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Report No: PADHI00563

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT

IN THE AMOUNT OF US$ 11.5 MILLION

TO THE

REPUBLIC OF INDONESIA

FOR A

INDONESIA SUPPORTING HEALTH TRANSFORMATION PROJECT (I-SEHAT)

NOVEMBER 15, 2024

Health, Nutrition & Population
East Asia And Pacific

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 5, 2024)

Currency Unit =	RUPIAH (IDR)
US$1 =	IDR 15,735

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Manuela V. Ferro
Country Director:	Carolyn Turk
Regional Director:	Alberto Rodriguez
Practice Manager:	Ronald Upenyu Mutasa
Task Team Leader(s):	Pandu Harimulti, Somil Nagpal

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
Bappenas	National Development Planning Agency (*Badan Perencanaan Pembangunan Nasional*)
BKPK	Health Development Policy Agency (*Badan Kebijakan Pembangunan Kesehatan*)
BMGF	Bill and Melinda Gates Foundation
BPK	Supreme Audit Institution
COVID-19	Coronavirus Disease 2019
CPF	Country Partnership Framework
CPMU	Central Project Management Unit
DAK Fisik	Special Allocation Funds (*Dana Alokasi Khusus)* for Infrastructure
DFAT	Department of Foreign Affairs and Trade
DIPA	List of Entries of Budget Execution (*Daftar Isian Pelaksanaan Anggaran*)
DPL	Development Policy Loan
ENDC	Enhanced Nationally Determined Contribution
ESF	Environmental and Social Framework
ESS	Environmental and Social Standards
FM	Financial Management
FMA	Financial Management Assessment
GDP	Gross Domestic Product
GoI	Government of Indonesia
HNP	Health, Nutrition, and Population
HSS	Health Systems Strengthening
HSTA	Health System Transformation Agenda
IFR	Interim Financial Report
INEY	Investing in Nutrition in Early Years
IPF	Investment Project Financing
IsDB	Islamic Development Bank
I-SPHERE	Indonesia - Primary and Referral Healthcare Reform
JKN	National Health Insurance System (*Jaminan Kesehatan Nasional*)
KfW	Reconstruction Credit Institute (*Kreditanstalt für Wiederaufbau*)
KJSU	Cancer, Heart, Stroke, and Uronephrology Disease (*Kanker, jantung, stroke,* and *uronefrolofi*)
LTS-LCCR	Long-Term Strategy for Low Carbon and Climate Resilience
M&E	Monitoring and Evaluation
MDB	Multilateral Development Bank
MDTF	Multi-Donor Trust Fund
MFD	Maximizing Finance for Development
MoF	Ministry of Finance
MOH	Ministry of Health
NCD	Noncommunicable Disease
PDO	Project Development Objective
PforR	Program for Results
PHC	Primary Healthcare
PIU	Project Implementation Unit

POM	Project Operations Manual
Posyandu	Integrated Service Posts (*Pos Pelayanan Terpadu*)
PP	Procurement Plan
PPSD	Project Procurement Strategy for Development
Puskesmas	Community Health Center (*Pusat Kesehatan Masyarakat*)
Pustu	Auxiliary Puskesmas (*Puskesmas Pembantu*)
SATUSEHAT	One Health (an interoperable platform that integrates all the available public health information systems (HIS) across Indonesia
SG	Secretary General
TA	Technical Assistance
TB	Tuberculosis
UHC	Universal Health Coverage
USAID	United States of America for International Development
WB	World Bank

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DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name		
Indonesia	Indonesia Supporting Health Transformation Project (I-SeHat)		
Operation ID	Financing Instrument	Environmental and Social Risk Classification	
P500764	Investment Project Financing (IPF)	Low	

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[ ] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
28-Nov-2024	31-Jan-2027
Bank/IFC Collaboration	
No	

Proposed Development Objective(s)

To improve coordination of partner support and enhance integration of cross-cutting themes in Indonesia's health system transformation agenda, with a focus on primary health care and digital health.

Components

Component Name	Cost (US$)
Improving coordination of Partner Support	5,750,000.00
Improving Integration of Cross-cutting Issues	5,750,000.00

Organizations

Borrower:	Republic of Indonesia		
Contact	Title	Telephone No.	Email
Dian Lestari	Director for Loans and Grants	62150420	dian.lestari74@kemenkeu.go.id
Implementing Agency:	Directorate for Community Health Management, Ministry of Health Republic of Indonesia, Bureau of Planning and Budgeting, Ministry of Health Republic of Indonesia		
Contact	Title	Telephone No.	Email
Maria Endang Sumiwi	Director General	62215221225	maria.sumiwi@kemkes.go.id
Kunta Wibawa Dasa Nugraha	Secretary General	62215201590	kuntanugraha@kemkes.go.id
Budi Perdana	Head of the Loans and Grants	62215201590	phlnrorenggar@gmail.com
Liendha Andajani	Director of Planning and Budgeting	62215201590	seskarorengar@gmail.com

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? No

Is this project Private Capital Enabling (PCE)? No

SUMMARY

Total Operation Cost	**11.50**
Total Financing	**9.00**
Financing Gap	**2.50**

DETAILS

Non-World Bank Group Financing

Trust Funds	9.00
Trust Funds	9.00

Expected Disbursements (US$, Millions)

WB Fiscal Year	2025	2026	2027	2028
Annual	5.30	5.25	0.70	0.25
Cumulative	5.30	10.55	11.25	11.50

PRACTICE AREA(S)

Practice Area (Lead)

Health, Nutrition & Population

Contributing Practice Areas

Digital Development

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Substantial
9. Overall	Moderate

POLICY COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4: Community Health and Safety	Not Currently Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description
Schedule 2, Section I. Institutional and Other Arrangements. A. Institutional Arrangement (#3) on 'Project Steering Committee' of the Grant Agreement. The Recipient, through the MOH, shall maintain, throughout Project implementation, the Project Steering Committee, with a composition, institutional framework, functions, and resources satisfactory to the Recipient and the Bank for such purpose.
Schedule 2, Section I. Institutional and Other Arrangements. A. Institutional Arrangement (#4) on 'Coordinating Project Management Unit' of the Grant Agreement The Recipient, through the MOH, shall establish and thereafter maintain, throughout Project implementation, the Coordinating Project Management Unit, to be responsible for supporting loans and grants functions across the MOH, including coordinating planning and budgeting, monitoring the implementation and management of grants that support the health transformation activities, and establishing and maintaining partnership with the donors.
Schedule 2, Section I. Institutional and Other Arrangements. A. Institutional Arrangement (#5) on 'Project Implementation Units' of the Grant Agreement. The Recipient, through the MOH, shall establish and thereafter maintain, throughout Project implementation, the Project Implementation Units to the extent necessary for the implementation of relevant Project activities to be responsible for the planning, budgeting, implementation, and reporting of the relevant Project activities that support the HSTA
Schedule 2, Section I. Institutional and Other Arrangements. B. Project Operation Manual, (1.c) The Recipient, through the MOH, shall: no later than three (3) months after the Effective Date, adopt the Project Operations Manual as accepted by the Bank.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Article IV.4.03	This Agreement shall enter into effect on the date upon which the Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01	Trust Funds

I. STRATEGIC CONTEXT

A. Country Context

1. **Indonesia has been able to maintain strong and steady economic growth to pre-pandemic level by early 2024, which is necessary for its commitment to invest in the health sector reform.** The country's economy grew at a strong rate of 5.3 percent in 2022 and 5.05 percent in 2023, as a result of the return of consumer demand and investor confidence along with an improving health situation. The country's economy[1] was negatively affected by COVID-19 pandemic and pushed Indonesia back to lower-middle-income status in 2020. In 2023 the country has reclaimed its upper-middle-income country position with a per capita income of US$4,580. Prior to the pandemic, Indonesia's level of general government spending on health (1.4 percent of gross domestic product [GDP] in 2019) was about half of the average of other emerging markets, due to its low tax-to-GDP ratio (9.9 percent), which remained the lowest among structural peers over the past decade. Rebounding from the economic contraction is critical to improve the revenue-raising potential, a major constraint on public spending.

2. **To achieve the vision to reach developed country status in 2045, Indonesia needs to invest in infrastructure and nurture its human capital.** Indonesia continues to face infrastructure gaps[2] (estimated at US$1.7 trillion) relative to its emerging market peers following decades of underinvestment and rapid urbanization.[3] Indonesia also scores low on the Human Capital Index[4] and has one of the highest rates of stunting among children below 5 years in East Asia. These gaps are key constraints to productivity, service delivery, resilience, and inclusion.

B. Sectoral and Institutional Context

3. **Despite significant progress in improved health status for the past decades, Indonesia continues to face challenges from multiple burdens of disease due to epidemiologic and demographic transitions**. The share of burden from non-communicable diseases (NCDs) has almost doubled in the past three decades, from 40 percent in 1990 to 72 percent in 2019. This is accompanied by an increasing prevalence of NCD deaths, the probability of dying between ages 30 and 70 from cardiovascular disease, cancer, diabetes, or chronic respiratory diseases. At the same time, Indonesia continues its efforts to cope with a high prevalence of chronic undernutrition or stunting, which, despite significant recent

[1] Measured in GDP at constant prices.

[2] Defined as the difference in per capita public capital stock between average of emerging markets and Indonesia multiplied by Indonesia's population. Emerging markets are defined in accordance with IMF definition (source: World Bank, "Indonesia Economic Prospect, June 2022: Financial Deepening for Stronger Growth and Recovery").

[3] World Bank Group, "Indonesia Systematic Country Diagnostic: Connecting the Bottom 40 Percent to the Prosperity Generation," Indonesia Systematic Country Diagnostic (2015), World Bank, Washington, DC.

