levels	12	0	Ministry of Transportation
P173671	Indonesia: National Urban Flood Resilience Project	2023	Active	URRL	$ 400,000,000	Flood risk analyics and planning and flood risk management initiatives that enhance urban resilience outcomes, environmental protection, climate adaptation (e.g., green urban "corridors" and restoration of coastal mangroves and wetlands for flood protection), and climate mitigation (e.g., restoration of mangroves and floodplains for carbon	6	0	Ministry of Public Works and Housing, Ministry of Home Affairs, Ministry of National Development Planning
P173446	Global Environment Facility Indonesia Sustainable Cities Impact Project	2023	Active	URRL	$ 15,870,200	Capacit building on urban planning and capital investments to integrate biodiversity and/or climate-smart management approaches	5	0	Ministry of National Development Planning/National Development Planning Agency
Total					$ 2,082,366,791.00				

*Geolocation name is provinsi, which translatse into province (administration level 1), whereas city (kota) is administration level 2.

Source: Independent Evaluation Group.
Note: ENRB = Environment, Natural Resources, and Blue Economy; URRL = Urban, Disaster Risk Management, Resilience, and Land.

Sampling Strategies

Using project geolocations, given that the Bank Group projects are dispersed throughout the country and not concentrated in specific cities, the evaluation team will select sample of cities to conduct various evaluation methods (see figures A.3 and A.4).

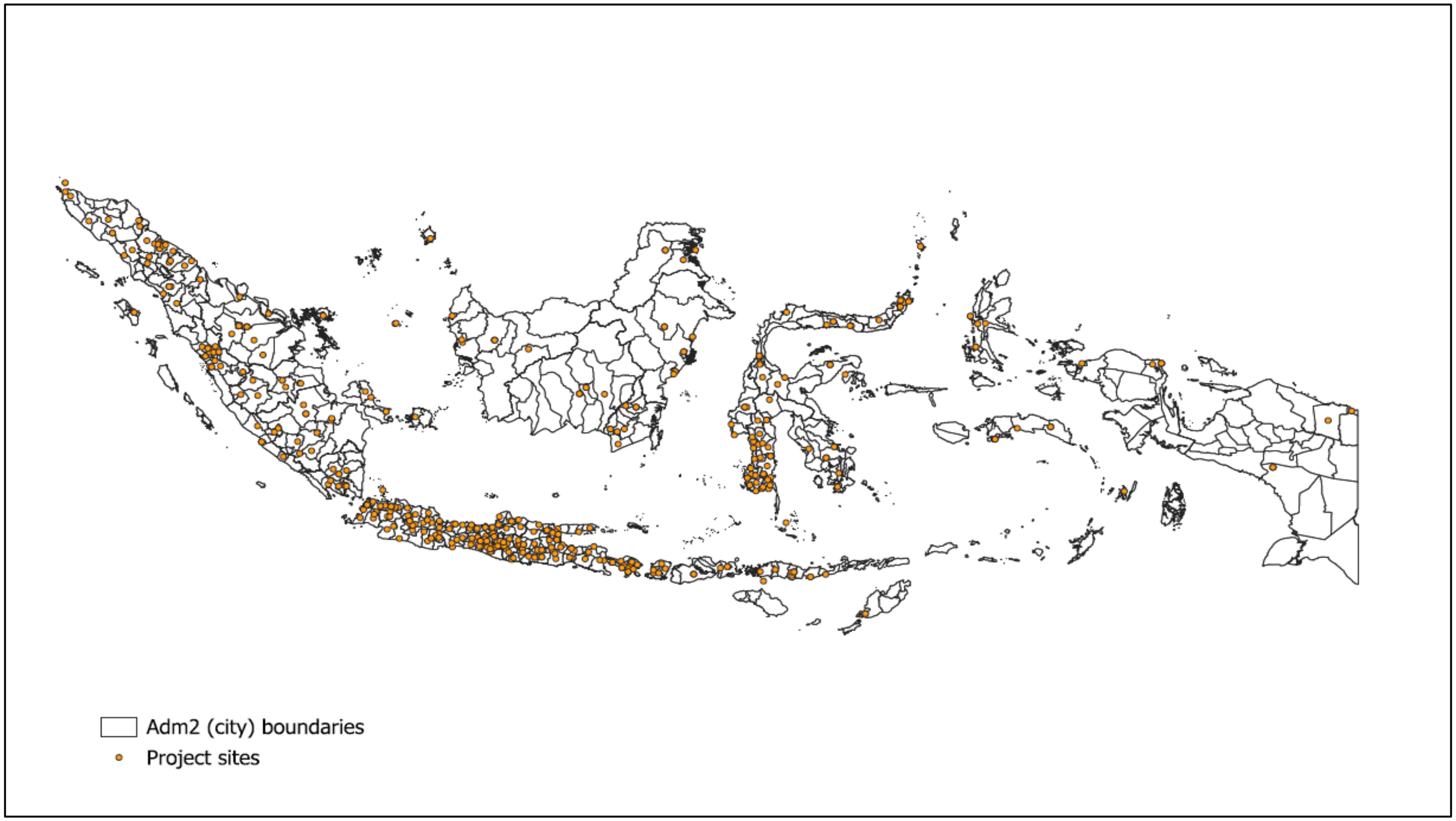
1. Geospatial analysis. In addition to the broad geospatial analysis to understand the relevance of the Bank Group portfolio, EQ2 will use geospatial analysis to assess the effectiveness of slum upgrading projects, in terms of resilience. More specifically, the geospatial analysis will aim to understand changes in slum extent and morphology, assess improvements in livability within upgraded areas, and evaluate the resilience to flooding. Four cities will be selected by using the following criteria:

- Excluding Jakarta and Surabaya (the two largest cities), tier 1 cities with populations exceeding 1 million, and tier 2 cities with populations over 500,000 that exhibit the highest population growth rates
- The concentration of Bank Group projects

Based on these criteria, two tier 1 cities and two tier 2 cities will be selected for the geospatial analysis for the World Bank–supported National Slum Upgrading Project.

