



Concept Paper

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July 2021

Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 Republic of Indonesia: Boosting Productivity through Human Capital Development Program

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 5 July 2021)

Currency unit	–	rupiah (Rp)
Rp1.00	=	\$0.000069
\$1.00	=	Rp14,471
€1.00	=	Rp17,135

ABBREVIATIONS

ADB	–	Asian Development Bank
COVID-19	–	coronavirus disease
RPJMN	–	Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)
SDG	–	Sustainable Development Goal
TVET	–	technical and vocational education and training

NOTE

In this report, "\$" refers to United States dollars.

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PROGRAM AT A GLANCE

1. Basic Data		Project Number: 54461-001	
Project Name	Boosting Productivity Through Human Capital Development Program (Subprogram 1)	Department/Division	SERD/SEPF
Country	Indonesia	Executing Agency	Coordinating Ministry for Economic Affairs also known as Kementerian Koordinator Bidang Perekonomian (KKBP)
Borrower	Indonesia		
Country Economic Indicators	https://www.adb.org/Documents/LinkedDocs/?id=54461-001-CEI		
Portfolio at a Glance	https://www.adb.org/Documents/LinkedDocs/?id=54461-001-PortAtaGlance		
2. Sector		ADB Financing (\$ million)	
✓ Public sector management	Public expenditure and fiscal management		250.00
	Social protection initiatives		100.00
Education	Technical and vocational education and training		100.00
Health	Health care finance		50.00
		Total	500.00
3. Operational Priorities		Climate Change Information	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Medium
✓ Strengthening governance and institutional capacity			
		ADB Financing	
		Adaptation (\$ million)	25.00
		Mitigation (\$ million)	25.00
		Cofinancing	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
Sustainable Development Goals		Gender Equity and Mainstreaming	
SDG 1.3		Effective gender mainstreaming (EGM)	✓
SDG 3.8			
SDG 4.4			
SDG 5.c			
SDG 8.6			
SDG 10.1			
SDG 13.a			
SDG 16.6			
		Poverty Targeting	
		General Intervention on Poverty	✓
4. Risk Categorization:		Complex	
5. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
6. Financing			
Modality and Sources		Amount (\$ million)	
ADB		500.00	
Sovereign Programmatic Approach Policy-Based Lending (Regular Loan):		500.00	
Ordinary capital resources			
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		500.00	
Currency of ADB Financing: US Dollar			

I. THE PROPOSAL

1. Human capital development program is the cornerstone of the Government of Indonesia's strategy for higher economic growth as underscored by President Joko Widodo. The role of human capital is especially relevant given the economic disruption resulting from the coronavirus disease (COVID-19) pandemic and is important to lay the foundation for long-term prosperity. The Boosting Productivity through Human Capital Development Program focuses on economic growth through labor productivity. The program covers various aspects of human capital development, including education, skills development, health, and social assistance all wrapped within the Sustainable Development Goals (SDGs) framework. The program is consistent with (i) the government's National Medium-Term Development Plan (RPJMN), 2020–2024 directives on human resources development and (ii) the first strategic pathway of ADB's country partnership strategy for Indonesia, 2020–2024.¹ It is included in the country operations business plan for Indonesia, 2021–2023 and contributes to the operational priorities of ADB's Strategy 2030 on addressing remaining poverty and reducing inequalities; accelerating progress in gender equality; tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; and strengthening governance and institutional capacity.²

2. The program adopts a programmatic approach that combines policy-based loans with technical assistance and knowledge support. The program consists of three subprograms that connect the reforms to the results framework. Subprogram 1 establishes the foundation of the program through regulatory reforms and pilot initiatives while subprograms 2 and 3 will focus on the implementation and expansion of these initiatives. The program's focus on human capital development to boost economic productivity will also complement ADB's proposed Competitiveness, Industrialization, and Trade Acceleration Program and the Advancing Social Protection for Poverty and Inequality Reduction results-based lending program.