[4] Indonesia scored 0.54 on the HCI in 2020. This means that, on average, a child born in Indonesia today will be 54 percent as productive when she grows up as she could be if she enjoyed complete and high-quality education and full health.

improvements, is still high at 21.6 percent. Communicable diseases remain persistently high too, exemplified by the high incidence of Tuberculosis (TB), and the endemicity of malaria.

4. **Geographic and income-related inequalities in access to health care services, and shortcomings in the services received, persist**. Although the overall service readiness of public primary health care facilities, and disparity across regions, has improved in recent years, the publicly owned community primary health care centers (*Puskesmas*), especially those in the western part of Indonesia, continue to possess a better capacity to deliver basic health services than their counterparts in the east and the private sector. This is compounded by socioeconomic inequalities with poor households still having infant and child mortality rates that are double those of richer households. Moreover, access to care does not guarantee that patients will receive all intended services. For example, blood and urine tests—essential for the diagnosis of high-risk pregnancies—were done in only 47.6 percent and 38.7 percent of antenatal care visits, respectively. This substantiates continued barriers for women and girls to access and receive quality health care services, not only related to maternal and childcare, but also for several NCDs such as cancers that disproportionally affect women. The National Health Insurance *JKN* provider network has also been found to favor relatively wealthier regions that possess more advanced healthcare services.

5. **Historically low government spending on health, coupled with generally limited revenue generating and public financial management capacities at the subnational level, further hamper an effective and equitable implementation of national health policies**. Indonesia's total government health expenditure only amounted to US$73 per capita in 2020 – well-below the US$110 needed to finance a minimum package of essential universal health care services. Moreover, over two-thirds of public health spending happens at the subnational level, where the Ministry of Health (MOH) has limited influence. Although a large share of district revenue is derived from central transfers, most of these transfers are not tied to results. One of these transfers, Special Allocation Fund for infrastructure and equipment (Dana Alokasi Khusus - DAK Fisik), has managed to reduce infrastructure gaps[5]. However, investment in health infrastructure remains widely varied across districts due to DAK Fisik's limited size. Coupled with unequal subnational accountability, monitoring, evaluation, and quality assurance capacities, this leads to persistent disparities in health infrastructure and in access to quality healthcare.

6. **Regional disparities in healthcare access and quality persist at different levels of services, and types of public health services**. Equitable access to referral-level care is particularly important to manage the rise in NCDs, yet there is widespread lack of access to referral-level hospital services, especially in the remote areas of Indonesia. Currently, the facilities with the capability to deliver standardized services for four NCDs: cancer, heart conditions, neurology, and kidney and urinary tract conditions (abbreviated as KJSU in Indonesian language), are still concentrated in major cities of Java and Bali islands. This has led to delayed detection, faster disease progression, lower survival rates, as well as losses in quality of life and productivity elsewhere.

7. **Vulnerable groups, including women, girls and people with disabilities, are particularly negatively affected by health access challenges and inequities** – with further access restrictions during the COVID-19 pandemic having had a disproportionately disruptive effect on people with disabilities[6]. Over the past two decades, Indonesia has made significant strides in improving gender equality outcomes yet the nation's maternal mortality rate (MMR) at 177 deaths per 100,000 live births is far greater than the East Asia Pacific average of 69 deaths per 100,000 live births. [7] In addition, Indonesian adolescent girls and women face risks of anemia, poor birth outcomes, and having stunted children due in part to low quality and utilization of essential maternal and child health and nutrition services. In turn, people with disabilities face

[5] World Bank, Is Indonesia Ready to Serve?, World Bank 2018 https://elibrary.worldbank.org/doi/abs/10.1596/30623

[6] Rahmadian, F. (2022). Barriers to inclusion: COVID-19, people with disabilities, and Indonesia's policy responses. In M. A. Hidayahtulloh, I. Jati, & D. Sumardani (Eds.), Indonesia post-pandemic outlook series: Social perspectives (179–206). BRIN Publishing.

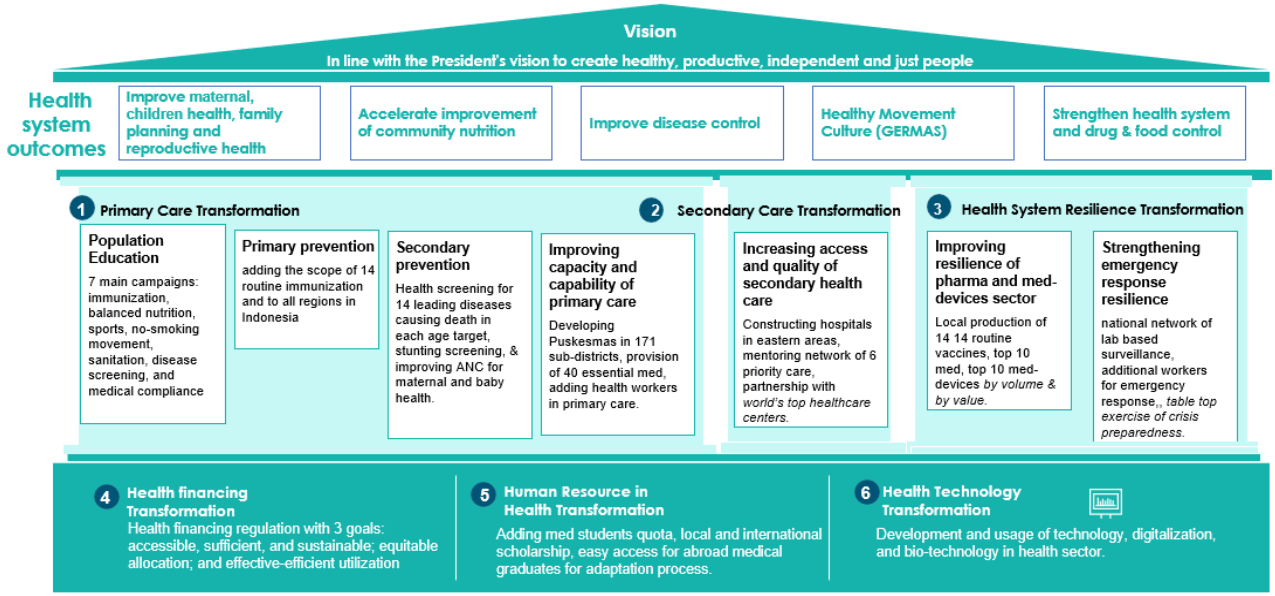
[7] MAHMOOD, Mohammad Afzal, HENDARTO, Hendy, LAKSANA Muhammad Ardian Cahya et al. 2021. "Health System and Quality of Care Factors Contributing to Maternal Deaths in East Java, Indonesia." *PLoS ONE* 16(2). https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0247911.

inequitable access to healthcare and other basic services, high unemployment rates, and underrepresentation in national statistics.[8]

8. **Natural hazards and extreme events, set to worsen in frequency and severity due to climate change, pose particularly significant threats to population health and challenge Indonesia's health system**. Without effective adaptation, the population's exposure to natural hazards is set to rise. The population exposed to an extreme river flood is forecasted to grow by 1.4 million by 2035–2044, up from over 880,000 in 2020[9]. Indonesia has also been identified as one of the countries set to contend with a severe increase in extreme temperatures and is facing an extreme heatwave as often as once every two years by the end of the twenty-first century under a high greenhouse gas emission scenario[10]. Under a high-emission scenario, it is also projected that approximately 35.1 climate-related deaths per million population could occur because of scarce food availability in Indonesia by 2050[11].

9. **Aiming to address the above challenges, the MOH launched in 2022 an ambitious Health System Transformation Agenda (HSTA) with the aim of establishing a well-structured public health system that integrates and standardizes all levels of public health facilities and laboratories**. This ambitious agenda, which was launched in the wake of the devastating impact of the COVID-19 pandemic with the aim of establishing a "healthy, productive, independent, and just people", centers around the following six pillars (figure 1): (i) primary care transformation; (ii) secondary care transformation; (iii) health resilience transformation; (iv) health financing and system transformation; (v) human resource in health transformation; and (vi) health technology transformation. The focus is thus on establishing a well-structured public health system that integrates and standardizes all levels of public health facilities and laboratories. This means creating a cohesive framework where different levels of public health facilities, including primary health centers, district hospitals, and specialized hospitals, work together in a coordinated manner.

Figure 1. Indonesia Health System Transformation: Six Pillars of Transformation



10. **Primary Healthcare (PHC) strengthening is one of the key focus areas of the HSTA to date.** In Indonesia, they are predominately delivered by a vast network of over 10,000 community health centers, known as *Puskesmas*, which offer over 30 essential preventive and curative health care services at the sub-district level.[83] These are further complemented by auxiliary puskesmas, known as *Pustu*, as well as integrated service posts, known as *Posyandu*, which provide a limited set of services at the village and hamlet levels respectively. In 2022, the MOH launched the Primary Health Care Integration

[8] United Nations. 2021. *Disability Data in Indonesia.* https://disability.un.or.id/
[9] World Bank and ADB (Asian Development Bank). 2021. *Climate Risk Profile Indonesia*. http://hdl.handle.net/10986/36379.
[10] World Bank and ADB (Asian Development Bank). 2021. *Climate Risk Profile Indonesia*. http://hdl.handle.net/10986/36379.
[11] SPRINGMANN, Marco, MASON-D'CROZ, Daniel, ROBINSON, Sherman et al. 2016. "Global and Regional Health Effects of Future Food Production ction under Climate Change: A Modelling Study." *The Lancet.* 387 (10031): 1937–1946.

initiative, also known as *Integrasi Pelayanan Kesehatan Primer* (ILP). It aims to improve access, quality, and coordination of healthcare delivery at the community level, with a particular focus on integrating various PHC services, especially preventive and promotive care approaches. The ILP approach for life cycle services emphasizes the importance of strengthening PHC services at the village level, particularly through the reinforcement of *Pustu* and *Posyandu*. Benefits associated with strengthened PHC system in low-income to middle-income countries are vast. An expanding body of evidence shows the cost-effectiveness of strengthening PHC systems. A 2018 analysis classified 198 (91 percent) of 218 essential Universal Health Coverage (UHC) interventions as PHC and another report estimated that up to 75 percent of the projected health gains from the Sustainable Development Goals could be achieved through strengthened PHC. Expanding access to a core set of integrated interventions for maternal and child health (narrower than PHC), including through the provision of needed equipment to primary health centers, is calculated to generate economic and health benefits valued at 7.2 to 11.3 times more than the costs of the interventions.