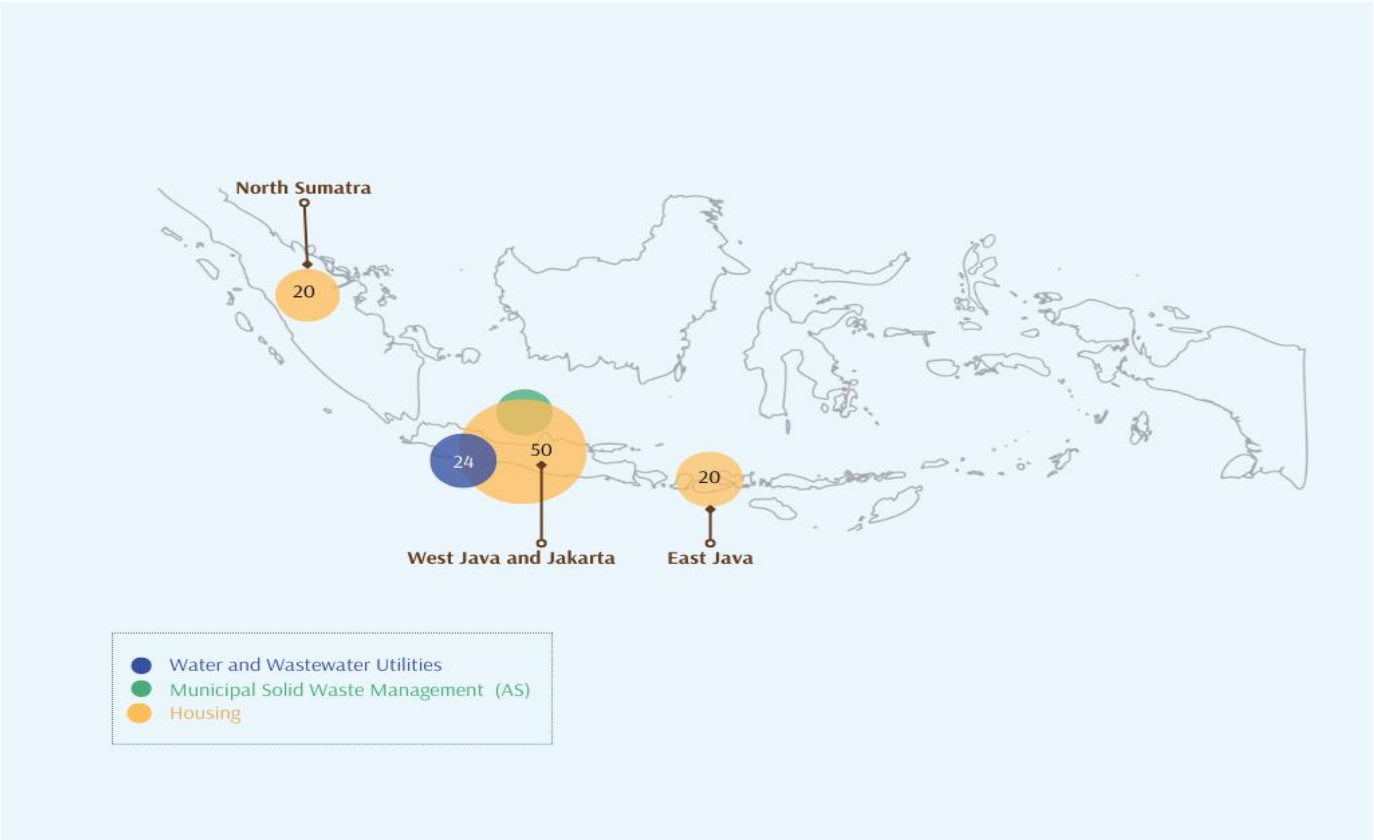
2. Structured virtual interviews. Twenty subnational governments from closed and advanced active projects will be selected to conduct short interviews from cities that have not been visited or covered by other evaluation methods. Other criteria will include high population growth and availability of online access for the interview.

Figure A.3. World Bank Indonesia Urban Portfolio Project Locations



Source: Independent Evaluation Group and World Bank project data.

Figure A.4. IFC Indonesia Urban Portfolio Project Locations



Source: Independent Evaluation Group and International Finance Corporation portal.

Evaluation Question 3: Inclusive Human Capital Theme Portfolio

Portfolio Details

EQ3 will cover the 14 unique projects listed in figure A.5, which have a total lending commitment of US$3.8 billion and were approved during the evaluation period. There are two closed projects.

Figure A.5. Lending Portfolio for Evaluation Question 2

Project Id	Project Legal Name	Approval FY	Project Status	Global Practice	Instrument Type	Lending Total Commitment $
P147834	Citizen Voice and Action for Government Accountability	2014	Closed	Health, Nutrition & Population	IPF	$ 950,000.00
P164277	Indonesia - *Supporting* Primary Health Care Reform	2018	Active	Health, Nutrition & Population	PforR	$ 150,000,000.00
P164686	Investing in Nutrition and Early Years	2018	Active	Health, Nutrition & Population	PforR	$ 400,000,000.00
P172381	Additional Financing for Indonesia Social Assistance Reform Program	2020	Active	Social Protection & Jobs	PforR	$ 400,000,000.00
P173843	Indonesia: Emergency Response to COVID19	2020	Active	Health, Nutrition & Population	PforR	$ 250,000,000.00
P162172	Women's Voices in the Monitoring and Improvement of Indonesia's Universal Health Care Insurance Services	2021	Active	Health, Nutrition & Population	IPF	$ 732,000.00
P175759	Indonesia Emergency Response to COVID-19 Additional Financing	2021	Active	Health, Nutrition & Population	PforR	$ 500,000,000.00
P172707	National Health Insurance (JKN) Reforms and Results Program	2022	Active	Health, Nutrition & Population	PforR	$ 400,000,000.00
P178517	Indonesia: Strengthening National Tuberculosis Response Program	2023	Active	Health, Nutrition & Population	PforR	$ 300,000,000.00
P178559	INEY IPF Additional Financing	2023	Active	Health, Nutrition & Population	PforR	$ 6,000,000.00
P180491	INVESTING IN NUTRITION & EARLY YEARS PHASE 2 PROGRAM	2023	Active	Health, Nutrition & Population	PforR	$ 600,000,000.00
P160665	Indonesia Social Assistance Reform Program	2017	Active	Social Protection & Jobs	PforR	$ 200,000,000.00
P175742	Indonesia Human Capital Development Policy Loan	2022	Closed	Social Protection & Jobs	DPF	$ 350,000,000.00
P175218	ID for Inclusive Service Delivery and Digital Transformation in Indonesia	2023	Active	Social Protection & Jobs	IPF	$ 250,000,000.00
					Total	$ 3,807,682,000.00

Source: Independent Evaluation Group.
Note: DPF = development policy financing; IPF = investment policy financing; PforR = Program-for-Results.

Evaluation Question 4: Financial Sector Portfolio

Portfolio Details

EQ4 will examine the support provided to the financial sector through World Bank lending operations (5 development policy operations and 4 investment project financing) totaling US$3.4 billion, and 3 programmatic advisory services, grouping over 20 analytical activities with a total approximate value of US$20 million, which includes the activities supported under the Indonesia Financial Sector Technical Assistance Programmatic Advisory Services and Analytics originated in 2017 (figures A.6 and A.7). IFC's financial sector portfolio includes 29 investment projects amounting to US$2.3 billion and 14 advisory services projects (figures A.8 and A.9).