II. PROGRAM AND RATIONALE

A. Background and Development Constraints

3. Indonesia has posted stable economic growth at about 5.0%–5.5% since the Asian financial crisis in 1997, which is strong economic performance by global standards but insufficient to achieve high-income status by 2045. However, the pandemic has caused economic disruption, Indonesia's economy contracted by 2.1% in 2020.³ Since the onset of COVID-19, an additional 2.8 million people have fallen below the poverty line, with poverty incidence increasing from 9.2% in 2019 to 10.2% in 2020, which reversed the trajectory of declining poverty since 2006. Learning outcomes are likely to have worsened because of school closures, and non-COVID-19 public health outcomes have deteriorated as evidenced by reductions in immunization rates and access to health care. For Indonesia to achieve a growth rate of about 7%–8%, which is required to achieve high-income status by 2045, labor productivity, as one of the key drivers of long-run growth, will need to increase from its current levels. Human capital development, combined with other long-run drivers of growth such as technology and innovation, is a critical determinant of labor productivity growth. But, Indonesia ranks behind its regional peers in human capital development. According to the World Bank's Human Capital Index 2020, a child born in Indonesia in 2020 would be 54% more productive as workers in the future (as adults) if they enjoyed

¹ Government of Indonesia. 2019. *National Medium-Term Development Plan (RPJMN), 2020–2024*. Jakarta. ADB. 2020. [Country Partnership Strategy: Indonesia, 2020 – 2024—Emerging Stronger](#). Manila.

² ADB. 2020. [Country Operations Business Plan: Indonesia, 2021–2023](#). Manila; and ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

³ Government of Indonesia, Statistics Indonesia. 2021. [Economic Growth of Indonesia descend 2.07 percent](#).

complete education and full health care; this is lower than the average for East Asia and the Pacific (59%).⁴ These constraints to human capital development need to be addressed to meet the government's aspirations of a high-income status by 2045.

4. **Constraints to human capital development.** Human capital refers to the set of skills, knowledge, competencies, and other attributes embodied in people. This leads to multifaceted constraints that stem from policies on nutrition, education, social protection, and health. Human capital is also closely connected to the United Nations' SDGs, particularly SDG 1 (no poverty), SDG 3 (good health and well-being), SDG 4 (quality education), SDG 5 (gender equality), and SDG 8 (decent work and economic growth). The program will seek to address three binding constraints to human capital development: (i) incomplete fiscal policies and monitoring tools impeding implementation of the SDGs; (ii) low quality and relevance of education and training, leaving young people underprepared for the labor market; and (iii) inadequate social protection and health policies to achieve human capital development objectives.

5. **Incomplete fiscal policies and monitoring tools impede implementation of the Sustainable Development Goals.** There are three key issues that contribute to this development constraint. First, inadequate localization and monitoring of SDG implementation among subnational governments. This is also one of the lessons learned from ADB's earlier support for the Millennium Development Goals.⁵ Inadequate localization also means insufficient alignment between SDG implementation and the fiscal framework at the subnational government level, especially for health expenditures. Second, the SDG target on universal health coverage through the national health insurance system is at risk, as the insurance scheme is in a precarious fiscal position and is unable to address the health inequities across Indonesia. The health insurance premium rates need to be adjusted based on factors such as benefit provided in the different classes, ability of beneficiaries to pay the contributions and fiscal cost to the government. Third, the existing risk management framework used to finance public service delivery, including health services, is implemented in an ad hoc manner across the Ministry of Finance.

6. **The low quality and relevance of education and training leaves young people underprepared for the labor market.** There are four key issues that contribute to this development constraint. First, the public employment service centers at the local level that support job seekers are not able to meet the demands of the rising numbers of better educated but unemployed youth. Indonesia's percentage of youth not in employment, education, and training has been declining but was still at 20.5% (26.2% for females) in 2019, which was higher than in the Philippines (18.8%), Thailand (14.9%), and Viet Nam (14.4%).⁶ Second, training provided by technical and vocational education and training (TVET) institutions is not clearly linked with labor demand because of weak coordination among TVET policies, TVET providers, and industry associations. Studies have shown that graduates of TVET programs have difficulty finding employment because of poor quality programs and the mismatch between skills in demand and the skills provided by the training programs.⁷ Third, learning deficits start early for Indonesian youth, with poor learning outcomes reinforced every year due to lack of innovative thinking in the delivery of education. Evidence shows that new and emerging education technologies (EdTech) hold the promise of improving learning outcomes, but they have not been used at a scale to make

⁴ The World Bank's Human Capital Index measures the amount of human capital that a child born today can expect to attain by age 18 (<https://www.worldbank.org/en/publication/human-capital>), access on 17 May 2021.

⁵ Independent Evaluation Department. 2017. *Validation Report: Poverty Reduction and Millennium Development Goals Acceleration Program in Indonesia*. Manila: ADB.