11. **The digital transformation component is fundamental to the HSTA**. At its core is the establishment of SATUSEHAT, a comprehensive interoperable platform that integrates all the available public health information systems (HIS) across Indonesia. Multiple health applications that exist in the current HIS often overburden health providers and program managers which creates inefficiencies and reduces the quality and timeliness of service delivery, and prevents development of effective policies, based on real-time evidence and data. The SATUSEHAT platform was officially launched in July 2022, and aims to integrate patient health data from hospitals, clinics, laboratories, pharmacies, and, in the future, potentially even data from the Social Security Administrator for Health (BPJS-K, or *Badan Penyelenggara Jaminan Sosial – Kesehatan*) in a standardized, electronic format. The incremental implementation targets the integration of 30,000 health facilities across Indonesia by the end of 2024.

12. **Indonesia's HSTA has been acknowledged by the global community as an ambitious but necessary endeavor to improve the population's health status**. Recognizing the importance of these efforts, development partners have been providing support that comes in various forms, such as technical assistance (TA), in-kind support from technical experts, and funding. The support is not only made available for current ongoing activities but also efforts planned in the coming years to ensure the ambitious HSTA goals are achieved. The development community recognizes that the continuity of the HSTA goes beyond the period of the current Government of Indonesia (GoI) administration and MOH leadership, and that these interventions need to be sustained to ensure the impact of the ongoing health sector reform initiatives.

13. **Dealing with development partners individually has further stretched MOH's capacity for implementing the HSTA**. The Loans and Grants Working Unit MOH has some experience in managing external financing programs but with the current workload, and the complexity and scale of support for HSTA, the Unit will face challenges in managing the tasks. Moreover, multiple donors may have interests to support the same HSTA activities, with each having its own administrative arrangements and requirements. In view of the above, some of the development partners, including the Australian Department for Foreign and Trade Affairs (DFAT), United States Agency for International Development (USAID), and the Bill and Melinda Gates Foundation (BMGF), have endorsed the aim of the grant Project and stated their intention to be a part of the proposed grant Project. The World Bank, which has recently commenced implementation of a complementary endeavor for the HSTA - the Indonesia Health System Strengthening Project[12], which brings together four multilateral development banks (MDBs) to finance US$4 billion worth of health infrastructure in support of the HSTA, has been entrusted by MOH as a convening partner to support the HSTA through this Project.

14. **Project activities, developed in close collaboration and coordination with development partners, are critical to ensure improved coordination between MOH and development partners in shaping and implementing the HSTA** Development partners include MDBs, bilateral partners, non-governmental organizations and other partners supporting MOH. Currently, there are few formal partner coordination mechanisms active in the Indonesian health space. Under the Indonesia Health System Strengthening Project, four MDB partners (World Bank, Asian Infrastructure Investment Bank - AIIB, Asian Development Bank - ADB, and Islamic Development Bank - IsDB) have formally linked up to support the strengthening of primary and referral facilities as well as a public laboratory system across the country and align their

[12] Indonesia Health System Strengthening Project Information Document, 2023
https://documents1.worldbank.org/curated/en/099071023173535578/pdf/P18081105f58ed0e0b2350a471f429f1c4.pdf

support through coordinated action, while there is also a formal primary care consortium working with MOH to enhance frontline service delivery. Activities related to nutrition are coordinated across ministries and across levels of government through the office of the Vice President in accordance with the instructions contained in Presidential Regulation 72 of 2021. In terms of health financing, digital development, and other critical components of the HSTA, partner coordination is either absent or only informal. The proposed Project thereby offers a unique opportunity to serve as a formal partner coordination platform and interface with MOH, with some of the most prominent sources of health sector support and technical assistance having joined the Multi Donor Trust Fund (MDTF), also considerably reducing fragmentation of analytical and advisory work and financing of HSTA support.

C. Relevance to Higher Level Objectives

15. **The proposed Project is closely aligned with the World Bank Group's Indonesia Country Partnership Framework (CPF) for Fiscal Year 2021-2025[13] (Report # 157221-ID), and the World Bank's Evolution Roadmap seeking to support long-term development at greater scale in middle-income countries.** Its development objective, which seeks to support the GoI's HSTA activities across six pillars, resonates strongly with the CPF Objective 3.2 on strengthening the quality and equity in nutrition and health, as part of Engagement Area III, 'Nurture Human Capital'. The grant Project sets out to contribute to addressing the critical health sector challenges identified in the CPF. These center around the quality of primary care, geographical access, and equity, as well as very high levels and persistence of malnutrition, maternal mortality, and communicable diseases, compounded by new emerging diseases, and the rapid growth of NCDs. Moreover, the explicit attention to the cross-cutting themes of gender, digitization, and climate change matches the CPF's objectives, and are aligned with the Green, Resilient and Inclusive Development approach envisioned by the CPF. Many of the identified health sector challenges are compounded by gender disparities – both for males and females. Closing gender gaps, which were deepened during the COVID-19 pandemic, underpin activities of the grant Project. In sum, the Project is envisioned to significantly contribute to meeting the CPF's ambition in delivering innovative support to strengthen the country's health system.

16. **The grant Project is an important complement to the existing World Bank Health, Nutrition, and Population (HNP) portfolio in Indonesia that has been entirely results-based until recently, with one investment project financing (IPF) operation and one development policy loan (DPL) operation having been recently approved and to be implemented in parallel with this grant Project.** The HNP portfolio that uses the Program-for-Results (PforR) instrument includes the primary care governance, quality and information systems focus of the Indonesia - Supporting Primary Health Care Reform (I-SPHERE, US$150 million) [14]; the COVID-19 Emergency Response operation (US$750 million)[15]; the JKN Reforms and Results Program (US$400 million)[16]; the Investing in Nutrition and Early Years (INEY) Program Phase 2[17] (US$600 million); and the use of health systems tools to strengthen national TB response (US$300 million)[18]. In addition to this PforR portfolio, the Indonesia Health System Strengthening (HSS) Project uses the IPF modality and aims to close the gaps in healthcare facility readiness to deliver essential health services. It is also complemented by the Universal Health Coverage Development Policy Loan (UHC DPL, US$1 billion), which supports implementation of the new Health Omnibus Law. These lending operations in the health sector's portfolio aim to address the geographical and other divides more

[13] *World Bank. (2021a). World Bank – Indonesia 2021-2025 Country Partnership Framework (Report No. 157221-ID). Available at: https://www.worldbank.org/en/country/indonesia/brief/indonesia-country-partnership-framework-2021-2025*

[14] Indonesia - Supporting Primary Health Care Reform (I-SPHERE) Program Information Document http://documents.worldbank.org/curated/en/425621522066651938/Appraisal-Stage-Program-Information-Document-PID-Indonesia-Supporting-Primary-Healthcare-Reform-P164277

[15] The COVID-19 Emergency Response Program for Results Program Appraisal Document http://documents.worldbank.org/curated/en/831821590529430869/Indonesia-Emergency-Response-to-COVID-19-Program

[16] Indonesia – National Social Health Insurance (JKN) Reforms and Results Program for Results http://documents.worldbank.org/curated/en/358231637286675754/Appraisal-Stage-Program-Information-Document-PID-National-Health-Insurance-JKN-Reforms-and-Results-Program-P172707

[17] Indonesia Investing in Nutrition Early Years Phase 2 Program for Results http://documents.worldbank.org/curated/en/099050323073572319/P1804910c43c1c07080710a9b16281c1bc

[18] Indonesia – Strengthening National Tuberculosis Response Program for Results http://documents.worldbank.org/curated/en/099500005172273889/P17851700a94f407096400885a6651bbbf

directly. The proposed Indonesia Supporting Health Transformation Project will be complementary to the HSS Project and the PforR portfolio by working at a higher level. It will be more indirect in addressing health sector challenges identified above by generating knowledge to inform and strengthen management capacity for national-level policy development, monitoring, and reforms. It is also envisaged to contribute to and be a key enabler of the HSTA, with a special focus on PHC (Pillar #1), and Digital Transformation (Pillar #6). It is envisioned to increase the efficiency and efficacy of activities, by coordinating support from development partners, which is substantial but currently very fragmented, overlapping, and requires multiple project management teams.

17. **A MDTF, the Indonesia Health Transformation MDTF (TF073974) has been recently established and is predominantly intended to support recipient-executed financing for the health transformation agenda in Indonesia.** The Indonesia Health Transformation MDTF has an overall funding target of US$ 41 million in recipient -executed activities. Based on the contributions committed to date, this project is receiving an amount of US$ 11.5 million with initial contributions from Australian DFAT, BMGF, and USAID. Other contributors joining in, and additional financing from existing contributors, are expected to commit additional funds, eventually reaching closer to the MOH's targeted total amount of US$41 million. The grant agreement (GA) for this original financing of the Project will be signed to the extent of the cash contributions already available in the MDTF, which will be amended, up to the amount of US$ 11.5 million, as and when the committed contributions from the contributing donors are received into the MDTF and transferred to the trust fund. The partners have recognized the risk of being unable to meet the targeted grant amount and a plan to mitigate potential negative impacts is in place. This includes monitoring of the status of available funds/contributions by the partners through the Partnership Committee and regular communication with MOH as the implementing unit to calibrate TA activities based on fund availability. Other potential financial resources from global health institutions such as Gavi and the Global Fund, as well as contribution from the private sector's corporate social responsibility schemes will be explored. At this time, the Bank has received approximately US$ 9 million in the MDTF for this grant project from the total already committed amount of US$ 11.5 million until 2025 from DFAT and BMGF contribution and from USAID, of which for the latter the administration agreement was signed during the appraisal of this Project.