Figure A.6. World Bank Lending Portfolio for Evaluation Question 4

ID	Project name	Approval FY	Status	Instrument type	Total Commitment $
P092218	Indonesia Infrastructure Finance Facility	2009	Closed	IPF	300,000,000
P118916	Indonesia Infrastructure Guarantee Fund Project	2013	Closed	IPF	29,600,000
P130150	Financial sector and Investment climate Reform and Modernization DPL	2013	Closed	DPF	100,000,000
P145550	Financial Sector Reform and Modernization Development Policy Loan	2015	Closed	DPF	500,000,000
P157490	Indonesia's Infrastructure Finance Development (IIFD) - RE	2016	Closed	IPF	-
P170940	Indonesia First Financial Sector Reform Development Policy Financing	2020	Closed	DPF	300,000,000
P174025	Indonesia First Financial Sector Reform DPF: COVID-19 Supplemental Financing	2020	Closed	DPF	300,000,000
P173249	Indonesia Disaster Risk Finance & Insurance	2020	Active	IPF	500,000,000
P173232	Indonesia Second Financial Sector Reform Development Policy Financing	2021	Closed	DPF	400,000,000
P173233	Indonesia Third Financial Sector Reform Development Policy Financing	2023	Closed	DPF	1,000,000,000
	Total in US$				3,429,600,000

Source: Independent Evaluation Group.
Note: DPF = development policy financing; IPF = investment policy financing.

Figure A.7. World Bank ASA Portfolio for Evaluation Question 4

ID	Project name	Approval FY	Status	Project size $
P164158	Promoting agent banking in Indonesia through supply and demand incentives	2018	Completed	528,123
P146852	Improved MSME financing through a Sharia Scheme	2014	Completed	214,946
P148037	Diagnostic Study of Bond Market Development	2014	Completed	209,991
P158479	Infrastructure Insitutional and Regulatory Support	2016	Completed	4,149,983
P158784	Infrastructure Financing Support - Capital Market and Risk Products	2016	Completed	2,549,482
P166790	Indonesia - Strengthening Financial Sector Stability	2018	Completed	2,826,624
P166791	Indonesia - Promoting Financial Access and Inclusion	2018	Completed	3,671,383
P166792	Indonesia - Supporting Long Term Finance & Risk Management	2018	Completed	2,366,900
P145175	Indonesia Crisis Simulation Framework	2013	Completed	313,838
P145190	National Strategy for Financial Inclusion in Indonesia	2013	Completed	232,467
P145086	Indonesia Financial Sector Stability TA Program	2013	Completed	849,440
P151426	Constructing Robust Mortgage Markets	2014	Completed	417,951
P151427	Developing Housing Microfinance	2014	Completed	169,157
P148038	Supporting Micro Insurance Development in Indonesia	2014	Completed	630,045
P146973	Improving TabunganKu (Basic Savings Account)	2014	Completed	33,104
P146974	Development of Key Performance Indicators for Monitoring Financial Inclusion Reform	2014	Completed	38,554
P146975	Improving the Insurance Scheme for Overseas Migrant Workers	2014	Completed	68,509
P146976	Financial Education for Migrant Workers	2014	Completed	159,967
P147245	Access to Finance for Creative Economy	2014	Completed	349,087
P148039	Supporting the Strengthening of the Saving and Loan Cooperatives in Indonesia	2014	Completed	706,547
	Total in US$			20,486,100

Source: Independent Evaluation Group.
Note: MSME = micro, small, and medium enterprise; TA = technical assistance.

Figure A.8. IFC Investment Portfolio for Evaluation Question 4

Project ID	Project Name	Institution Legal Name	Approval FY	Project Status	Commitment $
31705	MBK Ventura	PT BINA USAHA KELUARGA	2013	Active	3,932
32311	Danamon SME	BANK DANAMON INDONESIA, PT TBK	2014	Closed	75,000
32852	Hana Loan II	BANK KEB HANA, PT	2013	Closed	30,000
33212	BTPN Loan III	PT BANK BTPN TBK	2015	Closed	50,000
34215	Lotus Creation	BANK MAYORA, PT	2015	Closed	23,252
34329	BTPN SALPS II	PT BANK BTPN TBK	2015	Closed	300,000
34837	IIF A&B Loan	PT INDONESIA INFRASTRUCTURE FINANCE	2014	Closed	30,000
36865	Falcon House II	FALCON HOUSE PARTNERS FUND II, LP	2016	Active	30,000
37299	IIF A&B Loan 2	PT INDONESIA INFRASTRUCTURE FINANCE	2016	Closed	15,000
38586	Radana Finance	PT. RADANA BHASKARA FINANCE TBK	2017	Closed	20,000
38934	BTPN MSME Loan	PT BANK BTPN TBK	2017	Closed	100,000
39160	IIF USD Loan	PT INDONESIA INFRASTRUCTURE FINANCE	2017	Closed	50,000
39541	Indosurya Financ	PT INDOSURYA INTI FINANCE	2017	Active	20,000
40632	DCMOCBCNISP Debt	PT BANK OCBC NISP TBK	2019	Closed	150,000
41698	BTPN SMEGreen I	PT BANK BTPN TBK	2020	Active	150,000
43291	Pasarpolis	PT PASARPOLIS INDONESIA	2021	Active	5,000
43613	DCM OCBC NISP 2	PT BANK OCBC NISP TBK	2020	Active	200,000
44494	FMF-KBC Loan	PT KB FINANSIA MULTI FINANCE	2021	Closed	50,000
45295	KB Bukopin Debt	BANK KB BUKOPIN, PT TBK	2022	Active	60,000
45315	Alpha JVC III	ALPHA JVC VENTURES III LP	2021	Active	20,000
45325	ACV Capital III	ACV CAPITAL	2022	Active	16,000
46165	AwanTunai	WINDY HILL PTE. LTD.	2022	Active	4,999
46825	Kitabisa	PT KITA BISA INDONESIA	2023	Active	5,000
47411	DCM BTPN Debt	PT BANK BTPN TBK	2023	Active	500,000
47540	Pasarpolis RI	PT PASARPOLIS INDONESIA	2023	Active	850
33662	MBK Senior Loan	PT BINA USAHA KELUARGA	2013	Closed	4,937
34626	BTPN SALPS	PT BANK BTPN TBK	2015	Closed	150,000
43735	CI Go-To	PEARL VALLEY INVESTMENTS LIMITED	2020	Active	12,000
46883	KB Bukopin_KBB	KB KOOKMIN BANK	2022	Active	240,000
36876	KEB Hana 2015 RI	BANK KEB HANA, PT	2015	Active	10,000
42034	KEB Hana RI IV	BANK KEB HANA, PT	2019	Active	15,232
48061	Awantunai B	WINDY HILL PTE. LTD.	2023	Active	2,000
		Total in US$			2,343,202

Source: Independent Evaluation Group.