⁶ World Bank. World Development Indicators. <https://data.worldbank.org/> (accessed 05 May 2021).

⁷ A. Maik, T. Jasmina, and T. Ahmad. 2019. *Chapeau Paper: Indonesia Technical and Vocational Education and Training*. Jakarta.

a difference, while teachers lack the capacity to use EdTech.⁸ Fourth, quality varies widely across higher education institutions (HEI) and a number of them lack innovative approaches using digital technology. Job placement of higher education graduates in the area of their competency and skill remains low, while there are relatively few innovation centers across HEIs to facilitate entrepreneurial activities among students.

7. **Social protection and health policies are not sufficient to achieve human capital development objectives.** Although the government increased social protection for poor and vulnerable households, amounting to \$15.5 billion in the national economic recovery budget for 2020 following the outbreak of the COVID-19, the pandemic has also revealed weaknesses in the system. There are four key issues that contribute to this development constraint. First, an unemployment benefit framework is lacking. In the absence of this, households that are otherwise above the poverty line and in gainful employment are suddenly facing the risk of slipping into poverty because of job losses. Second, there are inclusion and exclusion errors due to a lack of alignment in beneficiary databases across different social protection programs. Third, there is a lack of policy coherence and effective interagency coordination to address stunting. According to the most recent data, 36.4% of children under the age of 5, or nearly 9 million children, exhibited signs of stunting, well above the 25.7% average for Southeast Asia.⁹ The high incidence of stunting among Indonesia's children means that many of the most vulnerable children in Indonesia do not have the chance to develop to their fullest potential. Fourth, given the clear synergies between health, nutrition policies and educational outcomes among children and young adults, the health sector strategy of the government needs to be aligned with the human capital development objectives.

B. Policy Reform, ADB's Value Addition, and Sustainability

8. **Government reform programs.** The RPJMN focuses on human capital development, through skills development among others, as a critical driver of long-run economic growth, which underpins the transition to an upper-middle-income country. The RPJMN is complemented by the National Strategy to Accelerate Stunting Prevention, 2017–2021, which aims to prevent child stunting caused by malnutrition in as many as 2 million children.

9. **Proposed policy reforms.** The program, which aims to enhance labor productivity through human capital development, focuses on three critical reform areas: (i) strengthening policies to finance and monitor implementation of SDGs, (ii) boosting educational attainment and skills development, and (iii) enhancing social protection and public health systems. Channels through which the program will enhance human capital in Indonesia include: (i) health insurance becomes more inclusive and sustainable; (ii) quality of education and TVET is improved; (iii) social protection more inclusive and equitable, while long-run reduction in stunting. Some of the policy actions included in the program will have a direct and immediate impact on human capital, while others will have an indirect positive impact leading to gradual improvement over a longer period.

10. **Reform area 1: Strengthening policies to finance and monitor implementation of Sustainable Development Goals.** This reform area aims to provide an enabling framework for implementation of SDGs, including at the local level. In subprogram 1, the government set up 21 SDG centers in 20 provinces in partnership with local universities across Indonesia. The SDG centers will play an important role in localizing implementation of SDGs and in supporting

⁸ World Bank, 2018. World Development Report (2018): LEARNING to Realize Education's Promise.

⁹ World Bank. [World Bank Open Data: Prevalence of stunting, height for age \(% of children under 5\) – Indonesia](#) (accessed 17 May 2021).

subnational governments as they plan and monitor implementation of local SDG programs. To make the national health insurance more sustainable, the government issued a Presidential regulation to increase the monthly premium for first-class service from \$5.7 to \$10.7 per person, and the premium for second-class service from \$3.6 to \$7.8 per person. The premium for third-class service was also increased from \$1.8 to \$3.0, but the increase was partially subsidized.¹⁰ The regulation also requires the government to complete a thorough review of the basic health services covered under the insurance plan by 2022. This will be complemented by the issuance of a regulation on state financial risk management. The regulation will cover the monitoring and reporting of fiscal risks related to government programs, including the national health insurance program, and the provision of subsidies. Finally, to increase health expenditures and outcomes at the subnational level, the government issued a regulation to transfer 8% of the general allocation fund and 30% of the regional incentive fund for health expenditures.¹¹ The government also allocated approximately \$3.1 billion to address stunting. This is complimented by a regulation that makes spending on stunting a priority at the village level. The government will build on these reforms in subprograms 2 and 3 by issuing a revised SDG road map that includes the impact of COVID-19 on SDG implementation; and expanding the SDG centers to all provinces to support implementation by subnational governments, with emphasis on those with lagging performance.