18. **The Project's aim to support Indonesia's health system reform is critical to adapt to the impacts of and mitigate the potential losses due to climate change**. The Project's focus and activities in generating knowledge and evidence that inform the planning and decision to allocate resources to strengthen primary health care and the use of digital in health directly contribute to a more resilient, flexible, and energy-efficient public health care system, which reduces its climate footprint while ensuring care can be provided during climate shocks and adapting to changing disease patterns due to climate change.

19. **The Project activities are consistent with Indonesia's climate strategies**. The main focus of the grant Project on primary care and digital health is commensurate with Indonesia's 2022 Enhanced Nationally Determined Contribution (ENDC)[19] and the Long-Term Low Carbon and Climate Resilience Strategy (LTS-LCCR) 2050.[20] The ENDC has an explicit health focus by recognizing the need for improved basic health service provision as the community level as part of its objective to ensure archipelagic climate resilience by 2030, which the Project seeks to ensure by supporting the first pillar of the Health System Transformation Agenda. The strengthened foundation of the primary care system ensures a care system that is more responsive to changing disease patterns due to climate change while being able to flexibly respond to climate change-induced natural disasters. The digital health angle plays a key role in enabling Indonesia to achieve its increased emission reduction targets laid out in the ENDC, now standing at 31.9 percent unconditionally and 43.2 percent conditional upon international support, also critical to achieve net-zero emissions in 2060, as outlined in the LTS-LCCR. The implementation of telemedicine-enabled care, which reduces the need to travel for care while also allowing services

[19] Republic of Indonesia. (2022). *Enhanced Nationally Determined Contribution: Republic of Indonesia*. Available at: https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf

[20] Republic of Indonesia. (2021). *Long-Term Strategy for Low Carbon and Climate Resilience 2050*. Available at: https://unfccc.int/sites/default/files/resource/Indonesia_LTS-LCCR_2021.pdf

to be delivered irrespective of accessibility in times of climate shocks, is also highlighted in the Indonesia Country Climate and Development Report (CCDR).[21]

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

20. **PDO Statement**

To improve coordination of partner support and enhance integration of cross-cutting themes in Indonesia's health system transformation agenda, with a focus on primary health care and digital health.

PDO Level Indicators

21. **The Project Development Objective will be measured by indicators on the establishment of a well-functioning mechanism that coordinates multiple development partners to support the GoI's HSTA.** The following are the proposed indicators at the PDO level:

- PDO-I for Outcome Area 1 (qualitative): A mechanism to coordinate development partners support to GoI's HSTA is successfully implemented.
- PDO-I for Outcome Area 2 (quantitative): Number of effective projects, initiatives, policies, regulations, supporting HSTA that explicitly incorporate at least one cross-cutting issue.

A set of intermediate indicators to monitor project performance is provided in Section VII.

B. Project Components

22. **The proposed 'Indonesia Supporting Health Transformation' Project is focusing on providing technical support through capacity building, evidence generation, and knowledge management to achieve a sustainable health system transformation.** The Project is financed by the Indonesia Health Transformation MDTF and will adopt a programmatic approach for prioritizing its activity selection. The detailed activities of the Project will be defined and agreed through an annual workplan process conducted in close consultation with the steering/partnership committee. This mechanism will ensure that the consistency of expected activities and key components of the Project with the theory of change and the overarching results framework can be maintained. The financial modalities for parent MDTF use both the recipient (GoI)-executed trust fund (RETF) and bank-executed trust fund (BETF). The RETF activities will be undertaken by this grant Project and will be drawn upon and coordinated with the BETF supported activities. The Project components are as follows:

Component 1: Improving coordination of Partner Support (US$ 5.75 million)

23. The objective of this component is to improve coordination of development partners in supporting capacity building activities to improve the MOH's capacities in leading, coordinating and managing development partners support in loan and grant operations for the implementation of the HSTA. Activities under this component include:

- enhancing the function of the MOH's development partners coordination platform to review MOH's proposed workplan,
- enhancing the MOH's expertise in management information systems and data analytics to improve the completeness and quality of data as well as effective use of the data, and
- monitoring, supervision, and evaluation activities in respect of the operations supported by the development partners.

24. Project activities to improve the MOH's capacities in managing development partners support in loan and grant operations as mentioned above include financing the skills and expertise required by MOH to undertake procurement

[21] World Bank (2023). *Indonesia Country Climate and Development Report*. Available at: *https://openknowledge.worldbank.org/entities/publication/c6b1d872-f487-4579-be3a-3cb6ba55dffa*

processes required under international funding. This includes supporting the drafting of procurement packages, designing bid documents and Terms of Reference, supporting bid evaluation, and contracting and contract management processes.

Component 2: Improving Integration of Cross-cutting Issues (US$ 5.75 million)

25. This component supports (a) knowledge creation and technical capacity building activities for the implementation of HSTA in a manner that ensures improved integration and intersectionality of relevant cross-cutting issues (including gender, people with disabilities, climate change, quality assurance and geospatial equity), and (b) monitoring, supervision, and evaluation of the foregoing activities.

26. Both components above will include activities such as (a) recruitment of firms or individuals with expertise in procurement and fiduciary management, and information system and digital health to provide technical advisory services and administrative support; (b) capacity building activities including training and learning exchange; and (c) regular monitoring and evaluation activities including organization and participation in implementation support missions as well as other coordination meetings.

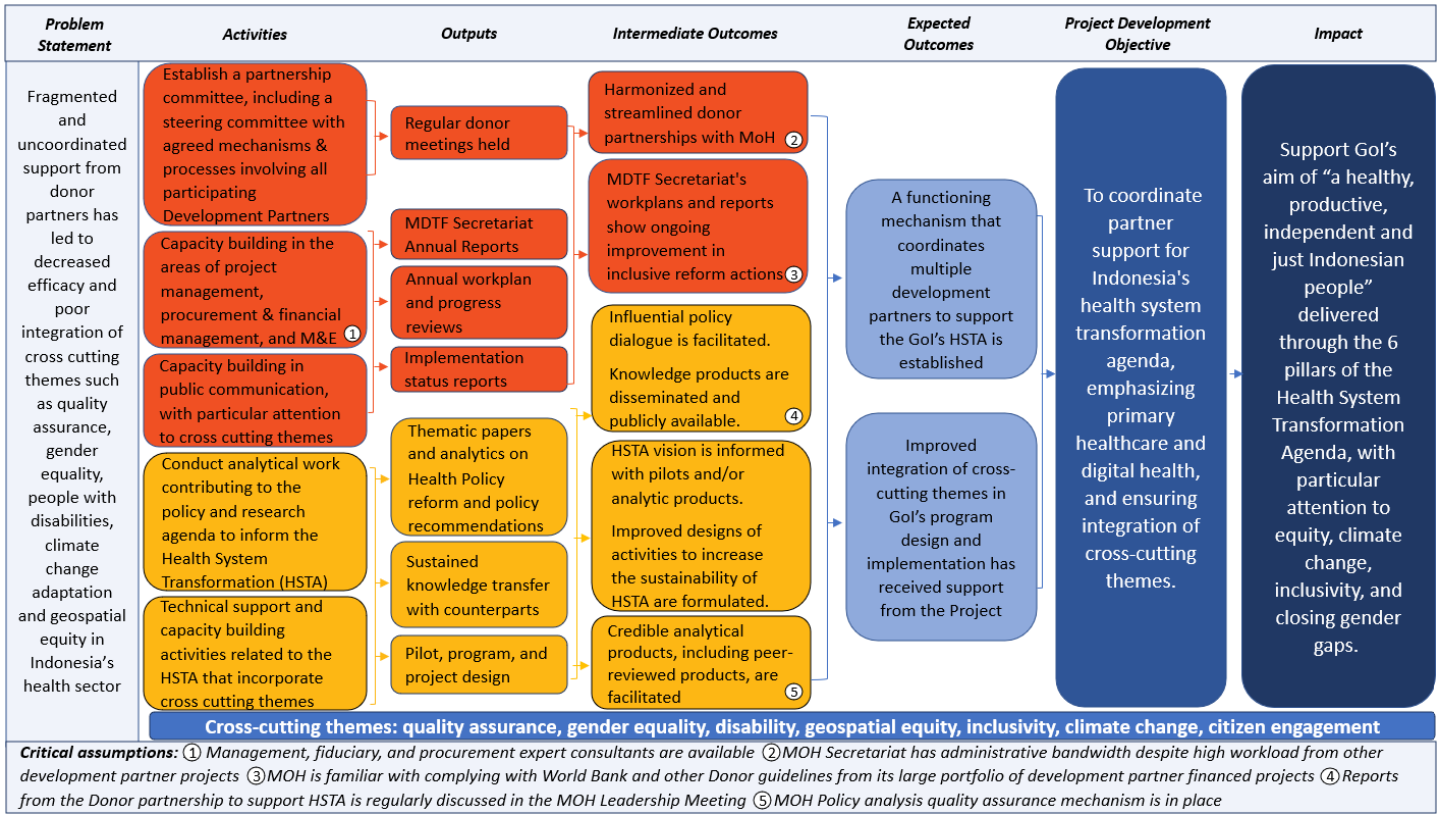
C. Project Beneficiaries

27. The Project's primary beneficiary is the MOH as the lead implementer of the transformation in the health sector. The development partners coordination platform established by the Project will enable more integrated and efficient communication and technical support to the relevant units in HSTA. Indirect beneficiaries from the Project would be the residents of Indonesia as the main target of the ongoing health sector reform.