Figure A.9. IFC ASA Portfolio for Evaluation Question 4

ID	Project Name	Approval FY	Project Size $
591447	Environmental & Social Risk Management for Financial Institutions	2013	4,675,066
592927	FIG Indonesia Microfinance AS	2013	1,983,731
597607	Indonesia Financial Infrastructure - Secured Transactions	2014	2,763,649
599136	Earth Quake Index Insurance (EQII) for Microfinance Portfolio Protection	2014	1,154,799
600401	Indonesia M Banking 2 Digital Inclusion	2015	2,167,433
601066	Indonesia Responsible Microfinance	2016	1,549,278
601736	Indonesia Agriculture Insurance	2017	1,100,000
602958	Indosurya Risk Management AS	2018	115,515
603016	TaniHub Agrifinance AS	2019	450,372
605963	Development of Covered Bonds Market in Indonesia	2022	100,000
605983	CIMB GS - BFILL	2021	1
606281	Indonesia Digital Finance	2023	100,000
606814	Indonesia ESG for Financial Sector	2022	1,686,562
607633	Crowde Agrifin Risk Scoring Model	2023	369,162
	Total in US$		18,215,568

Source: Independent Evaluation Group.
Note: AS = advisory services; ASA = advisory services and analytics; ESG = environmental, social, and governance; IFC = International Finance Corporation.

World Bank Group Portfolio

The evaluation team conducted a preliminary identification and classification of the World Bank Group portfolio in Indonesia spanning 10 years: FY 2013–23. The Country Program Evaluation portfolio review highlights the Bank Group's engagements in the country based on activities that were approved between FY13 (that is, after July 1, 2012) and FY24 (that is, before June 30, 2024). Portfolio identification is based on the data extracted from the World Bank's standard reports database (World Bank advisory services and analytics), and the management information system and advisory services databases of International Finance Corporation (IFC; investment and advisory projects). For World Bank advisory services and analytics, only activities that were approved and completed during the evaluation period were included. Multilateral Investment Guarantee Agency approved two guarantees in Indonesia during this period.

World Bank

Lending

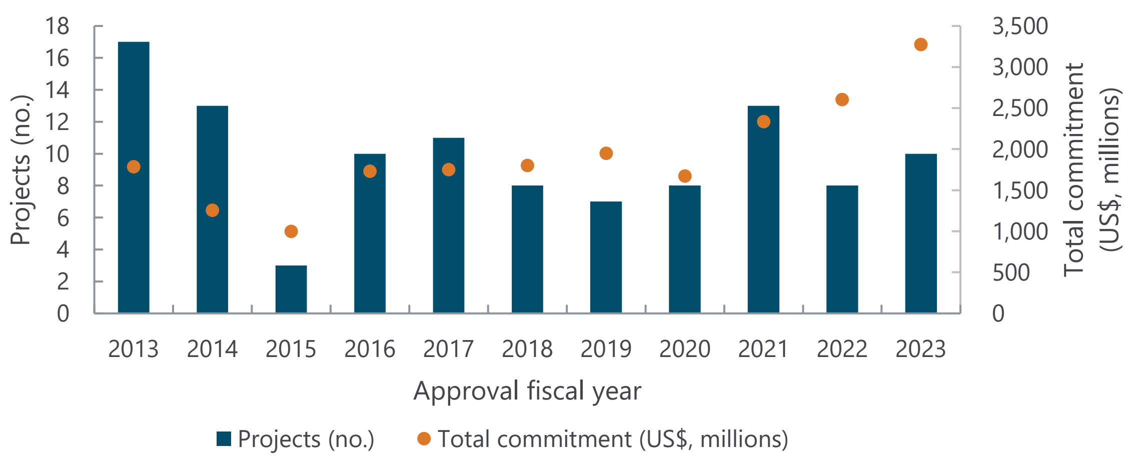
During the evaluation period (FY13–23), the World Bank approved 108 financing operations for Indonesia; of these, 12 were additional financing, with a total commitment of US$21 billion. The World Bank had the highest commitment volume, US$8.9 billion, during the second Country Partnership Framework period covering FY16–20 (table B.1). Over one-third of the portfolio was investment project financing totaling US$8 billion. The portfolio was primarily focused on public administration, which accounted for 48 projects; of these, 10 were development policy financing with a total commitment of US$5.8 billion, followed by 21 projects in health for US$2.7 billion and 20 projects in energy and extractives for US$2.5 billion (figure B.3). Throughout the Country Program Evaluation period, public administration was the largest sector (figure B.4).

Table B.1. Approved Lending and Nonlending Projects by Financing Instruments, FY13–23

Financing Instrument	CPS FY13–15		CPF FY16–20		CPF FY21–25		Total	
	Projects (no.)	Commt. (US$, millions)	Projects (no.)	Commt. (US$, millions)	Projects (no.)	Commt. (US$, millions)	Projects (no.)	Commit. (US$, millions)
DPF	6	1,700	8	3,500	5	3,300	19	8,500
IPF	11	2,105	20	3,426	9	2,470	40	8,001
Program-for-Results	—	—	6	1,900	5	2,300	11	4,200
Trust funds	16	241	10	92	12	147	38	479
World Bank ASA[a]	131	79	135	173	32	41	298	293
IFC investment	3	308	19	1,787	17	1,048	39	3,143
IFC advisory	11	20	9	9	7	1	27	31
MIGA	1	200	—	—	1	517	2	717

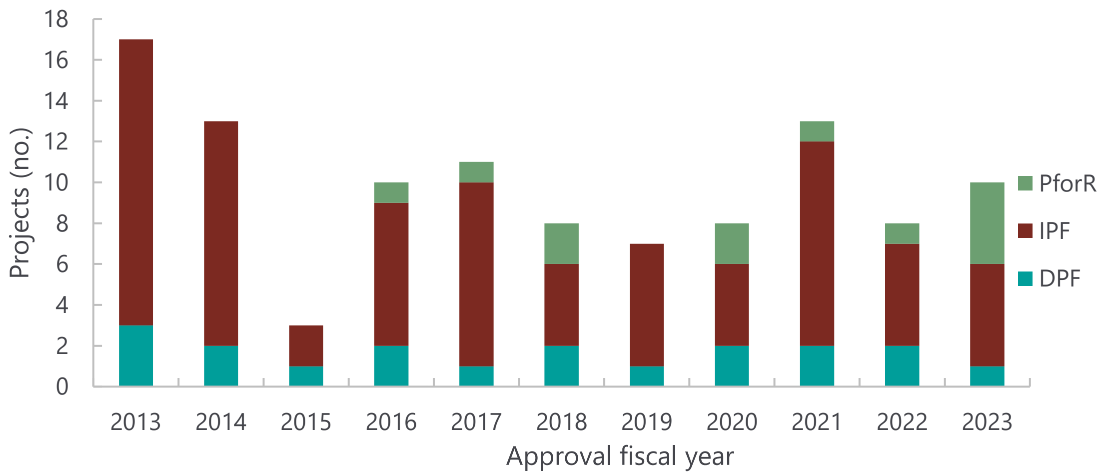
Source: Independent Evaluation Group, Datahub, September 29, 2023.
Note: — = not available; ASA = analytical and advisory services; commt. = commitment; CPF = Country Partnership Framework; CPS = Country Partnership Strategy; DPF = development policy financing; IFC = International Finance Corporation; IPF = investment project financing; MIGA = Multilateral Investment Guarantee Agency.
a. Number of ASA approved based on the activity initiation sign-off fiscal year. Thus, ongoing ASA were included in this table.