11. Reform area 2: Boosting educational attainment and skills development. This reform area focuses on educational and skills development outcomes. In subprogram 1, the government issued a regulation to address unemployment, including among youth, by providing pre-employment services to facilitate the transition from education and training to employment through the JobStart and Kartu Pra Kerja (Pre-Employment Card) programs. These programs track beneficiaries using sex-disaggregated data. The government also improved industry participation in skills development with the inclusion of the Chamber of Commerce and Industry and Employers Association in the proposed national TVET committee that will be tasked with formulating policy guidelines for the TVET sector. Subprogram 1 will also address the problem of dismal learning outcomes among Indonesia's primary and secondary students by enhancing the capacities of teachers. To prepare teachers for student-centered teaching and learning practices, reforms include opportunities for teachers to improve digital skills and enhance the quality of teaching. Subprograms 2 and 3 will build on the initiatives introduced in subprogram 1. For example, the government will issue a regulation to strengthen the linkage of the Pre-Employment Card program with the private sector. Furthermore, it will issue a Presidential regulation to set up the national TVET committee with participation of the private sector and issue regulation to implement the national industry skills standard. To improve the quality of higher education, the government will adopt guidelines for a blockchain-enabled digital credentialing system, and will introduce a digital solution to improve job placement of higher education.

12. Reform area 3: Enhancing social protection and public health systems. This reform area aims to improve human capital development through interventions in the social protection and health sectors. In subprogram 1, the government introduced an unemployment benefit scheme as stipulated by the Job Creation Law 2020 (Omnibus Law). To make social protection programs more resilient and responsive to shocks, government linked data on beneficiaries to national identity numbers reducing inclusion errors. This policy action will build the foundation for interventions to reduce fragmentation across different social protection programs. On the public health side, to reduce the prevalence of stunting, the government will issue a Presidential regulation on stunting to revise the National Strategy on Stunting and include more stakeholders in the national coordination mechanism. Finally, the government aligned health sector policies

¹⁰ The classes correspond to the type of wards and/or rooms in participating hospitals.

¹¹ Fiscal transfer for health expenses in 2021 was approximately \$5.3 billion, compared to \$2.7 billion in 2020.

with the RPJMN and human capital development objectives. Subprograms 2 and 3 will build on the initiatives introduced in subprogram 1. For example, the government will implement unemployment benefit program and issue guidelines on activation measures to be included as part of the program. The government will expand coverage of the conditional cash transfer program in disadvantaged areas. To address stunting, the government will improve coordination amongst stakeholders, and issue guidelines on public interventions. The government will also adopt the Health Sector Reform Strategy and introduce guidelines on implementation, including monitoring of resource allocations linked to human capital development goals.

13. ADB value addition and development partner coordination. The program is anchored on ADB's existing technical assistance, including diagnostic work.¹² ADB's support spans across all three reform areas, including supporting fiscal risk management, designing the unemployment benefit, implementing the digital marketplace to enhance teachers' capacity, and developing the health sector strategy. ADB is coordinating the preparation of the program with key development partners, including the International Monetary Fund and German development cooperation through KfW, which is expected to provide parallel financing of \$434.50 million for subprogram 1.

14. Sustainability. ADB's programmatic approach in supporting human capital development through implementation of the SDGs in Indonesia started in 2016 through the Fiscal and Public Expenditure Management Program, which produced the SDG road map; increased pro-poor expenditure (education, health, and social assistance); and expanded the coverage of the food assistance program from 1.4 million to 15.6 million households.¹³ The proposed program will seek to sustain these reforms by: (i) providing knowledge inputs through policy dialogue; (ii) deepening partnerships with stakeholders; (iii) providing technical assistance to support implementation of reforms; and (iv) building synergy with other ADB programs, including nonsovereign operations.

C. Expected Outcome of the Reform

15. The overarching development objective is improvement of human quality in Indonesia, based on the RPJMN (footnote 1), which is also aligned with the human development and mastery of science and technology development pillar in Vision 2045.¹⁴ The outcome of the reform is improved human capital development. This is consistent with the RPJMN as well the government's SDG road map. The outcome will be measured by improvement in the Human Capital Development Index from the baseline of 54% in 2020 to 57% in 2026, which is slightly below the average for East Asia and the Pacific (paragraph 3). This will be a faster rate of improvement compared to the improvement since 2010 where Indonesia's index was at 50%.