D. Theory of Change

28. Based on the description above, the problem statement for this Project is that there are fragmented and uncoordinated support from donor partners that has led to increased administrative burden, decreased efficiency, and poor integration of cross cutting issues in Indonesia's health sector.

Figure 2. Theory of Change for the 'Indonesia Support Health Transformation' Project



E. Rationale for Bank Involvement and Role of Partners

29. **The World Bank has been providing support to the Indonesia's health sector reform agenda with its analytics and operations for many years.** The World Bank has been providing analytics and technical support that cover all building blocks of the health system. Analytics on, among others, health financing both on the supply-side (GOI budgetary financing) and demand-side (health insurance), readiness of service delivery system including health facilities and health workforce, and information system are well aligned with the six pillars of the HSTA. The recommendations from these analytics also focused on ensuring adequacy of financial resources for health and strengthening the governance within the sector in a decentralized context. The World Bank's analytics have become the reference and the basis of the existing lending operations, both under the PforRs that support GoI's programs (INEY, INEY2, I-SPHERE, JKN Sustainability, and TB), and investment project (HSS). Together these efforts aim to achieve impact across a wide range of critical health sector reforms that contribute to all pillars of the HSTA.

30. **The World Bank has demonstrated its capability to convene, collaborate with and organize financial contributions from development partners led the MoH to request the World Bank to lead the donors' support for HSTA.** The development partners that contribute to the MDTF will be members of the Partnership Committee.

F. Lessons Learned and Reflected in the Project Design

31. **The Project design is based on the lessons learned from multi donors financed lending operations and RETF that have supported the GoI's health programs.** The development partners community have praised the current MOH leadership in embarking on an ambitious comprehensive HSTA, and at the same time expressed their interests to further accelerate the reform and ensure its sustainability. The GoI has learned the benefits from the collaboration of multi development partners to support GoI's programs, such as the World Bank's COVID-19 PforR co-financed with AIIB, Kreditanstalt für Wiederaufbau (KfW,) and DFAT. The benefits from a collaborative arrangement including the appeals among donors for cross leveraging their investment and for the MOH is for ease of and efficiency in coordinating donors. The Project design was developed from these lessons learned. The World Bank has had experience in mobilizing resources

from various development partners to co-finance PforR operations, and recently in an IPF Project, I-HSS. The arrangement among the partners that ensures their involvement in decision making and overseeing the Project implementation was based on this previous experience.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

Implementation Arrangements

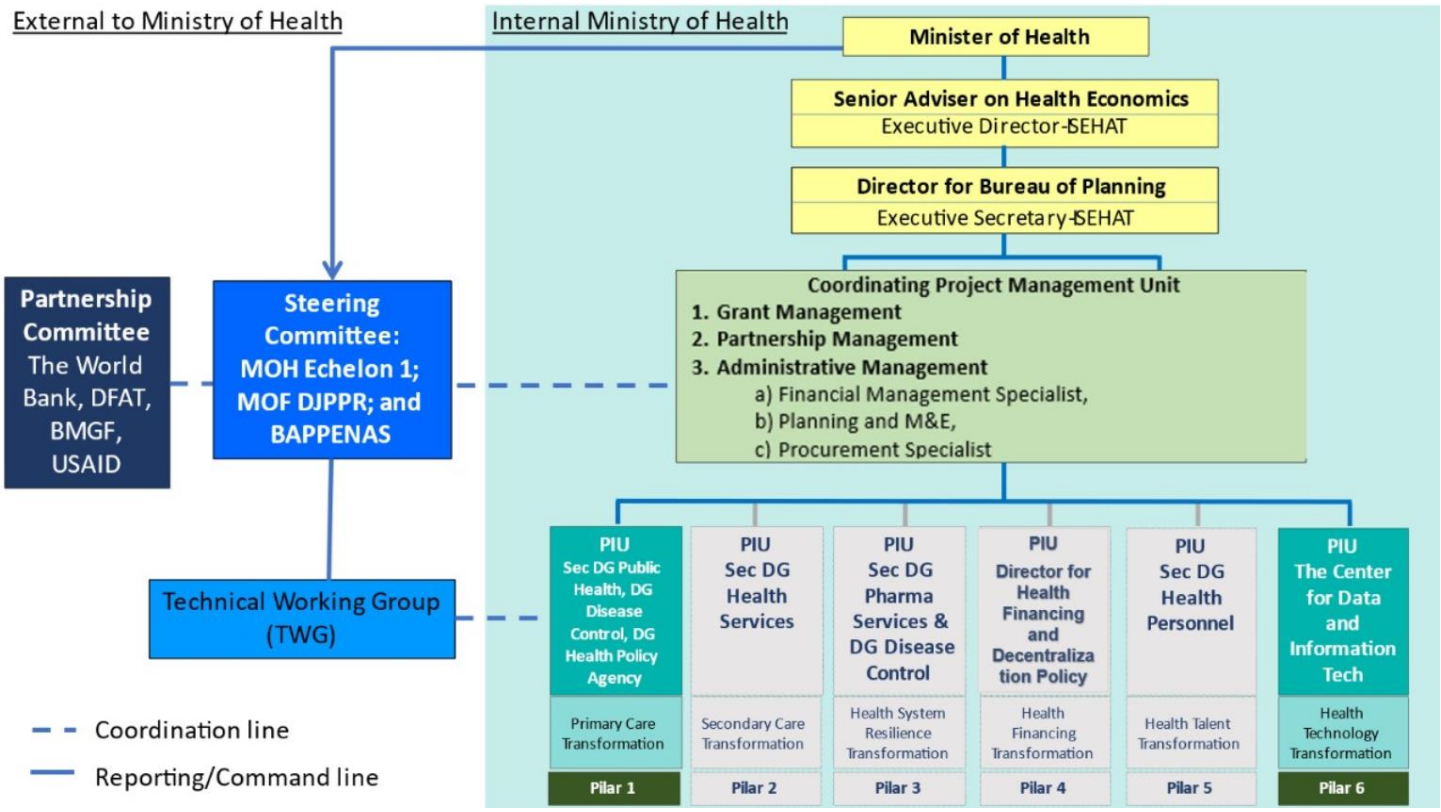
32. **The project executing agency is the Secretariat General of MOH (Sekretariat Jenderal, Setjen), including implementing units of the Project Component activities.** The MOH, especially the Bureau of Planning under Secretariate General, has substantially gained management and technical capacity. Its proven track record of successful implementation of several large foreign loan-financed operations includes the World Bank-financed I-SPHERE, INEY, COVID-19, JKN, and TB PforRs described earlier.

33. **The project management structure is already notified via the Minister of Health Decree on the organization for donors' funds to HSTA, HK.01.07/MENKES/1505/2023, dated July 20, 2023.** This Decree provides the basis for the Coordinating Project Management Unit (CPMU) to manage I-SEHAT, which supports loans and grants functions across the MOH specifically in coordinating planning and budgeting, monitoring the implementation and management of grants that support the health transformation activities, and establishing and maintaining partnership with the donors. Some additional support to individual loans and grants in the form of Project Implementation Units (PIUs) may also be funded from this Project, depending on the need and complexity of Project activities, and in turn these PIUs will support the different technical working groups (TWG) constituted to support the six pillars of HSTA. The project management structure will be established under a steering committee as provided in above decree. (Figure 3)

34. **Under the office of the Secretary General, a Coordinating Project Management Unit (CPMU) will be established to oversee overall Project implementation.** The CPMU will be led by a seasoned executive secretary, who will be managing overall grant and partnership, and will be supported by personnel with expertise in Financial Management (FM), procurement, social with background in gender, social inclusivity, and Monitoring and Evaluation (M&E). The Project will establish PIUs depending on the agreed activities. The PIU(s) will be responsible for the planning, budgeting, implementation, and reporting of activities that support the HSTA, for instance separate PIUs for the focus areas such as the integration of PHC and digital transformation. The Project Operation Manual (POM) is expected to be completed and adopted by the Recipient within the first three months of its effectiveness (Figure 3).

35. **The above implementation arrangement will be governed by a Steering Committee and a Partnership Committee.** The Steering Committee will consist of leadership from MOH, MOF Directorate General of Budget Financing and Risk (DJPPR), and The National Ministry of Development Planning (Bappenas). The Partnership Committee will consist of all donors to I-SEHAT as well as a representative from the Steering Committee. It will house the partner coordination mechanism for the Program, providing coordinated donor guidance to the Steering Committee, which in turn guides the CPMU.

Figure 3. Institutional Arrangements



Note: The institutional arrangement for the grant Project refers to the Minister of Health Decree on the organization for donors' funds to support HSTA, HK.01.07/MENKES/1505/2023, dated July 20, 2023.

B. Results Monitoring and Evaluation Arrangements

36. **The MOH, through the CPMU, will be responsible for overall monitoring of Project implementation, including reporting on the Project**. The CPMU will continuously assess Project performance by well-defined performance indicators with dedicated M&E personnel. These indicators will measure the functionality of the coordination mechanism among development partners and improved communication with the MOH in advancing HSTA. These indicators are part of the Project's Results Framework. The CPMU will be responsible to ensure that each Project Report is furnished to the Bank not later than forty-five days after the end of each calendar semester, covering the calendar semester.

C. Sustainability

37. **The Project is expected to strengthen the implementation of the MOH's HSTA by generating knowledge and evidence to inform the reform activities for a more sustainable transformation**. The focus of the activities is PHC and the use of digital technologies as part of the health transformation towards improving the overall effectiveness of Indonesia's health system. The Project will enable strengthening PHC that will allow the system to provide preventive and early detection and treatment which are proven to be more cost effective. Similarly, the Project aims to inform on the use of digital technology that is appropriate for the Indonesian context and to support the transformation of the other five HSTA pillars. At the same time, the Project is expected to build capacity within the MOH to generate evidence and knowledge, and to use the information to strengthen the policy formulation related to HSTA.