Figure B.1. Approved Lending Projects, FY13–23



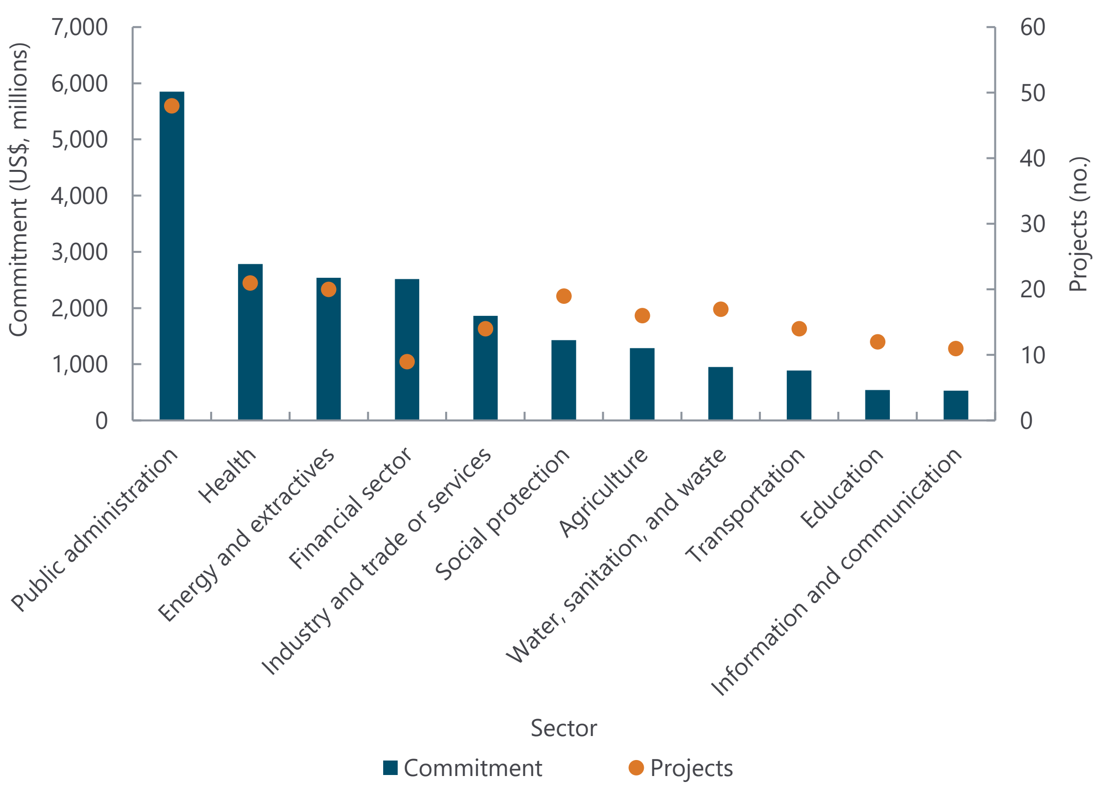
Source: Independent Evaluation Group. Datahub, September 29, 2023.

Figure B.2. Approved Lending Projects by Lending Instrument Type, FY13–23



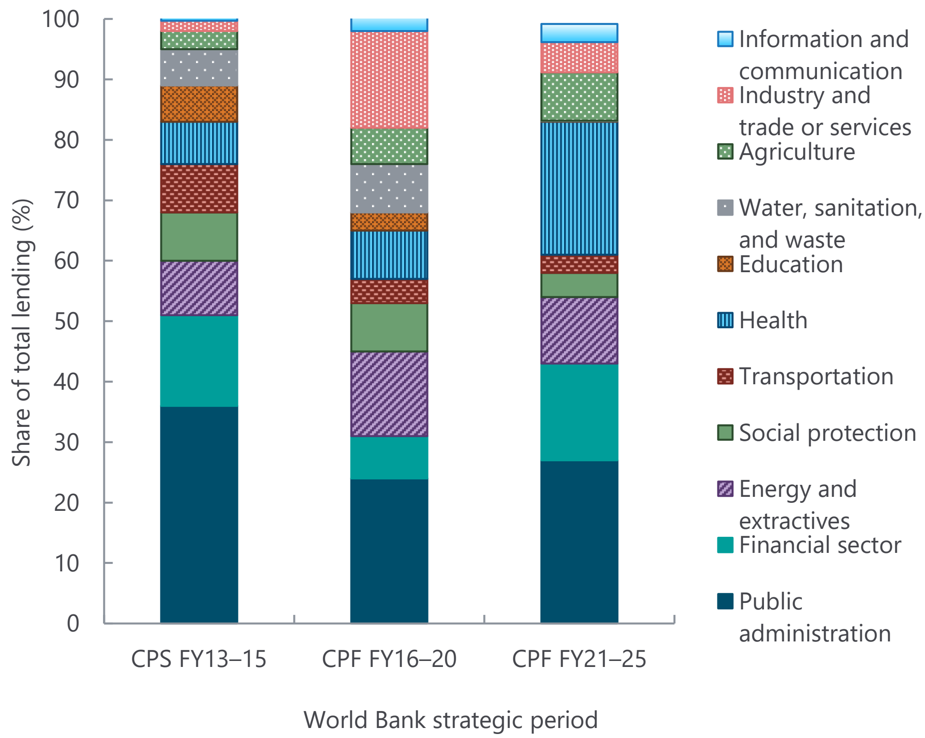
Source: Independent Evaluation Group. Datahub, September 29, 2023.
Note: DPF = development policy financing; IPF = investment policy financing; PforR = Project-for-Results.

Figure B.3. Approved Projects by Sector, FY13–23



Source: Independent Evaluation Group. Datahub, September 29, 2023.
Note: Sanit = Sanitation; Ser = Services.

Figure B.4. Approved Projects by Sector During World Bank Group Strategic Periods, FY13–25

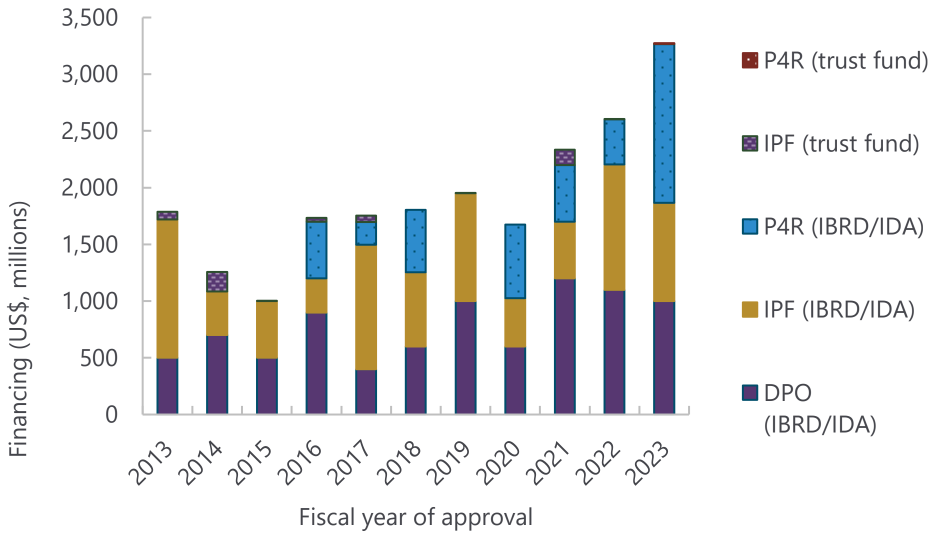


Source: Independent Evaluation Group. Datahub, September 29, 2023.
Note: CPF = Country Partnership Framework; CPS = Country Partnership Strategy; Sanit = Sanitation; Ser = Services.