D. Development Financing Needs and Budget Support

16. The programmatic approach is estimated to cost \$1.5 billion comprising policy-based loans for three subprograms of \$500 million each. The government projects its budget financing needs to be \$115.8 billion in 2021, which will be met through domestic (\$92.3 billion) and foreign (\$23.5 billion) sources. Over the medium-term, the financing gap for SDG implementation up to 2030 is estimated to exceed \$1 trillion. The government's budget allocation to implement the reforms in this program exceeds \$23 billion. This includes significant allocation for SDG implementation (approximately \$5.0 billion) and national health insurance (\$3.4 billion). The

¹² ADB. 2016. *Technical Assistance for Support to the Association of Southeast Asian Nations Economic Community*. Manila.

¹³ ADB. 2019. [Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 3 to the Republic of Indonesia for the Fiscal and Public Expenditure Management Program](#). Manila.

¹⁴ Government of Indonesia. 2019. *Indonesia Vision 2045*. Jakarta.

macroeconomic framework remains satisfactory, which guides the medium-term fiscal strategy, and the central government debt remains at a sustainable level.

E. Implementation Arrangements

17. The Coordinating Ministry for Economic Affairs will be the executing agency. The Ministry of National Development Planning, the Ministry of Finance, the Ministry of Education, the Ministry of Social Affairs, the Ministry of Manpower, and the Ministry of Health are the proposed implementing agencies. The implementation period will be from August 2019 to July 2021 for subprogram 1, from August 2021 to July 2023 for subprogram 2, and from August 2023 to July 2025 for subprogram 3. The proceeds of the policy-based loan will be withdrawn following ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

III. DUE DILIGENCE REQUIRED

18. A public financial management assessment and a program impact assessment will be completed. The program is expected to be classified category C for all safeguard aspects. The proposed categorization of subprogram 1 is *effective gender mainstreaming*.

IV. PROCESSING PLAN

A. Risk Categorization

19. Subprogram 1 exceeds \$50 million and, thus, is considered *complex*.

B. Resource Requirements

20. About 45 person-months of international and 15 person-months of national ADB staff inputs are required to process the program.

C. Processing Schedule

21. The milestones and their expected completion date are summarized in the table.

Proposed Processing Schedule

Milestones	Expected Completion Date
Concept paper approval	June 2021
Fact-finding mission	June 2021
Management review meeting	August 2021
Loan negotiations	August 2021
Loan approval	October 2021
Loan signing	November 2021

Source: Asian Development Bank.

V. KEY ISSUES

22. None.

PRELIMINARY POLICY DESIGN AND MONITORING FRAMEWORK

Country's Overarching Development Objective Improvement of human quality in Indonesia; ^a and human development and mastery of science and technology. ^b			
Outcome Human capital development improved.		Risks and Critical Assumptions Risks: <ol style="list-style-type: none"> 1) Global trade disruption continues resulting in financial market turmoil, decline in private investments, and lower economic growth. 2) Escalation and spread of COVID-19 pandemic result in government allocating insufficient resources for education and skills development programs 	
Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
Reform Area 1: Strengthening Policies to Monitor and Finance Implementation of SDGs			
1.1 To localize and monitor implementation of SDGs, the government in partnership with universities established over 20 SDG Centers across Indonesia. (Bappenas)	2.1 The government will: (i) use the SDG dashboard's data on implementation progress to provide support to subnational governments with below average performance; and (ii) issue a revised SDG Roadmap and financing chapter based on the evaluation on the impact of COVID-19 on SDG implementation. (Bappenas)	3.1 The government will expand the SDG Centers to all provinces and guide these centers for more effective implementation at subnational level with emphasis on those with lagging performances. (Bappenas)	By 2026: a. Human Capital Development Index improved to 57% (2020 baseline: 54%) (Source: World Bank's Human Development Index report, published every two years)
1.2 To improve the sustainability of health services, the government issued a Presidential regulation to: (i) increase premiums for the national health insurance; (ii) increase total subsidy for the the poor and vulnerable; and (iii) review benefits for basic health needs and hospitalization class. (Ministry of Finance; Ministry of Health) ^c	2.2 The government will rationalize subsidies and streamline benefits across the different treatment classes based on the recommendations of the earlier review. (Ministry of Finance)	3.2 The government will improve policies to increase premium collection from all non-subsidized beneficiaries to increase sustainability to the national health insurance program, while improving the financial management and governance of the program (Ministry of Finance; Ministry of Health)	b. SDG index score improved to 70.0 with improvement in indicators related to health (SDG 3) and education (SDG 4) (2020 baseline: 65.3) (Source: SDSN SDG index https://dashboards.sdgindex.org/ranking)

Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
<p>1.3 To strengthen risk management of the state finance, including risk of government programs and contingent liabilities from national health insurance and the provision of subsidies, the government will issue a regulation to provide a comprehensive risk management framework which covers (i) risk assessment, (ii) institutional arrangements between entities, (iii) policy recommendations, and (iv) reporting. (Ministry of Finance)</p> <p>1.4 To link financing and SDGs related to health outcomes at the subnational level, the government doubled the fiscal transfer for health expenses in 2021^d and issued regulations to: (i) transfer 8% of general allocation fund and 30% of regional incentive fund for health expenditures by subnational governments; and (ii) include expenditures to address stunting and increase women's participation in economic activities as priority spending of the Village Fund. (Ministry of Finance)</p>	<p>2.3 The government will issue a MOF decree establishing a National Strategy on State Financial Risk Management that covers all fiscal risks, which will enable the government to plan the sustainability of the national health insurance on a medium-term framework. (Ministry of Finance)</p> <p>2.4 The government will issue regulations to make subnational fiscal transfers conditional on meeting performance and SDG targets. (Ministry of Finance)</p>	<p>3.3 The government will issue a regulation to implement performance-based lending for subnational governments. (Ministry of Finance)</p>	

Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
Reform Area 2: Boosting Educational Attainment and Skills Development			
<p>1.5 To improve labor market outcomes for Indonesian youth, the government will implement JobStart in Bandung and Makassar by: (i) registering jobseekers (50% female); (ii) counselling and (iii) delivering online life skills training modules which are gender responsive.^e (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>1.6 To improve skills of retrenched employees, the government issued regulations on the pre-employment card program with over 5 million beneficiaries (of which 45% are women) in 2020 and an additional 1.8 million beneficiaries in 2021 across 34 provinces.^f (Coordinating Ministry of Economic Affairs).</p> <p>1.7 To strengthen the governance and coordination of TVET sector, the government: (i) issued a Ministerial Decree to include representatives from the private</p>	<p>2.5 The government will expand JobStart to 3 additional provinces and complete 2 cycles of life skills training, technical training, and internship (job placements) in each of these 3 additional province. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>2.6 The government will increase the number of beneficiaries of the pre-employment card program to cover 10 million beneficiaries and improve its linkages with the private sector. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>2.7 The government will: (i) develop and adopt a comprehensive socialization and capacity development strategy for the national TVET committee at all levels of the government; (ii) issue</p>	<p>3.4 The government will issue regulations to institutionalize JobStart and make it a national program with partial funding from the government and participation from the private sector. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>3.5 The government will revise guidelines on implementation of the pre-employment card program based on the evaluation of the program, covering both equity (coverage of low-income individuals) and efficiency (impact on employability post-program) by strengthening linkages with the private sector. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>3.6 The government will issue regulations to: (i) strengthen the monitoring of TVET sector development on the provincial and district levels;</p>	<p>c. Learning adjusted years of school increased to 8.5 (2020 baseline: 7.8) (Source: World Bank's Human Capital Development Index, published annually)</p> <p>d. Gap in NEET rate between men and women declined to 7.5 percentage points (2020 baseline: 11.12 percentage points) (Source: World Bank's Development Indicators)</p> <p>e. 66.7% of higher education graduates find work within 1 year of graduation. (2020 baseline: 64.7%) (Source: RPJMN Indicator)</p> <p>f. 20% of TVET programs compliant with revised SKKNI framework (2020 baseline: 0%) (Source: national TVET committee's performance monitoring reports)</p>

Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
<p>sector in the steering committee of the Acceleration Team to prepare for the establishment of the national TVET committee;⁹ and (ii) will develop a strategy to link the Indonesian TVET Qualifications Framework (KKNl) and the Indonesia National Work Competency Standards (SKKNI). (Coordinating Ministry of Economic Affairs; Ministry of Education and Culture)</p> <p>1.8 To enhance the capacities of teachers and improve learning outcomes, the government implemented a digital marketplace for in-service training on student-centered teaching and learning practices (of the total participating teachers, 40% were women). (Ministry of Education and Culture)</p> <p>1.9 To improve access to better quality higher education, Indonesia Cyber Education (ICE) Institute launched the first of its kind digital platform for online courses from Coursera, EdX, Udacity, FutureLearn, and participating Indonesian</p>	<p>policy guidelines to increase industry roles in the implementation of TVET service provision; and (iii) revise regulations to consolidate a national framework for KKNl and SKKNI. (Coordinating Ministry of Economic Affairs; Ministry of Education and Culture; Ministry of Manpower)</p> <p>2.8 To build on the teacher training program, the government will: (i) increase the number of teachers participating in the digital marketplace to improve teaching in primary and secondary schools; (ii) adopt a roadmap on the use of education technology (EdTech) in Indonesian schools; and (ii) adopt a strategy on the use of EdTech in the TVET sector to improve teaching quality. (Ministry of Education and Culture)</p> <p>2.9 The government will adopt guidelines for a block-chain enabled digital credentialing system after the prototype design is completed by ICE institute and tested in universities, alongside a digital student career guidance system. (Ministry of Education and Culture)</p>	<p>and (ii) implement national industry skills standards amongst line ministries, and provincial and district TVET agencies. (Coordinating Ministry of Economic Affairs; Ministry of Education and Culture; Ministry of Manpower)</p> <p>3.7 To modernize and improve quality of teaching in TVET, the government will: (i) issue regulations for developing and adopting a standard based TVET teacher development framework including blended learning options, and (ii) issue regulations for accreditation of TVET teacher training institutions. (Ministry of Education and Culture)</p> <p>3.8 To facilitate transition into employment for higher education graduates, the government will introduce a career guidance platform that makes use of skills demand forecast and ICE's digital marketplace for courses for additional skilling</p>	

Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
universities. (Ministry of Education and Culture)		opportunities, to better match graduates into jobs. (Ministry of Education and Culture)	
Reform Area 3: Enhancing Social Protection and Public Health Systems			
<p>1.10 To provide income protection and security against job loss, the government issued a regulation on the Unemployment Benefit program. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>1.11 To increase the targeting accuracy of social protection programs and make them more shock-responsive, the government issued a regulation to link data on beneficiaries with the national identification number. (Ministry of Social Affairs)</p>	<p>2.10 The government will implement unemployment benefit program and issue guidelines on labor market activation measures, such as training and counseling requirements, linked to the program. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>2.11 To expand coverage and strengthen the implementation of the conditional cash transfer program (PKH) in disadvantaged areas (PKH AKSES), the government released new definitions for remote and impoverished areas as well as guidelines covering business processes, payment mechanisms, and greater flexibility on conditionalities. (Ministry of Social Affairs)</p> <p>2.12 To make SP more equitable and inclusive, the government will expand the DTKS by the increasing coverage from the bottom 40% to 60% of the poorest and most vulnerable population, and improve targeting through digitization efforts. (Ministry of Social Affairs)</p>	<p>3.9 To increase the coverage of the unemployment benefit program, the government will introduce a contributory scheme for informal sector workers. (Coordinating Ministry of Economic Affairs; Ministry of Manpower)</p> <p>3.10 To improve efficiency and reduce fragmentation of SP, the government will promote the use of a unified beneficiary database (DTKS), strengthen IT systems, support integration across information platforms (SIKS-NG), and enhance implementation capacity at the local level to maintain and manage data systems. (Ministry of Social Affairs)</p> <p>3.11 To improve social welfare planning and management, the government will strengthen IT systems, support integration across information platforms, and enhance implementation capacity to maintain and</p>	<p>g. Social safety net coverage of the poorest quintile increased to 75%. (2020 baseline: 66%) (Source: World Bank's Human Capital Development Index, published annually)</p> <p>h. Reduction of stunting among children under age 5 years old declined to 20.7% (2019 baseline: 27.7%) (Source: RPJMN 2020–2024 and Ministry of Health Annual Report)</p> <p>i. Out of pocket (OOP) expenditure as a share of total health expenditure declined to 25%. (2020 baseline: 34%) (Source: World Health Organization)</p>