38. There is a strong commitment from the MOH to establish a mechanism to increase efficiency and effectiveness of development partners. Recognizing this need, one of the Project's main objectives is to create a platform through the Partnership Committee that would enable better flow of communication between the MOH and development partners.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

39. **The expected benefits of the Project include improved health outcomes driven by a stronger and more sustainable health system in Indonesia.** Continued investments in building the health system's capacity for knowledge generation and stewardship is expected to provide catalytic benefits linked to enhancing the operationalization of the six pillars of the HSTA. Benefits will also include improved technical and allocative efficiency at the central level leading to overall efficiency gains in health system performance, and overall improved effectiveness of public health spending in Indonesia. The value added of the Bank's support includes technical assistance, analytics, and implementation support. The resources from the grant will enable the MOH to bring in highly qualified experts, global experiences, and lessons learned that are difficult to obtain with the GOI budget.

40. **A detailed economic analysis was carried out for the Indonesia Health Systems Strengthening project that supports the Health Transformation agenda with US$1.5 billion in IBRD funding and US$4 billion in total MDB co-financing.** The economic analysis concluded that the project was economically viable and an assessment of the implications of the Project components on the efficiency and equity of the health system as well as on access and quality shows that it is a worthwhile investment and expected to improve healthcare access and quality across Indonesia and lead to better health outcomes with reduced spatial and socioeconomic disparities, which is critical to maximize the economic benefit of existing human capital. Providing key services at the lowest appropriate level of the health system decreases the need for unnecessary hospital admissions and reduces potentially preventable readmissions. A detailed economic and financial analysis of the Project—with conservative estimates—produced a net present value of US$8.5 billion and a benefit-cost ratio of 3.1.[22] Given the relatively modest incremental financing by this Project, an additional economic analysis has not been carried out, given that underlying major projects supported by the Project are economically viable. Further, the Project is expected to improve the coordination among donors hence reducing the transaction costs that the MOH must bear when dealing with individual donors. The coordination platform enables better communication with the MOH which in the end improves allocation of resources for priority areas of HSTA. In the implementation of HSTA, there are competing priorities, and the institutional setup of the Project with Steering/Partnership committee allows a more balanced decision-making process in allocating the Project's grants. The Project will therefore contribute to improved technical and allocative efficiency in the delivery of services in the health sector. Improved decision-making and policy formulation processes leveraged the investment from both GOI's and development partners that is expected to promote equity in access to healthcare services and reduce the financial burden on poor households. Strengthened health system in Indonesia, given the country's size and importance, will also generate strong positive externalities at the national and global levels.

41. **The activities under this operation are fully aligned with the goals of the Paris Agreement on both mitigation and adaptation.**

- Assessment and reduction of mitigation risks: The activities supported under this operation provide technical support through capacity building, evidence generation, and knowledge management to achieve sustainable health system transformation and are universally aligned.

[22] Indonesia Health System Strengthening Project Information Document, 2023
https://documents1.worldbank.org/curated/en/099071023173535578/pdf/P18081105f58ed0e0b2350a471f429f1c4.pdf

- Assessment and reduction of adaptation risks: While Indonesia is highly exposed to risks from climate hazards (see paragraph 8), the inherent level of risk to the operation is low given the nature of activities financed. Furthermore, activities support enhancing Indonesia's adaptive capacity and resilience in the health sector, which ensures that the risks are acceptable, and the operation is aligned on adaptation and resilience.

B. Fiduciary

(i) Financial Management

42. The Financial Management Assessment (FMA) focuses on assessing the financial management risks associated with the Secretary General of Ministry of Health (SG MOH). The FMA was carried out on May 1, 2024 in accordance with the Bank's FM Manual for World Bank Investment Project Financing Operations (2010) and Bank Directive for Investment Project Financing (March 13, 2023).

43. Based on the performance of ongoing HSS project, the residual financial management risk for the Grant Project is **Moderate**. Based on the financial management assessment, the main risk identified of the Grant is mainly related to the already significant workload of the Secretary General (SG) of MOH has as the lead implementing agency of the HSS project. To mitigate the risk: (i) SG MOH should assign additional financial management staff for the Project; (ii) prepare a Project Operation Manual (POM) to guide the project implementation within the first three month from the effectiveness; (iii) hire a FM consultant for the Project to ensure robust payment verification, assist in the preparation of quarterly Interim unaudited Financial Report (IFR) and annual financial statements.

44. The CPMU in SG MOH will prepare the IFR and submit it to the Bank within 45 days after the end of each quarter. Similarly, consolidated annual financial statements will be prepared by the CPMU for the Grant. The annual financial statements will be audited by the Supreme Audit Agency (Badan Pemeriksa Keuangan or BPK) and submitted to the Bank within six months after the end of the financial year. The audit will be conducted based on terms of reference agreed by the Bank. The audit report for the project will be made publicly available.

(ii) Procurement

45. Procurement processes will follow the World Bank's Procurement Regulations for IPF Borrowers of September 2023 (The World Bank's Procurement Regulations), the provisions of the Grant Agreement and agreed Procurement Plan. MOH has sufficient experience in handling several World Bank-financed PforRs and IPFs from other MDBs. The MOH's experience has also been considerably strengthened on procurement activities in another IPF operation. Following Project appraisal, MOH with support from the Bank, finalized the Project Procurement Strategy for Development (PPSD).The Procurement Plan (PP) for the first 18 months of the Project implementation has been prepared. It is envisaged that procurement activities will include hiring consulting services both firm or/and individual, and procurement of small goods. During project implementation, MOH shall submit updates of the PPSD and PP to the World Bank for its review and approval. The Project shall use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record, and track procurement transactions and contract implementation. The procurement assessment of the MOH was carried out May 1-7, 2024 before the Project appraisal.

C. Legal Operational Policies

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

46. **The environmental and social risk rating for the project is classified as low**. The Indonesia Supporting Health Transformation Project (I-SEHAT)'s technical assistance activities will support GoI's Health System Transformation Agenda (HSTA) with special focus on enabling coordinated partner support for GoI HSTA. TA activities and outputs include hiring staff and consultants, capacity building, financing project management, conducting analytical works for policy recommendation, and supporting activities that focus on knowledge and learning, including monitoring, supervision, and evaluation to generate evidence and translate it into policy. The project will focus on strengthening borrower's capacity and supporting the formulation of policies and plans. TA activities will have no direct physical footprint, as no construction of new buildings or expansion of facilities are envisaged.The project is not expected to have any direct environmental impacts and risks. The outcomes of the TA will have no negative environmental and social implications. The project will not support the preparation for future construction of physical infrastructure (feasibility studies, detailed technical designs, bid documents) with potentially significant physical impacts.

47. **Project activities will ensure the adoption of social cross cutting issues into the externally funded HSTA activities.** Although the Project does not have direct engagement with community including vulnerable population groups**,** the Project's grant will be used to ensure operational practices of existing WB and other development partner financed projects improve their performance on environmental and social aspects, also ensuring adequate attention on gender, people with disabilities, and climate which are central to the knowledge creation, capacity building, and health sector reforms to reduce barriers towards care for vulnerable groups. Social risk may involve health and safety risks of project workers, as the Project will hire small number of project workers to perform mostly office-based works and may visit health centers for conducting analytical works and/or research, which is low to negligible. The health and safety risks of project workers will be addressed through relying on the existing MOH's health and safety guideline, including protocols on Infection Prevention and Control (IPC) with additional measures such as standard behavior/code of conduct on respectful behaviors covering prevention and management of Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) will be provided in the POM, that is expected to be completed within the first three months of effectivess. An Environmental and Social Commitment Plan (ESCP) that outlines the project's commitment to adhere to the Bank's Environmental and Social Standards has been published byMoH[23] on June 5, 2024, and updated on August 12, 2024.and disclosed on the World Bank website on August 26, 2024.

V. GRIEVANCE REDRESS SERVICES

48. **Grievance Redress.** Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For

[23] https://kemkes.go.id/id/proyek-mendukung-transformasi-kesehatan-indonesia-i-sehat

information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

VI. KEY RISKS

49. **The overall residual risk of the grant Project is expected to be moderate, with Institutional Capacity for Implementation and Sustainability and Stakeholder risks rated substantial.** Risks derived from the recent political transition will be mitigated with the continuation of the highly committed MOH leadership with sustained support from the Ministry of Finance (MoF) and the Ministry of National Development Planning/Bappenas, and the steady improvement in MOH capacity with ongoing implementation of the Indonesia Health System Strengthening Project. Project activities as designed herein are also of moderate risk- including operational and analytical support to MOH, recruitment of individual experts and firms, support to sustainable health reform program design and implementation, identification of technical guidelines, and development of public communication materials. The co-financiers have recognized the risks of the new modality to collaboratively supporting the HSTA through a single platform, and not being able to meet the targeted grant amount. Measures to mitigate potential negative impact will include monitoring of the status of available funds/contributions and activities by the development partners through the Partnership Committee, and regular communication with MOH as the implementing unit. Overall, the Project is assessed to have a moderate level of risk.

50. **Institutional Capacity for Implementation and Sustainability - Substantial.** Although MOH has gained experience from the implementation of the IHSS Project and also to some extent as a part of the IPF component of the JKN PforR, the institutional capacity at MOH remains limited. MOH is becoming increasingly familiar with implementation of project activities that apply the rigorous World Bank guidelines on procurement, Financial Management, Governance, and Environment and Social Framework (ESF). Based on the FM assessment, the main risk is expected to derive from the already significant workload of the team under Secretary General (SG) of MOH as the lead implementing agency of the HSS project. The additional support from management experts (project management, fiduciary and procurement management) has made significant progress due to the availability of these experts in the market. The MOH is, however, less familiar with the GOI's "plan grant" mechanism and has to invest attention into the same. To mitigate this risk, the MOH has been working closely with the MoF and Bappenas during the initial preparation of the plan grant mechanism, including understanding the budgeting process to ensure immediate effectiveness of the project.