Trust Fund Projects

Over the evaluation period, 38 projects were financed by trust funds with a total commitment of US$479 million. All but one project financed by trust funds were for investment project financing; the other was for a Program-for-Results (an additional financing for Investing in Nutrition and Early Years Project, approved in FY23; figure B.5).

Figure B.5. Evolution of World Bank Financing from Trust Funds, Indonesia, FY13–23



Source: World Bank and Independent Evaluation Group databases.
Note: DPO = development policy operations; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; IPF = investment project financing; PforR = Program-for-Results.

Advisory Services and Analytics

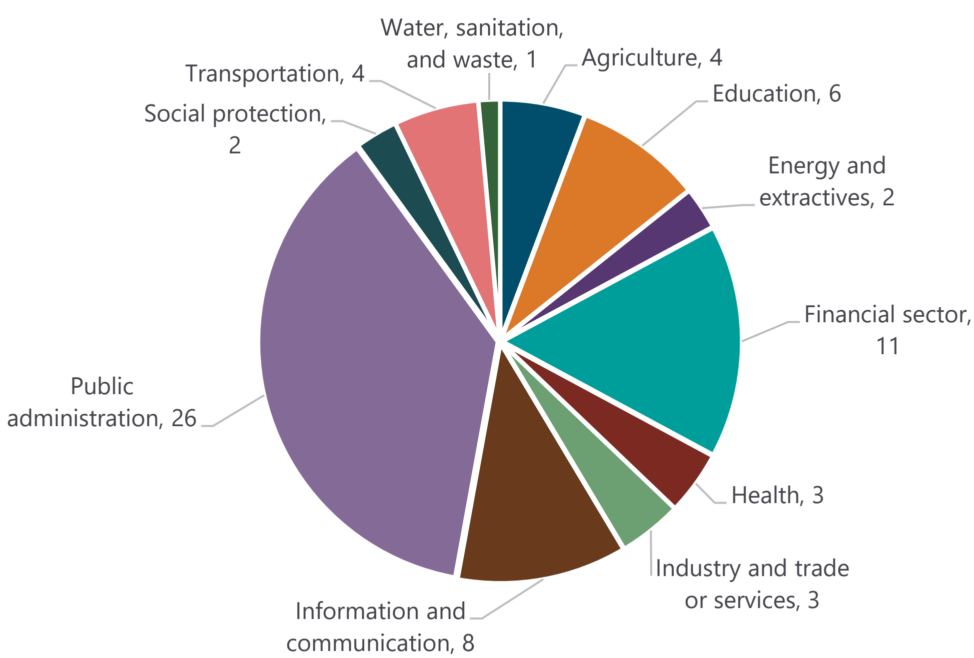
The World Bank delivered 268 advisory services and analytics (ASA) over the evaluation period, with the majority (161 ASA) delivered during the Country Partnership Framework FY16–20 period. The World Bank significantly increased the number of ASA after 2014. Throughout the evaluation period, ASA were primarily focused on the public administration sector, followed by the financial and social protection sectors (figure B.7).

Figure B.6. World Bank Advisory Services and Analytics by Sector, Indonesia, FY13–23

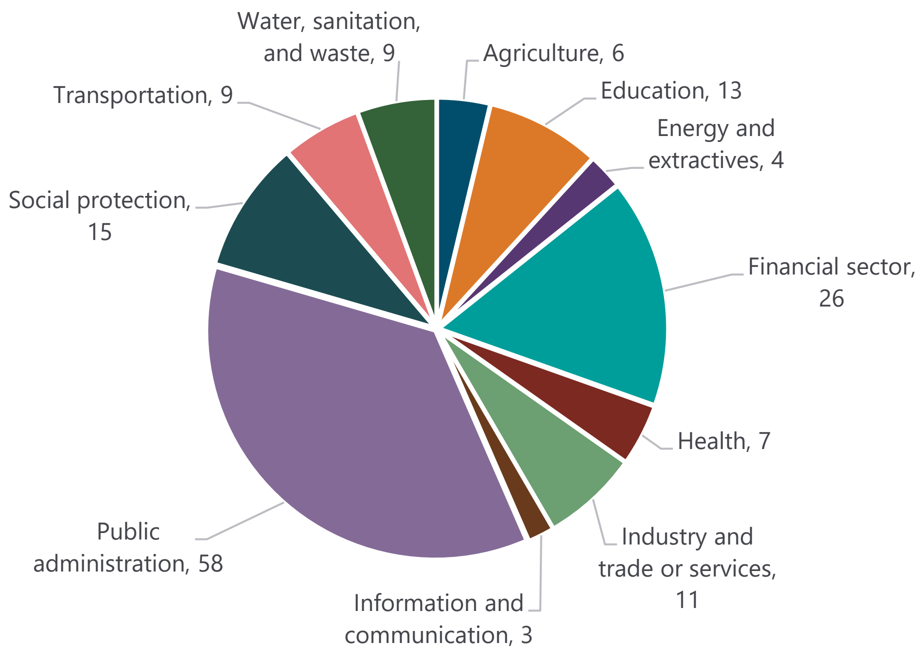
Source: Independent Evaluation Group. Datahub, September 29, 2023.
Note: ASA = advisory services and analytics.

Figure B.7. World Bank Advisory Services and Analytics by Major Sector, Indonesia, FY13–23