Indicative Policy Actions: Subprogram 1 August 2019 to July 2021	Indicative Policy Actions: Subprogram 2 August 2021 to July 2023	Indicative Policy Actions: Subprogram 3 August 2023 to July 2025	Outcome Indicators
<p>1.12 To enhance the quality of life and improve competitiveness of human resources in Indonesia, the government will issue Presidential regulation on stunting (National Strategy to Accelerate Stunting Prevention) to include the National Family Planning Agency into the national coordination mechanism.^h (Bappenas; Ministry of Health)</p> <p>1.13 To align health sector policies with the human capital development objectives, the government will issue a directive to revise Indonesia's Health Sector Reform Strategy by better linking budget and resource allocation to HCD goals. (Ministry of Health)</p>	<p>2.13 The government will implement the National Strategy on Stunting by introducing public interventions to tackle stunting based on an in-depth analysis of consumption and expenditure patterns using the improved Nutritional Status Survey (NSS) together with National Social-Economic Survey. (Ministry of Health; BSP)</p> <p>2.14 The government will issue implementation guidelines for the new Health Sector Reform Strategy. (Ministry of Health)</p>	<p>manage IT systems. (Ministry of Social Affairs)</p> <p>3.12 To continue implementation of the National Strategy on Stunting, the government will improve coordination between national and local government units, and the private sector, by issuing guidelines on public interventions on reducing stunting in the most affected districts identified in the Strategy. (Ministry of Health; Bappenas; Secretariat of the VP)</p> <p>3.13 The government will implement the health sector transformation plan and align policies, health expenditures, service delivery, and health sector organizational structure to HCD goals. (Ministry of Health)</p>	
Budget Support ADB: Subprogram 1: \$500 million (policy-based loan) Subprogram 2: \$500 million (policy-based loan, indicative) Subprogram 3: \$500 million (policy-based loan, indicative) KfW: loan amount undetermined (tentatively \$434.5 million for subprogram 1)			

COVID-19 = coronavirus disease, DTKS = beneficiary database, HCD = human capital development, HEI = higher education institutions, ICE = Indonesia Cyber Education, IT = information technology, KfW = Kreditanstalt für Wiederaufbau, KKNI = Indonesia TVET Qualifications Framework, MOF = Ministry of Finance, NEET = not in employment, education or training, NSS = Nutritional Status Survey, OOP = out of pocket, PKH AKSES = cash transfer program in disadvantaged areas,

RPJMN = National Medium-Term Development Plan, SDG = sustainable development goal, SDSN = Sustainable Development Solutions Network, SIKS-NG = information platforms, SKKNI = Indonesia National Work Competency Standards, STP = science and technology parks, TVET = technical and vocational education and training.

^a Government of Indonesia. 2019. *National Medium-Term Development Plan (RPJMN) 2020–2024*. Jakarta.

^b Government of Indonesia. 2019. *Indonesia Vision 2045*. Jakarta.

^c The premium was increased by Rp70,000, Rp48,000 and Rp16,500 for Class 1, 2 and 3, respectively.

^d The fiscal transfer for health expenses in 2021 was approximately Rp77.3 trillion, compared to Rp38.2 trillion in 2020.

^e JobStart is a youth employment program that provides full training cycle for unemployed youth including counselling, life skills and technical training. Criteria for selection of Bandung and Makassar as pilot provinces included rate of youth unemployment and support and ownership by subnational governments. The youth unemployment rate in Makassar increased from 29.9% in 2018 to 38.0% in 2020 and in Bandung Barat increased from 31.2% in 2018 to 34.6% in 2020 while the national average of youth unemployment went down from 34.5% to 27.5%.

^f Pre-employment card program is an unemployment program that subsidizes training to assist unemployed and retrenched employees to upskill and reenter the labor market. The target for the 1st half of 2021 is 2.7 million beneficiaries.

^g The national TVET committee includes: (i) Coordinating Ministries of Economic Affairs, (ii) Coordinating Ministry of Human Development and Cultural Affairs; (iii) Ministry of National Development Planning/BAPPENAS; (iv) Ministry of Education and Culture; (v) Ministry of Manpower, (vi) Ministry of Industry; and (vii) KADIN/APINDO.

^h The National Planning Agency's Strategy for 2020–2024 includes providing information to help women be aware of nutritional needs during pregnancy, infant stimulation, and the need to access prenatal care at a health clinic at least four times throughout the pregnancy.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54461-001-ConceptPaper>

1. Initial Poverty and Social Analysis
2. Sector Assessment (Summary): Human Capital Development