51. **Stakeholder – Substantial.** The main internal risk factor for the Program implementation is derived from the involvement of multiple working units within the MoH as reflected in the Institutional Arrangement (Fig.3). The persistence of the siloed work environment within MoH has been slowing down several key activities under the health transformation agenda compared to the expected pace. For instance, there have been extra efforts to ensure the involvement of vertical health program units such as communicable diseases unit in the formulation of the integrated primary health care strategies and the integration of vertical program information system into the integrated health information platform- but the attainment of results has been delayed. The capacity of the CPMU to ensure coordination and communication between involved working units was tested during the implementation of the previous and existing World Banks's operations, and this increasing capacity is expected to be able to mitigate this particular risk. At the same time, the MoH may need some time to bring external GoI stakeholders to be on the same wavelength in their roles as members of the Steering Committee for the Project. The MOH has been working closely with the MoF and Bappenas during the initial preparation of the plan grant mechanism, including understanding the budgeting process to ensure immediate effectiveness of the Project. The coordination of development partners in supporting MoH's HSTA through a single platform, the Partnership Committee, will be a new modality for all stakeholders involved. To mitigate this risk, regular coordination meetings and communication mechanisms will be established to ensure effective collaboration among participating partners.

VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Closing Period
Improving coordination of Partner Support	
A mechanism to coordinate development partners support to the GoI's HSTA is successfully implemented (Yes/No)	
Nov/2024	Dec/2027
A mechanism that coordinates multiple development partners to support the GoI's Health System Transformation Agenda is not yet established	The mechanism that coordinates multiple development partners to support the GoI's Health System Transformation Agenda is established and is functioning
Improving Integration of Cross-cutting Issues	
Number of effective projects, initiatives, policies, regulations, supporting HSTA that explicitly incorporate at least one cross-cutting issue (Number)	
Nov/2024	Dec/2027
0	20

Intermediate Indicators by Components

Baseline	Closing Period
Improving coordination of Partner Support	
Development partners regularly participate in the MDTF coordination arrangements (Number)	
Nov/2024	Dec/2027
3	5
Documented instances where development partners have agreed on coordinated priorities and approaches in support of the government's health reform agenda (Number)	
Nov/2024	Dec/2027
0	3
The number of expert staff recruited/supported by the Project (Number)	
Nov/2024	Dec/2027
0	10
Improving Integration of Cross-cutting Issues	
The number of experts on the cross cutting themes recruited/supported by the Project (Number)	
Nov/2024	Dec/2027

0	The number of experts on cross cutting themes recruited/supported by the Project
The number of analytical reports and knowledge products produced with support from the Project that each includes at least one cross cutting theme (Number)	
Nov/2024	Dec/2027
0	12
Documented instances where project-supported analytics that have included cross cutting themes help shape relevant health sector projects, programs, policies, pilots and reforms (Number)	
Nov/2024	Dec/2027
0	20

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

To improve coordination of partner support and enhance integration of cross-cutting themes in Indonesia's health system transformation agenda, with a focus on primary health care and digital health	
Outcome 1 Improving coordination of Partners support	
A mechanism to coordinate development partners support to the GoI's HSTA is successfully implemented (Yes/No)	
Description	A mechanism that coordinates multiple development partners to support the GoI's Health System Transformation Agenda is established. The mechanism may consist of a platform with description and distribution of roles and responsibilities among its members that is agreed by all of its founding members and followed by all participating development partners. The implementation is considered successful when the coordination mechanism/platform is convenes regular meetings for coordination purposes with the frequency as agreed among partners with participating partners and the GoI counterparts to discuss regular and extraordinary matters,; The mechanism has documented agreed description of clear roles and responsibilities for each participating partner. The mechanism has documented evidence of reviews of the implementing agency's proposals and workplans. The support activities are as described under the Project's components; This would include but not limited to discussions for priority setting of the programmatic activities, review and provide feedback to the MOH's proposed activities and workplans.
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH
Outcome 2 Improving Integration of Cross-cutting Issues	
Number of effective projects, initiatives, policies, regulations, supporting HSTA that explicitly incorporate at least one cross-cutting issue (Number)	
Description	Number of effective projects, initiatives, policies, regulations, supporting HSTA that explicitly incorporate at least one cross-cutting issue namely quality assurance, gender equality, people with disabilities, climate change adaptation and geospatial equity
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

Effective Stewardship and Program Management and Administration	
Development partners regularly participate in the Multi Donor Trust Fund coordination arrangements	
Description	The participation of all partner members in regular coordination meetings including Steering/Partnership meeting on subjects related to the Grant Project.
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports/Meeting reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH

The number of expert staff recruited/supported by the Project	
Description	The number of expert staff recruited/supported by the Project
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports/Meeting reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH
Documented instances where development partners have agreed on coordinated priorities and approaches in support of the government's health reform agenda	
Description	The approval to the proposed Project activities based on the agreed set of criteria that reflect HSTA priorities. The approval is recorded in minutes of meeting and/or any other types of meeting records.
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports/Meeting reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH

Improving integration of cross cutting issues	
Documented instances where project-supported analytics that have included cross cutting themes help shape relevant health sector projects, programs, policies, pilots and reforms (Number)	
Description	Documented instances where project-supported analytics that have included cross cutting themes help shape relevant health sector projects, programs, policies, pilots and reforms (Number). These instances where project-supported analytics help address gender inequality, disability, climate resilience and their intersectionality
Frequency	Annual
Data source	Project Management Secretariate
Methodology for Data Collection	Reports
Responsibility for Data Collection	CPMU, MOH, and World Bank
The number of expert staff on the cross cutting themes recruited/supported by the Project	
Description	The number of experts with expertise on cross cutting themes recruited/supported by the Project
Frequency	Annual
Data source	Project Management Secretariate
Methodology for Data Collection	Reports
Responsibility for Data Collection	CPMU, MOH, and World Bank
The number of analytical reports and knowledge products produced with support from the Project	
Description	The number of published reports and/or any type of published knowledge products produced with support from the Grant Project
Frequency	Annual
Data source	Coordinating body secretariate
Methodology for Data Collection	Reports/Meeting reports
Responsibility for Data Collection	World Bank, Project Secretariate at MOH

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Republic of Indonesia
Indonesia Supporting Health Transformation Project (I-SeHat)

1. **The implementing agency of the grant Project is MOH. The transformation of the health sector started two years ago with reforms within the MOH that have shown substantial improvements in management and technical capacity.** MOH has a proven track record of successful implementation of several large foreign loan financed operations both individually financed by multilateral development banks (MDB) or those that involve multiple MDBs such as the COVID-19 PforR, which is co-financed with AIIB, German KfW and DFAT. MOH has also been implementing direct or programmed grants, and so has familiarity with the investment lending instrument as well.

2. **The grant Project is expected to gain positive externalities from the MOH's established leadership, management, and technical capacity already built for the other World Bank lending operations, especially the HSS Project**. The grant Project will strengthen the MOH's experience in implementing World Bank investment lending project that will apply the rigorous World Bank guidelines on procurement, Financial Management, Governance, and Environment and Social Framework (ESF). The scope of this grant Project is limited to generating and managing knowledge to support the HSTA, and MOH has accumulated some experience from managing investment financing of other MDBs. The World Bank intends to seek support from the Health Transformation MDTF and aligned resources from World Bank and other partners, to provide such much-needed TA throughout the World Bank projects implementation.