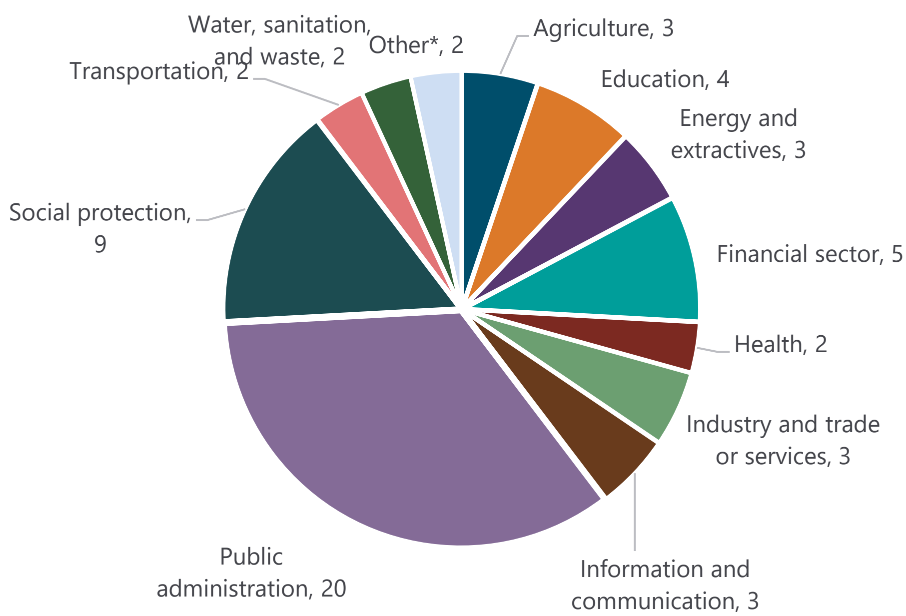
a. Fiscal years 2013–15 (total 49)



b. Fiscal years 2016–20 (total 161)



c. Fiscal years 2021–25 (total 58)

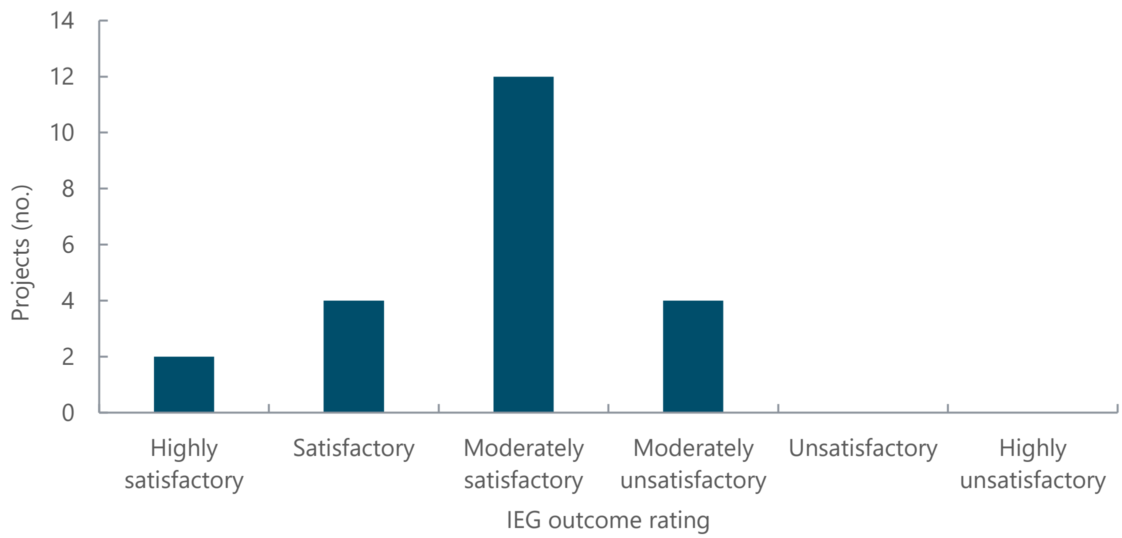


Source:
Note:. ASA = advisory services and analytics; Sanit = Sanitation; Ser = Services.

Evaluated Projects

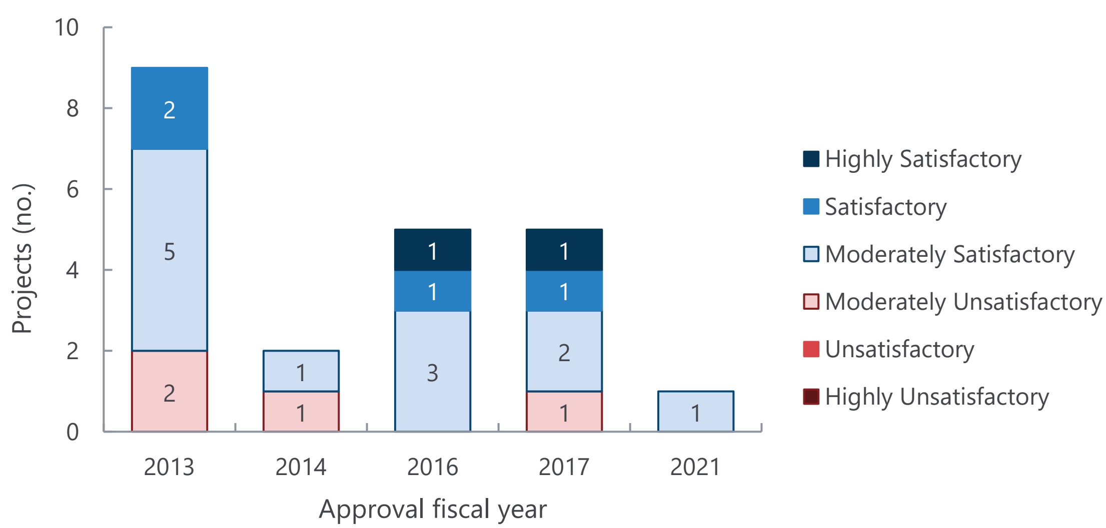
A total of 22 projects that were approved and closed during the evaluation period were evaluated by the Independent Evaluation Group. Of these, 14 were investment project financing, 7 were development policy operations (including programmatic series), and 1 was Program-for-Results. The majority of the projects (12) had an overall outcome rating of moderately satisfactory, and 6 projects were rated satisfactory or higher (figure B.8). The outcome of the projects remained above moderately satisfactory or higher after the first Country Partnership Strategy (FY13–15; figure B.9).

Figure B.8. Independent Evaluation Group Outcome Ratings, FY13–23



Source: Independent Evaluation Group. Datahub, August 12, 2024.
Note: Approved projects during FY13–23 that received Independent Evaluation Group outcome rating (n = 22).

Figure B.9. Independent Evaluation Group Outcome Rating by Approval Fiscal Year, FY13–23

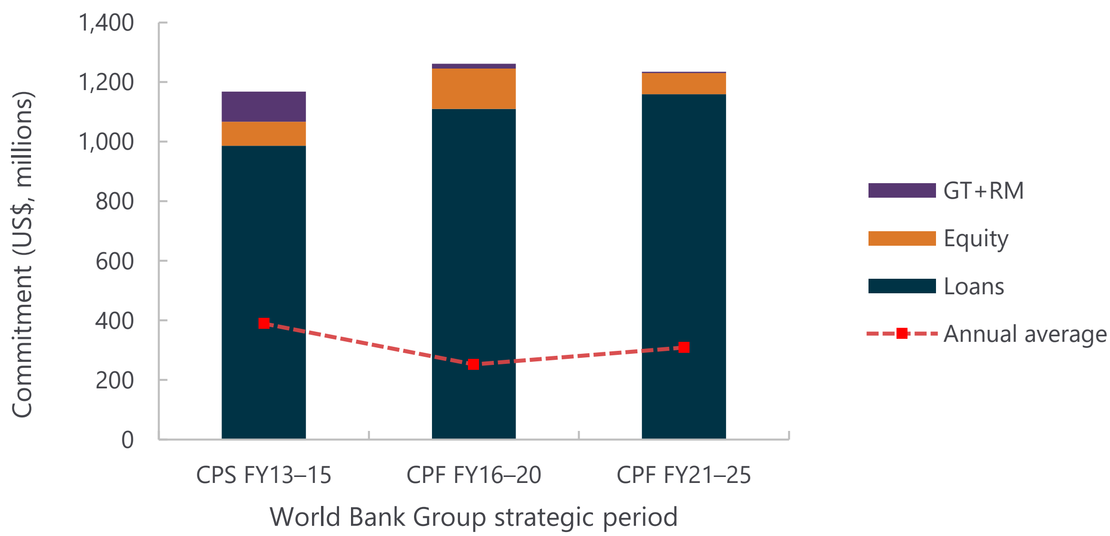


Source: Independent Evaluation Group. Datahub, August 12, 2024.

