



### Project Summary Information

Date of Document Preparation/Updating: December 13, 2023	
<b>Project Name</b>	Boosting Productivity through Human Capital Development Program-Subprogram 2
<b>Project Number</b>	P000760
<b>AIIB member</b>	Indonesia
<b>Sector/Subsector</b>	Economic Resilience / PBF
<b>Alignment with AIIB's thematic priorities</b>	Covid-19 Crisis Recovery Facility (CRF)
<b>Status of Financing</b>	Approved
<b>Objective</b>	The Program aims to enhance labor productivity through human capital development to support an accelerated economic recovery from the coronavirus disease (COVID-19) pandemic.
<b>Project Description</b>	<p>This Program provides policy-based financing (PBF) under the COVID-19 Crisis Recovery Facility of the Bank and is co-financed with the Asian Development Bank (ADB).</p> <p>The government's Vision of Indonesia 2045 and National Medium-Term Development Plan (RPJMN) 2020-2024 focus on human capital development 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. The proposed program is centered on the RPJMN's human capital development strategy, incorporating reforms in educational attainment, skill development, and social protection and public health systems improvement.</p> <p>The proposed Program will support three reform areas: (i) Reform Area 1 - Strengthened policies to finance and monitor the implementation of the Sustainable Development Goals (SDGs). This reform area focuses on the overall monitoring and implementation of SDGs, including at the local level, as well as health program financing (budget allocation and fiscal transfers) to meet SDG targets such as universal health coverage; (ii) Reform Area 2 - Improved educational attainment and skills development. This reform area focuses on educational and skills development outcomes; and (iii) Reform Area 3 - Enhanced social protection and public health systems. This reform area aims to improve human capital development through interventions in social protection and health.</p>

<b>Expected Results</b>	<p><b>On SDG financing and implementation</b></p> <ul style="list-style-type: none"> <li>• SDG index score increased to 70.0, with improvement in indicators related to health (SDG 3) and education (SDG 4), from 65.3 in 2020</li> <li>• National health insurance coverage increased to 240 million people from 223 million people in 2020</li> </ul> <p><b>On education and skills development</b></p> <ul style="list-style-type: none"> <li>• Learning-adjusted years of schooling increased to 8.5 from 7.8 in 2020</li> <li>• Higher education graduates find work within 1 year of graduation increased to 66.7% from 64.7% in 2020</li> </ul> <p><b>On social protection and health</b></p> <ul style="list-style-type: none"> <li>• Stunting among children under the age of 5 declined to 14% from 27.7% in 2019</li> <li>• Out-of-pocket expenditure as a share of total health expenditure declined to 25% from 34% in 2020</li> </ul>
<b>Environmental and Social Category</b>	<p>C</p>
<b>Environmental and Social Information</b>	<p>The Program will be co-financed with ADB as the lead co-financier, and the Program's Environmental and Social (E&amp;S) risks and impacts have been assessed in accordance with the provisions of ADB's Safeguard Policy Statement (SPS) applicable to policy-based lending. AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to policy-based financing operations. Therefore, as permitted by a decision of the Board of Directors, AIIB will apply the provisions of ADB's SPS applicable to policy-based lending to this PBF in lieu of the ESP. This will provide for a harmonized approach to addressing the environmental and social risks and impacts of the Program.</p> <p>Based on the E&amp;S assessments carried out according to the SPS requirements, no adverse impacts have been identified with respect to involuntary resettlement, Indigenous Peoples, or the environment. Hence, ADB has categorized the Program as Category C with respect to all three aspects.</p> <p>Gender disparities remain prevalent in Indonesia. In 2022, the labor force participation rate for Indonesian females was 53.4%, significantly lower than males at 83.9%. The proportion of NEET females is 9 percentage points higher than that of men. Indonesia ranks 92nd out of 146 economies in the Global Gender Gap Report 2022, with scores of 0.674 in economic participation and opportunity, 0.972 in educational attainment, 0.970 in health and survival, and 0.169 in political empowerment. The low percentage of women (55%) in the labor market and the gender gap in income distribution continue to impact the country's economic performance. The impact of the coronavirus disease (COVID-19) pandemic affected women and men differently and exacerbated existing gender inequality.</p> <p>Subprogram 1 is categorized <i>effective gender mainstreaming</i> at entry. Key reforms achieved in subprogram 1 includes</p>

	<p>addressing unemployment, including unemployment resulting from the COVID-19 pandemic, the government launched the preemployment card (<i>Kartu Pra Kerja</i>) program to provide subsidized training and job search allowance for job seekers. The program covered more than 5 million beneficiaries in 2020 and an additional 2.7 million beneficiaries in 2021, across all 34 provinces. Implementation in the first half of 2021 also saw an increase in women's participation to from 45% in 2020 to 50% of beneficiaries.</p> <p>Under Subprogram 2, the number of beneficiaries of the pre-employment card program will increase to 5 million (45% women) and linkages with industry partners will be improved. The government will also expand the JobStart program to three additional provinces (with at least 50% female registered job seekers) and will complete two cycles of life skills training, technical training, and internships in each of the new provinces. Key reform is to improve the targeting accuracy of social protection programs, the government issued a decree to link data on beneficiaries with the national identification number. This will reduce related inclusion and exclusion errors and provide sex-disaggregated data.</p>		
<b>Cost and Financing Plan</b>	Source of Financing	Amount (USD million)	Percentage
	ADB	500.00	50.00%
	AiIB	500.00	50.00%
	Total Program Cost	1.000.00	100.00%
<b>Borrower</b>	Republic of Indonesia		
<b>Implementing Entity</b>	Coordinating Ministry for Economic Affairs		
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<b>Date of Concept Decision</b>	October 25, 2023		
<b>Date of Appraisal Decision</b>	October 25, 2023		
<b>Date of Financing Approval</b>	December 11, 2023		
<b>Independent Accountability Mechanism</b>	<p>AiIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AiIB's ESP, which does not apply to this operation. Submissions to the PPM under this Program would, therefore, not be eligible for consideration by the PPM. Instead, pursuant to AiIB's agreement with ADB, complaints brought by third parties relating to compliance with ADB's SPS will be addressed by the Special Project Facilitator or Compliance Review Panel, each established under</p>		

	ADB's Accountability Mechanism Policy. Information on ADB's IAM is available at: <a href="https://www.adb.org/who-we-are/accountability-mechanism">https://www.adb.org/who-we-are/accountability-mechanism</a>
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