Implementation arrangements

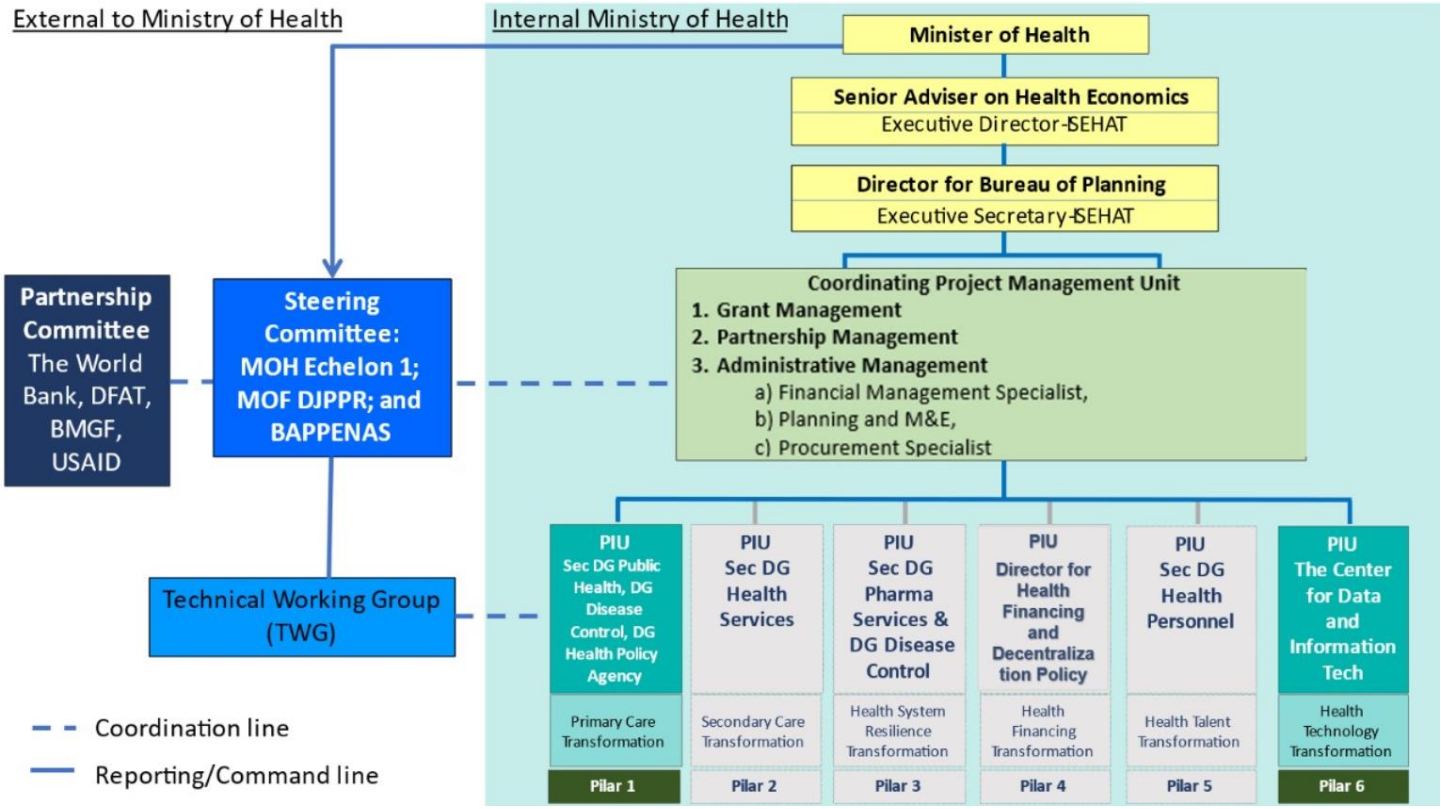
3. **The implementation agency of the grant Project is the MOH. The CPMU is projected to be housed under the SG MOH that will coordinate implementation of Project activities by the responsible units**. The Bureau of Planning, MOH under Secretariate General, has been leading the preparation and implementation of MDBs lending operations as well as different types of grants for the past five years. The working unit has experience with an excellent track record in implementing large lending operations including those financed by MDBs, that comprises World Bank, ADB, AIIB, KfW, and IsDB. In addition, different types of grant programs both direct and planned grants from DFAT, as well as has been overseeing the planning and implementation of grants from Global Fund and Gavi, the Vaccine Alliance.

4. **The project management structure refers to the organization for donors' funds to support HSTA in the MOH Decree** HK.01.07/MENKES/1505/2023, dated 20 July 2023. The decree aims to improve the effectiveness and efficiency of the loans and grants management functions across the MOH. Some additional support to individual loans and grants in the form of Project Implementation Units (PIUs) may also be funded from this Project depending on the need and complexity of Project activities, and in turn these PIUs will support the different technical working groups (TWG) constituted to support the six pillars of HSTA (as described with dotted line in Figure 1.1) The project management structure with a CPMU that will be under a steering committee as provided in above decree.

5. **The CPMU will be established to oversee overall Project implementation.** The CPMU will be led by a seasoned manager and supported by experts in FM, procurement, social with background in gender, social inclusivity, and M&E. The establishment of PIUs will be corresponding to the activities that have been agreed with the Partnership Committee. The PIUs will be responsible for the planning, budgeting, implementation, and reporting of activities that support the

HSTA, for instance separate PIUs for the focus areas such as the integration of PHC and digital transformation. (Figure 1.1) The Project Operation Manual (POM) is expected to be completed and adopted by the Recipient within the first three months of its effectiveness.

Figure 1.1 Institutional Arrangement



Note: The institutional arrangement for the grant Project refers to the Minister of Health Decree on the organization for donor funds to support HSTA, HK.01.07/MENKES/1505/2023, dated 20 July 2023.

6. **MoH, in collaboration with Partnership Committee under the coordination of the World Bank, will conduct joint implementation support missions at least twice a year to monitor progress and hold discussions on any issues raised during Project implementation.** These implementation support missions aim to assess the Project's performance, identify areas of success, and uncover potential bottlenecks that may hinder achievement of project objectives. Following each mission, an Aide Memoire will be prepared, summarizing findings and recommendations. The report will be shared with all relevant stakeholders to facilitate evidence-based decision-making and guide future actions.

7. **The plan includes frequent review of implementation performance and progress**. Information from various sources will be used, including data generated through the Government's M&E systems, World Bank reviews of findings, and results of third-party assessments that will be undertaken during implementation. The World Bank's analytical work program that includes technical assistance activities to support the GoI's HSTA will be a key enabling factor to augment MoH capacity to implement and monitor the Project.

Technical

8. Component 1 will involve working units under DG Community Health that are responsible for activities related to the integrated primary health services, the Health Policy Agency (BKPK), and the DTO and Pusdatin that are leading the implementation of digital health. The stewardship and project administrative activities under Component 2 will be led by the Bureau of Planning and Budgeting of Secretariate General MOH. The PIUs that will be established based on the Project activities to support HSTA pillars may involve the following working units within MOH. For instance, PIU to support HSTA Pillar 1 on Primary Care Transformation will include working units under DG Public Health and DG Disease Control. The following list of working units is indicative:

Table 1.1. Working Units of the Grant Project

Component/ Activities	Relevant working units within MOH that may be included in the PIUs
Component 1: Improving coordination of Partner Support	Secretariate General - Bureau of Planning and Budgeting - Bureau of Procurement Directorate General of Health Policy/BKPK - The Center for Policy on Global Health and Health Technology
Component 2: Improving Integration of Cross-cutting Issues	DG Public Health - Secretariate of the Directorate General Public Health - Directorate of Nutrition, Maternal, and Child Health - Directorate of Public Health Management Directorate General of Health Policy - The Center for Policy on Health Efforts - The Center for Policy on Health Financing and Decentralization - The Center for Policy on Global Health and Health Technology Directorate General of Disease Control - Directorate of Program Immunization - Directorate of Communicable Diseases - Directorate of Non-Communicable Diseases Secretariate General - Bureau of Planning and Budgeting - Bureau of Procurement Central Unit - The Center for Data and Information Technology

Note: The visualization in Figure 3 only reflects the MOH's working units at the Directorate General level while Table 1.1 above lists working units that fall under that Directorate.

ANNEX 2: Financial Management

Budgeting. In Indonesia, financing arrangements for Bank project implemented by Central Government Agencies are governed by integrated budget document, also known as *Daftar Isian Pelaksanaan Anggaran* (List of Planned and Budgeted Activities) DIPA. Sources of financing for project activities, including financing percentage, are detailed in DIPA and strictly followed. The budget of the project will be included in the SG MoH's budget documents (DIPA).

Internal controls. The Grant will primarily finance consultant contracts, non-consulting services, workshops, training, incremental operating costs, and a small portion allocated to finance goods. SG MoH will prepare a Project Operation Manual (POM) to guide CPMU in implementing the project. In addition, FM consultant will be supporting Project implementation especially in conducting robust payment verification, quarterly IFR and annual financial statements preparation.

Internal audit

Project implementation is subject to internal audit by MoH Inspector General. Report on the project internal audit will be available for the Bank during the grant supervision.

Accounting and Reporting

The grant accounting will follow government accounting system. For the purpose of reporting to the Bank, the CPMU in SG MoH will appoint staff to assist in the preparation of quarterly Interim Financial Report (IFR) for the Project. IFR should be received by the Bank no later than 45 days after the end of each quarter. SG MoH will also prepare annual unaudited financial report of the project with Notes to the Financial Statements for auditing purposes. The annual financial statements should be reviewed by the Inspectorate General of MoH (IG MoH) prior to submission to the auditor (BPK). IFR format and financial statement format and guidelines for its preparation will be reflected in the POM.

Flow of Funds

A Designated Account (DA) for the Grant will be opened by MoF. An advance will be opened based on the request from the Project and sufficient to cover for six months of planned expenditures. Additional transfers can be requested based on IFR, which will be submitted to the Bank through the Client Connection. When SG MoH receive invoice from consultant/ vendor, payment will be made from DA or Direct Payment. Three options are available for the Grant implementation:

1. SG MoH may use DA to effect payments for services. SG MoH may request additional transfer based on the request (using IFR format which includes projection) of SG MoH which should reflect their needs for six months planned expenditures.
2. Direct payment is available for contracts with a minimum value of US$100,000 per contract/withdrawal application.
3. SG MoH may opt for the pre-financing method, where instead of transferring the funds to the DA, the Bank transfers the funds to the State Treasury's account as reimbursement for the pre-financing amount.

All FM arrangements will be reflected in the POM.

Disbursement Arrangements

The applicable disbursement methods for the Grant are Advance, Direct Payment and Reimbursement. The current DA denominated in US dollars will be open in the central bank under the Project name. The DA is a segregated account with

fluctuated ceiling. The DAs will also be used for financing eligible expenditures of SG MoH Grant implementation. Applications for the replenishment of the DA advance will be submitted by the CPMU in SG MoH through the preparation of the project quarterly IFR. The IFR is expected to include: (i) DAs Activity Statement; (ii) Statement of Expenditures under Bank's prior review and non-prior review; (iii) Project Cash Forecast for a 6-month period; and (iv) Project Sources and Uses of Funds. There is no difference in disbursement category and allocation for activities financed by the grant for the two Project components.

External Audit Arrangements

The project will be subject to external audit. Each audit will cover a period of one fiscal year of the recipient. Audit will be conducted by BPK. Audit reports and audited financial statements will be furnished to the Bank no later than six months after the end of the fiscal year concerned and shall be made publicly available.

Supervision Plan

Risk-based supervision of the grant financial management will be conducted. This will involve desk supervision, including review of IFRs, audit reports and field visit. Financial management supervision is planned to be conducted every six months together with the task team as part of project implementation support.