International Finance Corporation

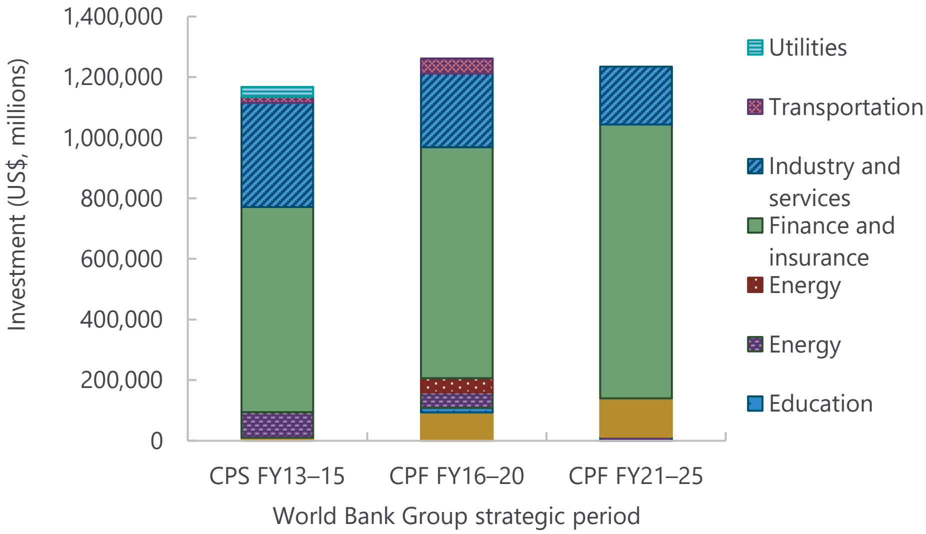
Investment approvals of the IFC remained consistent across the three strategic periods assessed in this Country Program Evaluation, with an average of US$317 million in new net commitments per fiscal year. Throughout the evaluation period, IFC's total net commitments amounted to US$3.66 billion. The composition of investment volume was predominantly loans (89 percent), followed by equity investments (8 percent), and guarantees (3 percent), as depicted in figure B.10. The finance and insurance sector received most of the support from IFC investments, accounting for 64 percent, while the industry and services sector benefited from 21 percent of the investments. Notably, the construction and real estate sector saw a steady increase in new investments during the past two strategic periods, culminating in 6 percent of the total investment commitments by FY24, as illustrated in figure B.11.

Figure B.10. Evolution of International Finance Corporation Investments by Product, FY13–15, FY16–20, FY21–25



Source: International Finance Corporation iPortal, July 2024; Independent Evaluation Group staff calculation.
Note: Loans: includes loan-type, quasi-loan products. Equity: includes equity-type, quasi-equity products. CPF = Country Partnership Framework; CPS = Country Partnership Strategy; GT+RM = guarantees and risk management products.

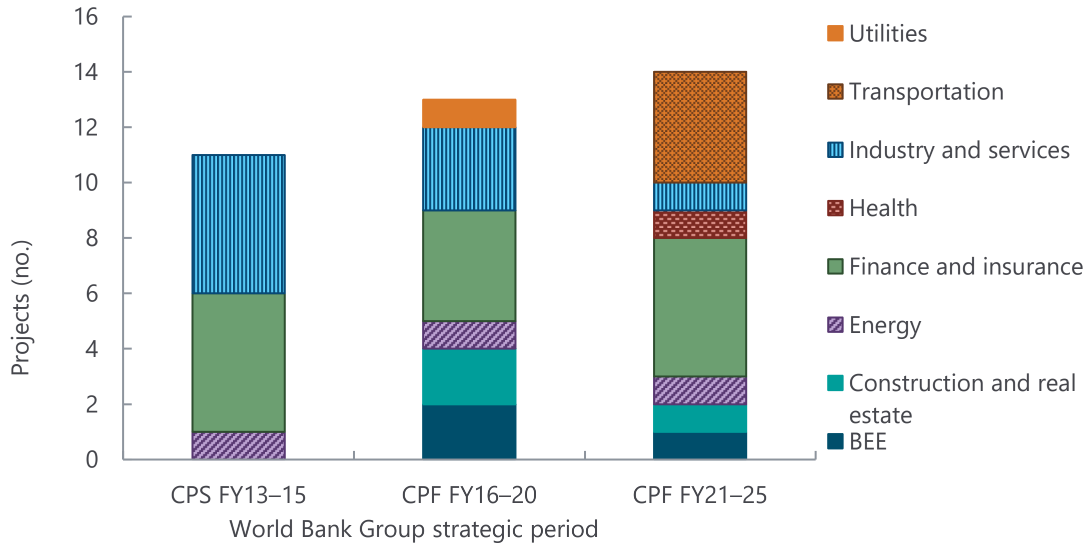
Figure B.11. Evolution of International Finance Corporation Investments by Sector, FY13–25



Source: International Finance Corporation iPortal, July 2024; Independent Evaluation Group staff calculation.
Note: CPF = Country Partnership Framework; CPS = Country Partnership Strategy.

The IFC advisory services portfolio experienced a slight increase in the number of projects over the three strategic periods under review. However, there was a significant shift in portfolio distribution. While initially concentrated on the finance and industry sectors, the projects' focus expanded to include a more diverse array of activities. These activities extended support to the health and transportation sectors, while others aimed to enhance the business-enabling environment across the economy, as illustrated in figure B.12.

Figure B.12. Evolution of International Finance Corporation Advisory Services by Sector, FY13–25



Source: International Finance Corporation iPortal, July 2024; Independent Evaluation Group staff calculation.
Note: BEE = Business-Enabling Environment (economy wide); CPF = Country Partnership Framework; CPS = Country Partnership Strategy.

Multilateral Investment Guarantee Agency issued US$717 million in guarantees for the PT Rajamandala and PT Perusahaan Listrik Negara Electric Power projects during the evaluation period. The agency's gross exposure in Indonesia saw an increase of US$200 million in 2015, followed by a further rise of US$517 million in 2021.